TIMKEN CO
Form DEF 14A
March 19, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

The Timken Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previoulsy with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of

2018 Annual Meeting

of Shareholders and

Proxy Statement

THE TIMKEN COMPANY

North Canton, Ohio U.S.A.

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John M. Timken, Jr.

Chairman Board of Directors

The Timken Company

4500 Mt. Pleasant Street, NW

North Canton, OH 44720

March 19, 2018

Dear Fellow Timken Shareholder:

The 2018 Annual Meeting of Shareholders of The Timken Company will be held on Tuesday, May 8, 2018, at 10:00 a.m. local time at the corporate offices of the company in North Canton, Ohio.

This year, you are being asked to act upon three matters. Details of these matters, along with the recommendations of your Board of Directors, are contained in the accompanying Notice of 2018 Annual Meeting of Shareholders and Proxy Statement.

Please read the enclosed information carefully before voting your shares. Voting your shares as soon as possible will ensure your representation at the meeting, whether or not you plan to attend.

I appreciate the strong participation and support of our shareholders over the years and look forward to a similar vote of support at the 2018 Annual Meeting of Shareholders.

Sincerely,

John M. Timken, Jr.

Chairman Board of Directors

Enclosure

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THE TIMKEN COMPANY

North Canton, Ohio

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

The 2018 Annual Meeting of Shareholders of The Timken Company will be held on Tuesday, May 8, 2018, at 10:00 a.m. local time, at 4500 Mt. Pleasant Street NW, North Canton, Ohio 44720, for the following purposes:

1. Election of 12 Directors to serve for a term of one year;
2. Approval, on an advisory basis, of our named executive officer compensation;
3. Ratification of the appointment of Ernst & Young LLP as our independent auditor for the fiscal year ending December 31, 2018; and
4. Consideration of such other business as may properly come before the meeting.

Shareholders of record of common shares of The Timken Company at the close of business on February 20, 2018 are the shareholders entitled to notice of and to vote at the meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE 2018 ANNUAL MEETING OF SHAREHOLDERS, PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE POSTAGE-PAID ENVELOPE PROVIDED OR VOTE YOUR SHARES ELECTRONICALLY THROUGH THE INTERNET OR BY TELEPHONE. VOTING INSTRUCTIONS ARE PROVIDED ON THE ENCLOSED PROXY CARD.

Effect of Not Casting Your Vote. Under New York Stock Exchange rules, if you hold your shares in street name through a brokerage account, your broker will NOT be able to vote your shares for you on most of the matters being considered at the 2018 Annual Meeting of Shareholders, including the election of Directors, unless you have given instructions to your broker prior to the meeting.

Thank you for your continued support of The Timken Company.

Carolyn E. Cheverine

Executive Vice President, General Counsel and Secretary

March 19, 2018

Important Notice Regarding the Availability of Proxy Materials for the 2018 Annual Meeting of Shareholders to be held on May 8, 2018: This Proxy Statement and our 2017 Annual Report to Shareholders are available on the Investors section of our website http://investors.timken.com. For directions to the 2018 Annual Meeting of Shareholders, you may call 234-262-3000.

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PROXY SUMMARY

This summary highlights certain information contained in the Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement before voting.

2018 Annual Meeting of Shareholders

Date and Time:	Tuesday, May 8, 2018 at 10:00 a.m. local time
Location:	The Timken Company, 4500 Mt. Pleasant Street NW, North Canton, Ohio 44720
Record Date:	February 20, 2018
Mail Date:	The approximate date our Proxy Statement and proxy card will be first sent or given to our shareholders is March 19, 2018.

Voting Matters and Board Voting Recommendations

Proposal	Board Recommendation	Page Reference
1. Election of 12 directors to serve for a term of one year.	FOR	7
2. Approval, on an advisory basis, of our named executive officer compensation.	FOR	25
3. Ratification of the appointment of Ernst & Young LLP as our independent auditor for the fiscal year ending December 31, 2018.	FOR	61

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Director Nominees

See Proposal No. 1 on page 7 of the Proxy Statement for more details on the 12 nominees for Director. The following information describes the background and experience of each nominee as of March 1, 2018.

				Committee Memberships			
Name and Title	Age	Director since	Independent	Audit	Compensation	Nominating & Corporate Governance	Other Public Boards
Maria A. Crowe Retired President of Manufacturing Operations, Eli Lilly and Company	58	2014				*	
Elizabeth A. Harrell Retired Major General, U.S. Air Force	64	2017					
Richard G. Kyle President and Chief Executive Officer, The Timken Company	52	2013					1

John A. Luke, Jr. Chairman, WestRock Company	69	1999			*	3
Christopher L. Mapes Chairman, President and Chief Executive Officer, Lincoln Electric Holdings, Inc.	56	2014				1
James F. Palmer Retired Corporate Vice President and Chief Financial Officer, Northrop Grumman Corporation	68	2015				
Ajita G. Rajendra Chairman and Chief Executive Officer, A. O. Smith Corporation	66	2014				2
Joseph W. Ralston Vice Chairman, The Cohen Group	74	2003	**			1
Frank C. Sullivan Chairman and Chief Executive Officer, RPM International Inc.	57	2003		*		1

John M. Timken, Jr. Chairman, Board of Directors, The Timken Company	66	1986	***	
Ward J. Timken, Jr. Chairman, Chief Executive Officer and President, TimkenSteel Corporation	50	2002		1
Jacqueline F. Woods Retired President, AT&T Ohio	70	2000		1

* Denotes committee chair

** Denotes Lead Director

*** Denotes Independent Chairman of the Board

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Corporate Governance Highlights

The Timken Company is committed to strong corporate governance as evidenced by the following practices. See page 20 of the Proxy Statement for more details.

Board Independence	10 of 12 Director nominees are independent Independent Chairman of the Board and an independent Lead Director Commitment to Board refreshment and diversity 5 new independent Directors added since 2014
Director Elections	Declassified Board with annual Board elections Directors are elected by a majority of votes cast and our Majority Voting Policy requires any Director who fails to receive a majority of the votes cast in favor of his or her election to submit his or her resignation to the Board
Board Practices	Share ownership requirements for nonemployee Directors (5x cash retainer) Executive sessions of independent Directors are conducted at each Board meeting Annual Board, Committee and Director evaluations Over-boarding policy limits the number of public company boards a Director can serve on

Shareholder Rights	Shareholder proxy access with 3/3/20/20 parameters Special Meetings may be called by shareholders holding 25% of the Company s common shares
Other Best Practices	Annual advisory vote on our named executive officer compensation Code of Conduct for Directors, officers and employees

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2017 Performance Highlights

Timken performed well in 2017, both year-over-year and as compared against the global bearing industry and its industrial peers. We profitably grew the Company in 2017, increasing revenue 12.5% to $3 billion. We achieved earnings per diluted share of $2.58 and adjusted earnings per diluted share of $2.63[1], up approximately 45% and approximately 23%, respectively, from the prior year. We also continued to create significant shareholder value by delivering a total shareholder return (TSR) of 26.8% in 2017, higher than the S&P 500 index and only slightly below our peer median over the same period. Over the past 10 years, our average annual TSR exceeds both the S&P 500 index and our peer median. Additionally, we increased and paid out our 382nd consecutive quarterly dividend, continuing one of the longest active streaks on the New York Stock Exchange (NYSE). We also improved our return on invested capital (ROIC) year-over-year.

We achieved these results through the disciplined execution of our strategy, which is focused on driving organic growth in our core business by leading in product technology, innovation and service; improving our business performance and expanding margins through operational excellence initiatives; and deploying our cash flow and capital to drive strong returns for our investors.

In 2017, we strengthened our global leadership position in tapered roller bearings and grew our offering in industrial bearings. We also significantly expanded our mechanical power transmission portfolio and geographic reach, completing three acquisitions during the year. The acquisitions of Torsion Control Products, Groeneveld Group and PT Tech advanced our position in industrial couplings and lubrication systems and introduced industrial clutches and brakes to the Timken portfolio. Our majority-owned subsidiary, Timken India Ltd., also entered into a definitive agreement to acquire ABC Bearings Ltd. to strengthen our position in the growing India bearing market. This transaction is expected to close in the first half of 2018.

See page 27 of the Proxy Statement for more details.

Return to Shareholders

*Total Shareholder Return for the Company was calculated on an annualized basis, assumes quarterly reinvestment of dividends and takes into account the value of TimkenSteel Corporation (TimkenSteel) common shares distributed in the spinoff of TimkenSteel from the Company that was completed on June 30, 2014 (the Spinoff).

**See page 32 of the Proxy Statement for the companies that are included in the compensation peer group for 2017.

[1] See Appendix A for reconciliation of adjusted earnings per share to its most directly comparable generally accepted accounting principle (GAAP) equivalent.

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2017 Executive Compensation Practices

We design our executive compensation plans and program to help us attract, motivate, reward and retain highly qualified executives who are capable of creating and sustaining value for our shareholders over the long term. See page 27 of the Proxy Statement for more details.

	Our executive compensation program is designed to:
Objectives	Align the interests of our executives and shareholders Reward for sustained, strong business results Attract, retain and motivate the best talent
	Our executive compensation philosophy is built on the following principles:
Philosophy	Recognizing that people are our most important asset Rewarding results linked to both short- and long-term performance (pay-for-performance) Positioning our pay to be competitive in the marketplace A focus on increasing shareholder value

What We Do
Share ownership requirements for executives (5x base salary for CEO and 3x for the other named executive officers)
Clawback policy permits clawback of executive compensation if an executive engages in conduct that is detrimental to the Company
Shareholder-approved short-term and long-term incentive plans
Use of targeted performance metrics to align pay with performance
Different metrics are used for short- and long-term incentive plans

What We Do Not Do
× We do not allow hedging or pledging of our common shares

- × We do not provide excise tax gross-ups on perquisites or in named executive officer severance agreements
- × We do not have single-trigger vesting
- × We do not re-price stock options and do not issue discounted stock options
- × We do not provide excessive perquisites
- × We do not have employment agreements for our named executive officers

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Pay-for-Performance

Our compensation program is designed to link pay and performance, which we believe has been demonstrated by the strong level of shareholder support we have received for our compensation program over the last few years. A significant portion of the compensation of our named executive officers is equity based, which we believe aligns our executives interests with the interests of our shareholders.

Shareholder Support of Named Executive Officer Compensation	
2017	97%
2016	96%
2015	93%

The Company s incentive compensation program for executives is designed to link compensation with the full spectrum of our business goals, some of which are short term, while others take several years or more to achieve. The Company uses a balance of short- and long-term incentives as well as cash and non-cash compensation to meet these objectives:

Our incentive compensation program payouts for plan years ending in 2017 were aligned with performance:

There was a 136.8% payout under the annual cash incentive plan, reflecting strong performance that exceeded the performance targets for 2017; and
There was a 55.2% payout for 2015-2017 performance-based restricted stock units, reflecting challenging markets and below target performance in 2015 and 2016, partially offset by improved performance in 2017.

2017 Annual Cash Incentive Plan Payout

2015-2017 Performance-Based RSU Cycle

See pages 37 to 42 of the Proxy Statement for more details on the annual cash incentive plan and the 2015-2017 performance-based restricted stock units.

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THE TIMKEN COMPANY

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors (also referred to as the Board) of The Timken Company, an Ohio corporation (the Company, we, or us), in connection with the 2018 Annual Meeting of Shareholders to be held on May 8, 2018, at 10:00 a.m. local time at 4500 Mt. Pleasant Street NW, North Canton, Ohio 44720, and at any adjournments and postponements thereof, for the purpose of considering and acting upon the matters specified in the foregoing Notice. The approximate date this Proxy Statement and proxy card will be first sent or given to our shareholders is March 19, 2018.

The Board of Directors is not aware of matters other than those specified in the foregoing Notice that will be brought before the meeting for action. However, if any such matters should be properly brought before the meeting, the persons appointed as proxies may vote or act upon such matters according to their judgment.

PROPOSAL NO. 1: ELECTION OF DIRECTORS

We currently have 12 Directors. Pursuant to our Amended Regulations, all nominees for Director will stand for election for a one-year term to expire at the 2019 Annual Meeting of Shareholders. Candidates for Director receiving the greatest number of votes will be elected. Abstentions and broker non-votes (where a broker, other record holder, or nominee indicates on a proxy card that it does not have authority to vote certain shares on a particular matter) will not be counted in the election of Directors and will not have any effect on the result of the vote.

Pursuant to the Majority Voting Policy of the Board of Directors, any Director who fails to receive a majority of the votes cast in his or her election will submit his or her resignation to the Board of Directors promptly after the certification of the election results. The Board of Directors and the Nominating and Corporate Governance Committee will then consider the resignation in light of any factors they consider appropriate, including the Director s qualifications and service record, as well as any reasons given by shareholders as to why they withheld votes from the Director. The Board of Directors is required to determine whether to accept or reject the tendered resignation within 90 days following the election and to disclose on a Current Report on Form 8-K its decision, as well as the reasons for rejecting any tendered resignation, if applicable.

At a meeting on February 9, 2018, the Board approved a resolution waiving for Joseph W. Ralston the Board s policy that a Director may not stand for election to the Board after reaching age 72. Mr. Ralston has served as Lead Director since 2011 and the Board concluded that the Company would benefit from his continued service as a Director due to his extensive knowledge of the Company, leadership skills and experience with shareholder outreach.

At its meeting on February 9, 2018, the Board also approved a resolution, based on the recommendation of the Nominating and Corporate Governance Committee, nominating the 12 individuals set forth below to be elected Directors at the 2018 Annual Meeting of Shareholders to serve for a term of one year expiring at the 2019 Annual Meeting of Shareholders (or until their respective successors are elected and qualified). Each of the nominees, except Elizabeth A. Harrell, previously was elected as a Director by our shareholders. General Harrell was recommended to the Nominating and Corporate Governance Committee to serve as a Director by our independent Lead Director. Each of the nominees listed below has consented to serve as a Director if elected.

If any nominee becomes unable, for any reason, to serve as a Director, or should a vacancy occur before the election (which events are not anticipated), the Directors then in office may substitute another person as a nominee or may reduce the number of nominees as they deem advisable. Unless otherwise

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indicated on any proxy card, the persons named as proxies on the enclosed proxy card intend to vote the shares covered by such proxy card in favor of the nominees below.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* EACH OF THE NOMINEES BELOW.

Nominees

The following information, obtained in part from the respective nominee and in part from our records, describes the background and select experience of each nominee as of March 1, 2018.

Maria A. Crowe

Age: 58

Director since 2014

Business Experience

Ms. Crowe served as President of Manufacturing Operations for Eli Lilly and Company, a global manufacturer of pharmaceutical products, a position she held from 2012 until her retirement in December 2017. Ms. Crowe joined Eli Lilly and Company in 1982, and previously served as its Senior Vice President of Global Drug Products from 2009 to 2012.

Qualifications

Ms. Crowe provides the Board with extensive experience in manufacturing, sourcing and procurement for a global manufacturing company. Ms. Crowe also brings valuable experience on production capacity expansion and innovation efforts.

Ms. Crowe chairs our Nominating and Corporate Governance Committee and is a member of our Compensation Committee.

Business Experience

Elizabeth A. Harrell Age: 64 Director since 2017	General Harrell retired as a Major General in October 2006, serving more than 30 years with the U.S. Air Force. During her military career, she held a wide range of positions in the United States, Germany and South Korea specializing in aircraft fleet maintenance and sustainment. After her retirement from the Air Force, General Harrell was a consultant with The Spectrum Group until 2009 and a consultant to Northrop Grumman Corporation, a global security company and a provider of products, systems and solutions in the fields of aerospace, electronics, information systems, and technical services, until 2012. General Harrell is a member of the advisory board for the Museum of the U.S. Air Force and has served on the General Electric Corporation Senior Advisory Committee for its Internal Veterans Network. **Qualifications** General Harrell s extensive knowledge in aerospace technology, global supply chain management and government relations strongly align with the Company s growth priorities and are valuable to her service as a member of the Board. General Harrell is a member of our Audit Committee and Nominating and Corporate Governance Committee.

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Richard G. Kyle Age: 52 Director since 2013	**Business Experience** Mr. Kyle was appointed President and Chief Executive Officer of The Timken Company in 2014. Mr. Kyle joined the Company in 2006 as Vice President of Manufacturing and was named President of the Aerospace and Mobile Industries segments in 2008. In 2012, he was named Group President with responsibility for the Aerospace and Steel segments as well as engineering and technology. In 2013, Mr. Kyle was named Chief Operating Officer, Bearings and Power Transmission. Since 2015, Mr. Kyle has served as a director of Sonoco Products Company, a global provider of consumer packaging, industrial products, protective solutions, and display and packaging services, and as a member of its Audit, Executive Compensation and Financial Policy committees. **Qualifications** Mr. Kyle has significant experience in global manufacturing organizations and has demonstrated the ability to lead change and growth. In addition to his role as Chief Executive Officer of the Company, Mr. Kyle s strong engineering and operational background, coupled with his strategic perspective, provide valued skills to the Board.
John A. Luke, Jr. Age: 69 Director since 1999	**Business Experience** Mr. Luke served as the Chairman and Chief Executive Officer of MeadWestvaco Corporation (MWV), a leading global producer of packaging and specialty chemicals, from the merger of Mead and Westvaco in 2002 until his retirement in 2015. Prior to his retirement, Mr. Luke led the process that resulted in MWV merging with Rock-Tenn Company to form WestRock Company, which created the second largest packaging company in the industry. Mr. Luke has served as a director of The Bank of New York Mellon Corporation since 2007, MWV from 2002 to 2015, WestRock Company since 2015 and Dominion Midstream GP, LLC since 2017.

Qualifications

Mr. Luke brings deep executive leadership experience to our Board, including expertise in leading large corporate transformations and evaluating and executing inorganic growth opportunities. Mr. Luke brings perspective gained from serving on several corporate boards, including as Non-Executive Chairman of WestRock Company, a member of the Corporate Governance and Nominating and Audit Committees of The Bank of New York Mellon Corporation and Chair of the Conflicts Committee of Dominion Midstream GP, LLC.

Mr. Luke chairs our Compensation Committee and is a member of our Nominating and Corporate Governance Committee.

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Christopher L. Mapes Age: 56 Director since 2014	**Business Experience** Mr. Mapes is Chairman, President and Chief Executive Officer of Lincoln Electric Holdings, Inc., a global manufacturer of welding, cutting and joining products. He has held the position of Chairman since December 2013 and has been President and Chief Executive Officer since December 2012, after serving as Chief Operating Officer beginning in 2011. From 2004 to 2011, he served as Executive Vice President of A. O. Smith Corporation, a global water technology company and manufacturer of residential and commercial water heating and water purification equipment, where he led the expansion and execution of the global strategy for its electrical products. Mr. Mapes has been a director of Lincoln Electric Holdings, Inc. since 2010. **Qualifications** As a seasoned executive with extensive experience leading global manufacturing and distribution companies, Mr. Mapes understands the challenges of global growth and the complexity of managing international operations. In addition to his business management experience, Mr. Mapes has a law degree. Mr. Mapes is a member of our Audit Committee and Compensation Committee.

James F. Palmer Age: 68 Director since 2015	**Business Experience** Mr. Palmer served as the Corporate Vice President and Chief Financial Officer of Northrop Grumman Corporation, a global security company and a provider of products, systems and solutions in the fields of aerospace, electronics, information systems and technical services, from March 2007 until February 2015 and as a Corporate Vice President of Northrop Grumman until his retirement in July 2015.

Qualifications

Mr. Palmer s broad executive background in the aerospace and defense industry, his service as the chief financial officer of multiple large publicly traded companies, and his extensive experience with business acquisitions, debt financings and other complex transactions make him well-qualified to serve as a member of the Board.

Mr. Palmer is a member of our Audit Committee and Compensation Committee.

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Ajita G. Rajendra

Age: 66

Director since 2014

Business Experience

Mr. Rajendra is Chairman and Chief Executive Officer of A. O. Smith Corporation, a global water technology company and manufacturer of residential and commercial water heating and water purification equipment. He has held the position of Chairman since 2014, and has been President and Chief Executive Officer since 2013. Mr. Rajendra previously served A. O. Smith Corporation as President and Chief Operating Officer from 2011 to 2012 and as Executive Vice President from 2006 to 2011.

Qualifications

Mr. Rajendra has been a director of A. O. Smith Corporation since 2011 and serves on its Investment Policy Committee, and has been a director of Donaldson Company, Inc. since 2010, where he is a member of the Audit Committee and Human Resources Committee. Mr. Rajendra s extensive manufacturing and international experience leading businesses and negotiating acquisitions and joint ventures, along with his experience as a director of other publicly traded companies, provides valuable skills to the Board.

Mr. Rajendra is a member of our Audit Committee and Compensation Committee.

Joseph W. Ralston

Age: 74

Director since 2003

Business Experience

General Ralston has served as Vice Chairman of The Cohen Group, an organization that provides clients with comprehensive tools for understanding and shaping their business, political, legal, regulatory and media environments, since 2003. General Ralston completed a distinguished 37-year Air Force career as Commander, U.S. European Command and Supreme Allied Commander Europe, NATO in 2003. Previously, General Ralston served as Vice Chairman of the Joint Chiefs of Staff, the nation s second highest-ranking military officer. General Ralston has served on the boards of Lockheed Martin Corporation since 2003 and URS Corporation from 2003 until 2014.

Qualifications

General Ralston s experience in the private sector, combined with his distinguished military career, provides our Board with unmatched expertise across a range of complex operational, human resources, supply chain/logistical and other issues facing a global corporation. Based on his extensive military experience, General Ralston also provides specific insights and knowledge in the aerospace industry, which is a significant market for the Company. Additionally, General Ralston s understanding of the political environment in Washington allows him to guide our Board on the challenges and opportunities resulting from governmental actions. General Ralston also brings the perspective of Chairman of the Classified Business and Security Committee and a member of the Ethics and Sustainability, Strategic Affairs and Executive Committees of Lockheed Martin.

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General Ralston serves as our Lead Director and is a member of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

Frank C. Sullivan

Age: 57

Director since 2003

Business Experience

Mr. Sullivan has held the position of Chairman and Chief Executive Officer of RPM International Inc. (RPM), a world leader in specialty coatings, since 2008. Mr. Sullivan was appointed RPM s Chief Executive Officer in 2002, prior to which he held the position of Chief Financial Officer since 1993. Mr. Sullivan has been a director of RPM since 1995.

Qualifications

Mr. Sullivan provides the Board with extensive financial expertise based on his years as a chief financial officer. In addition, as a chief executive officer and director of a multinational company, Mr. Sullivan brings invaluable executive experience on a wide array of issues, including strategic planning and the evaluation and execution of merger and acquisition opportunities.

Mr. Sullivan chairs our Audit Committee and is a member of our Nominating and Corporate Governance Committee.

John M. Timken, Jr.

Age: 66

Business Experience

Mr. Timken is a private investor and a successful entrepreneur, who has been a significant shareholder of the Company for many years. Mr. Timken is co-founder of Amgraph Packaging, a national supplier of flexible package printing used by major food and beverage

Director since 1986	brands and private labels. His entrepreneurial activities and passion for business-building have included involvement in ventures ranging from injection molding, to ophthalmic laboratories, to logistics and trucking. He also has owned a cable television business and established one of the largest commercial mushroom farms in North America. **Qualifications** Mr. Timken s ability as an investor to identify and help increase value across a range of industries, as well as his familiarity with the Company s businesses, provides the Board with important input in evaluating and making important capital allocation decisions. Since joining the Board, he has played an important role in the Company s strategic drive to add product lines that complement its bearing product portfolio. Mr. Timken serves as independent Chairman of the Board.

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Ward J. Timken, Jr.

Age: 50

Director since 2002

Business Experience

Mr. Timken is Chairman, Chief Executive Officer and President of TimkenSteel, a leader in customized alloy steel products and services, a position he assumed in 2014. TimkenSteel was previously a subsidiary of the Company that became an independent public company pursuant to the Spinoff that was effected on June 30, 2014. Mr. Timken previously served as Executive Chairman of the Board of The Timken Company from 2005 to May 2014.

Qualifications

Mr. Timken provides the Board with relevant experience from having served in key leadership positions during his tenure with the Company. Mr. Timken s broad-based experience and familiarity with each of our businesses, along with his deep understanding of the global industry dynamics across the Company s markets, enable Mr. Timken to provide valuable input to the Board.

Jacqueline F. Woods

Age: 70

Director since 2000

Business Experience

Ms. Woods served as the President of Ameritech Ohio (subsequently renamed AT&T Ohio), a telecommunications company, until her retirement in 2000. At Ameritech Ohio, Ms. Woods also held various positions in finance, operations, marketing, sales and government affairs. Ms. Woods was inducted into the Ohio Women s Hall of Fame in 1998. Ms. Woods has served on the board of The Andersons, Inc. since 1999. Ms. Woods was formerly a director at School Specialty, Inc. until 2013.

Qualifications

Ms. Woods extensive executive management experience enables her to help guide the Board in making decisions in areas such as marketing, strategy development, corporate governance and compensation. In addition, her executive experience at a primarily consumer-oriented company provides a valuable perspective on customer service. Ms. Woods also brings perspective gained from her service as a member of other corporate boards, including serving as a member of the Audit and Compensation and Leadership Development Committees of The Andersons, Inc.

Ms. Woods is a member of our Compensation Committee and Nominating and Corporate Governance Committee.

Independence Determinations

The Board of Directors has adopted the NYSE independence standards for determining the independence of our Directors. The Board has determined that the following Director nominees meet those independence standards: Maria A. Crowe, Elizabeth A. Harrell, John A. Luke, Jr., Christopher L. Mapes, James F. Palmer, Ajita G. Rajendra, Joseph W. Ralston, Frank C. Sullivan, John M. Timken, Jr., and Jacqueline F. Woods. With respect to John M. Timken, Jr., the Board determined that his family relationship to Ward J. Timken, Jr. does not impair his independence.

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Related Party Transactions Approval Policy

Our Directors and executive officers are subject to our Standards of Business Ethics, which require that any potential conflicts of interest, such as significant transactions with related parties, be reported to our General Counsel. Our Directors and executive officers also are subject to the Timken Policy Against Conflicts of Interest, which requires that an employee or Director avoid placing himself or herself in a position in which his or her personal interests could interfere in any way with our interests. While not every situation can be identified in a written policy, the Timken Policy Against Conflicts of Interest does specifically prohibit the following situations:

- competing against the Company;
- holding a significant financial interest in a company doing business with or competing with the Company;
- accepting gifts, gratuities or entertainment from any customer, competitor or supplier of goods or services to the Company, except to the extent they are customary and reasonable in amount and not in consideration for an improper action by the recipient;
- using for personal gain any business opportunities that are identified through a person s position with the Company;
- using the Company s property, information or position for personal gain;
- using the Company s property other than in connection with our business;
- maintaining other employment or a business that adversely affects a person s job performance at the Company; and
- doing business on the Company s behalf with a relative or another company employing a relative.

In the event of any potential conflict of interest, pursuant to the charter of the Nominating and Corporate Governance Committee, the Standards of Business Ethics and the Timken Policy Against Conflicts of Interest, the Nominating and Corporate Governance Committee would review and, considering such factors as it deems appropriate under the circumstances, make a determination as to whether to grant a waiver to the policies for any such situation. Any waiver would be promptly disclosed to shareholders. Additionally, the Nominating and Corporate Governance Committee would review and approve or ratify any transaction required to be reported pursuant to Item 404(a) of Regulation S-K of the Securities and Exchange Act of 1934, as amended (the 1934 Act).

Board and Committee Meetings

The Board of Directors has an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. During 2017, there were eight meetings of the Board of Directors, eight meetings of its Audit Committee, five meetings of its Compensation Committee and three meetings of its Nominating and Corporate Governance Committee. All Directors attended 75% or more of the meetings of the Board and its committees on which they served that were held following each Director s appointment to the Board and their respective committees. It is our policy that all members of the Board of Directors attend the annual meeting of shareholders and, in 2017, all members then serving attended the meeting. At each regularly scheduled meeting of the Board of Directors, the independent Directors also met separately in executive session.

Board Leadership Structure

The Board is led by independent Chairman John M. Timken, Jr., who was first elected to this position on May 13, 2014. In addition, the independent Directors have designated Joseph W. Ralston as Lead Director.

The Chairman oversees the planning of the annual Board calendar and, with the CEO, in consultation with the other Directors, schedules and sets the agenda for meetings of the Board and leads the discussions at such meetings and at executive sessions of the independent Directors. The Chairman also leads the Company s annual meeting of shareholders and performs such other functions and responsibilities as set forth in the Board of Directors General Policies and Procedures or as requested by the Board from time to time.

The Board s preferred governance structure is to separate the roles of Chairman and CEO. With limited exceptions, these roles have been separate for over 80 years. While recognizing that there is no single, generally accepted approach to providing Board leadership and that the Board s leadership structure may vary in the future as circumstances warrant, the Board considers this balance of leadership between the two positions to be beneficial.

The Lead Director s duties may include: (a) developing agendas for, and presiding over, the executive sessions of the independent Directors; (b) reporting the results of the executive sessions to the CEO and Chairman; (c) providing feedback as required to the other Directors on the issues discussed with the CEO and Chairman; (d) serving as a liaison with the CEO, Chairman and independent Directors; (e) presiding at all meetings of the Board at which the Chairman is not present; (f) approving information sent to the Board; (g) approving agendas for Board meetings; (h) approving Board meeting schedules to ensure that there is sufficient time for discussion of all agenda items; (i) calling meetings of the independent Directors; and (j) ensuring that he or she is available for consultation and direct communications with major shareholders as appropriate.

Director Compensation

Directors who are not Timken employees receive an annual retainer fee, annual committee fees and an annual equity award. The independent Chairman, the Lead Director and each committee chairperson receive additional retainer fees. No employee Directors receive any additional compensation for their service as Directors.

Cash Compensation

Each nonemployee Director who served in 2017 was paid at the annual rate of $80,000 for services as a Director. In addition to base compensation, the Lead Director receives an annual fee of $30,000 and the independent Chairman receives an annual fee of $100,000. The following fees were paid for serving on a committee of the Board in 2017.

Committee	Chairperson Fee	Member Fee
Audit	$30,000	$15,000
Compensation	$17,500	$7,500
Nominating & Corporate Governance	$17,500	$7,500

Equity Compensation

Each nonemployee Director serving at the time of our 2017 Annual Meeting of Shareholders on May 9, 2017 received a grant of 2,510 restricted shares that vest after one year under The Timken Company 2011 Long-Term Incentive Plan, as amended and restated as of February 13, 2015 (the Long-Term Incentive Plan). Upon a Director s initial election to the Board, each new nonemployee Director receives a grant of 2,000 restricted shares under the Long-Term Incentive Plan, which vest one-fifth annually from the date of grant. Elizabeth A. Harrell received such a grant during 2017. Dividends are paid in cash on restricted shares during the vesting period or can be reinvested in shares.

Holding Requirement

The Compensation Committee of the Board of Directors has adopted share ownership requirements for nonemployee Directors equal to five times the annual cash retainer of $80,000, or the equivalent of $400,000 worth of common shares. Directors must meet this requirement within five years of becoming a director of the Company. In determining whether the Director has met his/her individual ownership target, the Company considers shares owned by the Director, including restricted shares still subject to forfeiture. As of December 31, 2017, all of our Directors other than Mr. Palmer and General Harrell had met their

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share ownership requirement. Mr. Palmer joined the Board in August 2015 and General Harrell joined the Board in August 2017 and they are both on track to achieve the ownership requirement within the five-year time frame.

Compensation Deferral

Any Director may elect to defer the receipt of all or a specified portion of his or her cash fees until a specified point in the future in accordance with the provisions of the Director Deferred Compensation Plan, as amended and restated effective January 1, 2015 (the Director Deferred Compensation Plan). The amount deferred can be invested in a cash fund or the Timken common share fund. The cash fund provides for interest to be earned quarterly at a rate based on the prime rate plus one percent. If invested in the Timken common share fund, Directors may elect to receive cash in an amount equal to the dividend equivalents or reinvest such amounts in Company shares.

2017 Director Compensation Table

The following table provides the compensation and benefits applicable to our nonemployee Directors for 2017:

Name [(1)]	Fees Earned or Paid in Cash	Stock Awards [(2)]	All Other Compensation [(3)]	Total
Maria A. Crowe	$95,000	$120,229	$4,249	$219,478
Elizabeth A. Harrell	$42,708	$91,000	$1,080	$134,788
John A. Luke, Jr.	$105,000	$120,229	$2,965	$228,194
Christopher L. Mapes	$102,500	$120,229	$3,821	$226,550
James F. Palmer	$102,500	$120,229	$4,461	$227,190
Ajita G. Rajendra	$102,500	$120,229	$4,033	$226,762
Joseph W. Ralston	$142,500	$120,229	$2,965	$265,694
Frank C. Sullivan	$117,500	$120,229	$2,965	$240,694
John M. Timken, Jr.	$180,000	$120,229	$2,965	$303,194
Ward J. Timken, Jr.	$80,000	$120,229	$2,965	$203,194
Jacqueline F. Woods	$95,000	$120,229	$2,965	$218,194

(1) Richard G. Kyle, our President and Chief Executive Officer (CEO), is not included in this table as he is an employee of the Company and receives no compensation for his services as a Director.

(2) The amount shown for each Director other than General Harrell includes the grant date fair value of the award of 2,510 common shares made on May 9, 2017. These shares vest 100% one year following the grant date. General Harrell received a grant of 2,000 restricted shares (as further described above) upon becoming a nonemployee Director on August 1, 2017. The amounts shown in this column are computed in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 718.

(3) All other compensation reflects cash dividends paid to the Director for unvested restricted shares for 2017.

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As of December 31, 2017, unvested restricted shares were owned as follows:

Name	Unvested Restricted Shares
Maria A. Crowe	3,310
Elizabeth A. Harrell	2,000
John A. Luke, Jr.	2,510
Christopher L. Mapes	3,310
James F. Palmer	3,710
Ajita G. Rajendra	3,310
Joseph W. Ralston	2,510
Frank C. Sullivan	2,510
John M. Timken, Jr.	2,510
Ward J. Timken, Jr. (1)	2,510
Jacqueline F. Woods	2,510

(1) Additionally, Ward J. Timken, Jr. has unvested option awards (23,000) and vested and unexercised option awards (462,700) earned from his previous role as an employee and executive Chairman of the Board of The Timken Company from 2005 to May 2014.

Board Committees

Audit Committee

We have a standing Audit Committee that has oversight responsibility with respect to our independent auditor and the integrity of our financial statements. The Audit Committee is composed of Frank C. Sullivan (Audit Committee Chairman), Elizabeth A. Harrell, Christopher L. Mapes, James F. Palmer, Ajita G. Rajendra and Joseph W. Ralston. Our Board of Directors has determined that each member of the Audit Committee is financially literate and independent as defined in the listing standards of the NYSE and the rules of the Securities and Exchange Commission (the SEC). Our Board of Directors has determined that Frank C. Sullivan and James F. Palmer qualify as Audit Committee financial experts.

The Audit Committee s charter is available on the Corporate Governance section of our website at www.timken.com/about/governance-documents.

Compensation Committee

We have a standing Compensation Committee that establishes and administers our policies, programs and procedures for compensating our senior management and Board of Directors. Members of the Compensation Committee are John A. Luke, Jr. (Compensation Committee Chairman), Maria A. Crowe, Christopher L. Mapes, James F. Palmer, Ajita G. Rajendra and Jacqueline F. Woods. Our Board of Directors has determined that all members of the Compensation Committee are independent as defined in the listing standards of the NYSE.

With the guidance and approval of the Compensation Committee, we have developed compensation programs for our executive officers, including the CEO and the other named executive officers included in the 2017 Summary

Compensation Table, that are intended to align the interests of our executives and shareholders; reward executive management for sustained, strong business and financial results; and enable us to attract, retain and motivate the best talent. The Compensation Committee determines specific compensation elements for the CEO and considers and acts upon recommendations made by the CEO regarding the other executive officers.

The agenda for meetings of the Compensation Committee is determined by its Chairman with the assistance of the Vice President Compensation and Benefits. The meetings regularly are attended by the Chairman of the Board, the CEO, Executive Vice President Human Resources, General Counsel, and the Vice President Compensation and Benefits. At each meeting, the Compensation Committee

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meets in executive session. The Chairman of the Compensation Committee reports the Committee s actions regarding compensation of executive officers to the full Board. Our Human Resources department supports the Compensation Committee in its duties and may be delegated certain administrative duties in connection with our compensation programs. The Compensation Committee has the sole authority to retain and terminate compensation consultants to assist in the evaluation of Director and executive officer compensation and the sole authority to approve the fees and other retention terms of any compensation consultants. The Compensation Committee has engaged Willis Towers Watson Public Limited Company (WTW), a global professional services firm, to conduct annual reviews of its compensation programs for executive officers and, from time-to-time, to review the compensation of Directors. WTW also provides information to the Compensation Committee on trends in executive compensation and other market data. In January 2016, WTW was created by the merger of Willis Group Holdings and Towers Watson. WTW (or its predecessor) has provided executive consulting services to the Compensation Committee and other professional consulting services to the Company for over 20 years.

With respect to Director compensation, as stated above, the Compensation Committee periodically engages WTW to conduct reviews of Director compensation, and the Committee may then recommend to the full Board changes in Director compensation that will enhance our ability to attract and retain qualified Directors.

During fiscal 2017, WTW was paid $226,000 for the executive and director compensation consulting services it provided to the Compensation Committee. Other professional consulting services provided by WTW to the Company, which were requested by management, not approved by the Compensation Committee or the Board and not related to executive compensation, totaled approximately $2.5 million for actuarial, pension administration and other services (including health benefits, broad-based compensation, human capital, investment advisory and international consulting). Of the $2.5 million in fees incurred in 2017 for other professional consulting services, approximately $1.95 million related to retirement consulting and outsourcing pension administrative services.

The Compensation Committee has concluded that the advice it receives from WTW continues to be objective, unbiased and independent. The Compensation Committee s careful oversight of the relationship with WTW with respect to compensation advice mitigates the possibility that management potentially could misuse the actuarial engagement to influence WTW s compensation work for the Compensation Committee. The Compensation Committee annually reviews the charges to the Company from WTW for executive and director compensation advice and other services for the preceding three years, along with an estimate of services for the coming year. Additionally, WTW has adopted internal safeguards to ensure that its executive compensation unit is maintained separately from its actuarial business.

The Compensation Committee has assessed the independence of WTW, as required under the listing standards of the NYSE. The Compensation Committee also has considered and assessed relevant factors that could give rise to a potential conflict of interest with respect to WTW, specifically including the six consultant independence factors under Rule 10C-1(b)(4)(i) through (vi) under the 1934 Act. Based on this review, we are not aware of any conflict of interest that has been raised by the work performed by WTW.

The Compensation Committee also plays an active role in our executive officer succession planning process. The Compensation Committee meets regularly with senior management to ensure that an effective succession process is in place and to discuss potential successors for executive officers. As part of this process, executive officer position profiles are updated to highlight the key skills required to meet future demands, and potential successors are evaluated and development plans are reviewed. At the end of each year, the Compensation Committee reviews the performance of the executive officers and potential successors. The Compensation Committee s succession planning activities are discussed with the full Board in executive session.

The Compensation Committee s charter is available on the Corporate Governance section of our website at www.timken.com/about/governance-documents. For more information regarding the role of management and the compensation consultants in determining or recommending the amount or form of executive compensation, see Compensation Discussion and Analysis Determining Compensation for 2017 on page 33.

Nominating and Corporate Governance Committee

We have a standing Nominating and Corporate Governance Committee that is responsible for, among other things, evaluating new Director candidates and incumbent Directors and recommending Directors to serve as members of our Board committees. Members of the Nominating and Corporate Governance Committee are Maria A. Crowe (Nominating and Corporate Governance Committee Chair), Elizabeth A. Harrell, John A. Luke, Jr., Joseph W. Ralston, Frank C. Sullivan and Jacqueline F. Woods. Our Board of Directors has determined that all members of the Nominating and Corporate Governance Committee are independent as defined in the listing standards of the NYSE.

The Board of Directors General Policies and Procedures provide that the general criteria for Director candidates include, but are not limited to, the highest standards of integrity and ethical behavior, the ability to provide wise and informed guidance to management, a willingness to pursue thoughtful, objective inquiry on important issues before the Company, and a range of experience and knowledge commensurate with our needs as well as the expectations of knowledgeable investors.

The Nominating and Corporate Governance Committee utilizes a variety of sources to identify possible Director candidates, including search firms, professional associations and Board member recommendations. In evaluating candidates to recommend to the Board of Directors, the Nominating and Corporate Governance Committee considers factors consistent with those set forth in the Board of Directors General Policies and Procedures, including whether the candidate enhances the diversity of the Board. Such diversity includes professional background and capabilities, knowledge of specific industries and geographic experience, as well as the more traditional diversity concepts of race, gender and national origin. The attributes of the current Directors and the needs of the Board and the Company are evaluated whenever a Board vacancy occurs, and the effectiveness of the nomination process, including whether that process enhances the Board s diversity, is evaluated each time a candidate is considered. The Nominating and Corporate Governance Committee also is responsible for reviewing the qualifications of, and making recommendations to the Board of Directors for, Director nominations submitted by our shareholders. All Director nominees are evaluated in the same manner by the Nominating and Corporate Governance Committee, without regard to the source of the nominee recommendation.

The Nominating and Corporate Governance Committee also plans for Director succession. The Committee regularly reviews the appropriate size of the Board and whether any vacancies are expected due to retirement or otherwise. In the event that vacancies are anticipated or otherwise arise, the Committee considers potential Director candidates in accordance with the factors and criteria outlined above.

The Nominating and Corporate Governance Committee s charter is available on the Corporate Governance section of our website at www.timken.com/about/governance-documents.

Our code of business conduct and ethics, called the Standards of Business Ethics, and our corporate governance guidelines, called the Board of Directors General Policies and Procedures, are reviewed annually by the Nominating and Corporate Governance Committee and are available on the Corporate Governance section of our website at www.timken.com/about/governance-documents.

Shareholder-Recommended Director Candidates

Director candidates recommended by our shareholders will be considered by the Nominating and Corporate Governance Committee in accordance with the criteria outlined above. In order for a shareholder to submit a recommendation, the shareholder must deliver a communication by registered mail or in person to the Nominating and Corporate Governance Committee, c/o The Timken Company, 4500 Mt. Pleasant Street NW, North Canton, Ohio 44720. Such communication should include the proposed candidate s qualifications, any relationship between the shareholder and the proposed

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candidate, and any other information that the shareholder considers useful for the Nominating and Corporate Governance Committee to consider in evaluating such candidate.

Shareholder-Nominated Director Candidates

Our Amended Regulations provide a proxy access right to permit any shareholder or a group of up to 20 shareholders owning 3% or more of the voting power entitled to vote in the election of Directors continuously for at least three years to nominate and include in our proxy materials Director nominees for election to the Board. A shareholder or shareholders, as applicable, can nominate up to the greater of (i) 20% of the total number of Directors on the Board, rounding down to the nearest whole number, and (ii) two Directors in accordance with the requirements set forth in our Amended Regulations. Under our Amended Regulations, requests to include shareholder-nominated candidates for Director in our proxy materials must be received no earlier than 150 days and no later than 120 days before the anniversary of the date that we issued our Proxy Statement for the previous year s annual meeting of shareholders. Requests to include shareholder-nominated candidates for Director in our proxy materials related to the 2019 Annual Meeting of Shareholders must be delivered by certified mail, return receipt requested, to our Secretary, c/o The Timken Company, 4500 Mt. Pleasant Street NW, North Canton, Ohio 44720, no earlier than October 19, 2018 and no later than November 19, 2018 in order to be timely. The summary of this proxy access right set forth above is qualified in its entirety by our Amended Regulations.

Corporate Governance Highlights

The Nominating and Corporate Governance Committee regularly reviews trends and recommends best practices, initiates improvements, and plays a leadership role in maintaining the Company s strong corporate governance structure and practices. Among the practices the Nominating and Corporate Governance Committee believes demonstrate the Company s commitment to strong corporate governance are the following:

- Strongly independent Board (10 of 12 Directors are independent);
- Independent Chairman of the Board and Lead Director;
- Declassified Board all Directors are elected annually;
- Annual Board, Committee and Director evaluations;
- Commitment to Board refreshment and diversity 5 new independent Directors since 2014;
- Shareholder proxy access with 3/3/20/20 parameters;
- Majority Voting Policy that requires any Director who fails to receive a majority of the votes cast in favor of his or her election to submit his or her resignation to the Board;
- Over-boarding policy limits the number of public company boards a Director can serve on;
- Special Meetings may be called by shareholders holding 25% of the Company s common shares;
- Clawback policy permits clawback of executive compensation if an executive engages in conduct that is detrimental to the Company; and
- Stock ownership requirements for Directors and executive officers.

Additional information about the Company s corporate governance structure and practices can be found in the Board of Directors General Policies and Procedures, our Amended Regulations and our Amended Articles of Incorporation.

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Risk Oversight

The Board of Directors primarily relies on its Audit Committee for oversight of the Company s risk management. The Audit Committee regularly reviews issues that present particular risks to the Company, including those involving competition, customer demands, economic conditions, planning, strategy, finance, sales and marketing, product technology, innovation, information technology and cybersecurity, facilities and operations, supply chain and legal matters. The full Board also reviews these issues as appropriate. The Board believes that this approach, supported by our leadership structure, provides appropriate checks and balances against undue risk taking.

Shareholder Com munications

Shareholders or interested parties may send communications to the Board of Directors, to any standing committee of the Board, or to any Director, in writing c/o The Timken Company, 4500 Mt. Pleasant Street NW, North Canton, Ohio 44720. Shareholders or interested parties also may submit questions, concerns or reports of misconduct through the Timken Helpline at 1-800-846-5363 and may remain anonymous. Communications received may be reviewed by the office of the General Counsel to ensure appropriate and careful review of the matter.

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BENEFICIAL OWNERSHIP OF COMMON SHARES

The following table shows, as of January 1, 2018, the beneficial ownership of our common shares by each Director, nominee for Director and executive officer named in the 2017 Summary Compensation Table on page 48 of this Proxy Statement, and by all Directors, nominees for Director and executive officers as a group. Beneficial ownership of our common shares has been determined for this purpose in accordance with Rule 13d-3 under the 1934 Act and is based on the sole or shared power to vote or direct the voting or to dispose or direct the disposition of our common shares. Beneficial ownership as determined in this manner does not necessarily bear on the economic incidents of ownership of our common shares.

	Amount and Nature of Beneficial Ownership of Common Shares			
Name	**Sole Voting or Investment Power[(1)]**	**Shared Voting or Investment Power**	**Aggregate Amount[(1)]**	**Percent of Class**
William R. Burkhart	17,315	0	17,315	*
Carolyn E. Cheverine	0	0	0	*
Christopher A. Coughlin	263,582	0	263,582	*
Maria A. Crowe	11,750	0	11,750	*
Philip D. Fracassa	129,526	0	129,526	*
Elizabeth A. Harrell	2,000	0	2,000	*
Richard G. Kyle	491,807	0	491,807	*
John A. Luke, Jr.	59,159	0	59,159	*
Christopher L. Mapes	13,050	0	13,050	*
Ronald J. Myers	45,420	0	45,420	*
James F. Palmer	8,095	0	8,095	*
Ajita G. Rajendra	11,140	0	11,140	*
Joseph W. Ralston	53,131	0	53,131	*
Frank C. Sullivan	44,932	0	44,932	*
John M. Timken, Jr.	589,095(2)	911,899	1,500,994(2)	1.93%
Ward J. Timken, Jr.	949,462	5,043,854	5,993,316	7.71%
Jacqueline F. Woods	19,228	0	19,228	*
All Directors, nominees for Director and executive officers as a group[(3)]	2,708,692	5,955,753	8,664,445	11.15%

* Percent of class is less than 1%.

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(1) The following table provides additional details regarding beneficial ownership of our common shares:

Name	Outstanding Options and Time-based Restricted Stock Units (a)	Vested Deferred Restricted Shares (b)	Deferred Common Shares (b)
William R. Burkhart	0	0	0
Carolyn E. Cheverine	0	0	0
Christopher A. Coughlin	189,267	0	0
Maria A. Crowe	0	0	0
Philip D. Fracassa	94,436	0	0
Elizabeth A. Harrell	0	0	0
Richard G. Kyle	408,574	0	0
John A. Luke, Jr.	0	0	0
Christopher L. Mapes	0	0	0
Ronald J. Myers	30,774	0	0
James F. Palmer	0	0	0
Ajita G. Rajendra	0	0	0
Joseph W. Ralston	0	0	12,000
Frank C. Sullivan	0	2,000	0
John M. Timken, Jr.	0	0	0
Ward J. Timken, Jr.	485,700	0	0
Jacqueline F. Woods	0	0	2,500

(a) Includes shares that the individual named in the table has the right to acquire on or before March 1, 2018 through the exercise of stock options or the vesting of time-based restricted stock units pursuant to the Long-Term Incentive Plan. Including those listed, all Directors, nominees for Director, and executive officers as a group have the right to acquire 1,208,751 shares on or before March 1, 2018 through the exercise of stock options or the vesting of time-based restricted stock units pursuant to the Long-Term Incentive Plan. These shares have been treated as outstanding for the purpose of calculating the percentage of the class beneficially owned by such individual or group, but not for the purpose of calculating the percentage of the class owned by any other person.

(b)

Awarded as annual grants under the Long-Term Incentive Plan, which will not be issued until a later date under the Director Deferred Compensation Plan. Restricted shares can no longer be deferred.

(2) Includes 197,886 shares for which John M. Timken, Jr. has sole voting and investment power as trustee of three trusts created as the result of distributions from the estate of Susan H. Timken.

(3) The number of shares beneficially owned by all Directors, nominees for Director and executive officers as a group has been calculated to eliminate duplication of beneficial ownership. This group consists of 17 individuals.

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The following table gives information known to us about each beneficial owner of more than 5% of our common shares as of January 1, 2018, unless otherwise indicated below.

Beneficial Owner	Number of Shares	Percent of Class
Timken family(1)	9,326,059	12.00%
The Vanguard Group(2)	6,401,062	8.29%
BlackRock, Inc.(3)	5,734,858	7.40%
Southern Sun Asset Management LLC(4)	4,187,069	5.39%

(1) Members of the Timken family, including John M. Timken, Jr. and Ward J. Timken, Jr., have in the aggregate sole or shared voting and dispositive power with respect to 9,811,759 of our common shares, which includes 485,700 shares that Ward J. Timken, Jr. has the right to acquire on or before March 1, 2018. The Timken Foundation of Canton (the Foundation), 200 Market Avenue North, Suite 210, Canton, Ohio 44702, holds 4,982,044 of these shares, representing 6.41% of our outstanding common shares. Ward J. Timken, Joy A. Timken, Ward J. Timken, Jr. and William R. Timken, Jr. are trustees of the Foundation and share the voting and investment power with respect to such shares.

There are no voting agreements or other arrangements among the members of the Timken family regarding the 9,811,759 common shares and, accordingly, the members of the Timken family shall not be deemed a group for purposes of Rule 13d-3 under the 1934 Act with respect to such shares. Accordingly, each member of the Timken family disclaims beneficial ownership of any of our common shares as to which such member does not have sole or shared voting or investment power.

(2) A Schedule 13G/A filed with the SEC on February 9, 2018, by The Vanguard Group, 100 Vanguard Blvd., Malvern, Pennsylvania 19355, indicated that it has sole voting power over 36,886 shares, sole investment power over 6,401,062 common shares and aggregate beneficial ownership of 6,440,867 common shares.

(3) A Schedule 13G/A filed with the SEC on January 23, 2018, by BlackRock, Inc., 55 East 52nd Street, New York, New York 10055, indicated that it has sole voting power over 5,446,531 common shares and sole investment power over 5,734,858 common shares.

(4) A Schedule 13G filed with the SEC on February 14, 2018, by Southern Sun Asset Management LLC, 175 Toyota Plaza, Suite 800, Memphis, TN 38103, indicated that it has sole voting power over 3,877,815 common shares and the sole investment power over 4,187,069 common shares.

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PROPOSAL NO. 2: SHAREHOLDER ADVISORY VOTE TO APPROVE OUR NAMED EXECUTIVE OFFICER COMPENSATION

We believe that our compensation programs for our named executive officers:

- align the interests of executive management with those of our shareholders;
- reward executive management for sustained, strong business and financial results; and
- enable us to attract, retain and motivate the best talent.

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the 1934 Act, we are asking you to approve, on an advisory (non-binding) basis, the following resolution at our 2018 Annual Meeting of Shareholders:

RESOLVED, that the compensation of the named executive officers as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in this Proxy Statement, is hereby APPROVED.

As an advisory vote, this resolution is not binding on us. However, the Compensation Committee, which is responsible for designing and administering our executive compensation program, values the opinions expressed by our shareholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for our named executive officers. We currently are conducting this advisory vote, commonly known as a say-on-pay vote, every year and expect to hold the next say-on-pay vote in connection with our 2019 Annual Meeting of Shareholders.

The affirmative vote of a majority of the votes cast on this matter is necessary for approval of this resolution. Abstentions and broker non-votes will not be counted for determining whether this resolution is approved.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* APPROVAL, ON AN ADVISORY BASIS, OF OUR NAMED EXECUTIVE OFFICER COMPENSATION.

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COMPENSATION DISCUSSION AND ANALYSIS

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Executive Summary

This section provides a summary of our executive compensation program, key compensation decisions, and performance targets and results for our incentive plans in which our named executive officers participated for the year ending December 31, 2017. For 2017, our named executive officers (or NEOs) were:

Richard G. Kyle, President and CEO
Philip D. Fracassa, Executive Vice President, Chief Financial Officer
Christopher A. Coughlin, Executive Vice President, Group President
Carolyn E. Cheverine, Executive Vice President, General Counsel and Secretary
Ronald J. Myers, Executive Vice President, Human Resources
William R. Burkhart, former Executive Vice President, General Counsel and Secretary

Ms. Cheverine was hired as our new Executive Vice President, General Counsel and Secretary effective as of May 30, 2017. Mr. Burkhart resigned from his position as Executive Vice President, General Counsel and Secretary effective as of May 29, 2017 and remained employed by the Company as an advisor until August 11, 2017.

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Executive Compensation Philosophy

We design our executive compensation plans and program to help us attract, motivate, reward and retain highly qualified executives who are capable of creating and sustaining value for our shareholders over the long term. The structure of our programs enables us to provide a competitive compensation and benefits package while aligning senior executive interests with those of our shareholders. The following chart highlights the key considerations behind the development, review and approval of the compensation for our NEOs:

	Our executive compensation program is designed to:
	Align the interests of our executives and shareholders
Objectives	Reward for sustained, strong business results
	Attract, retain and motivate the best talent
	Our executive compensation philosophy is built on the following principles:
	Recognizing that people are our most important asset
Philosophy	Rewarding results linked to both short- and long-term performance (pay-for-performance)
	Positioning our pay to be competitive in the marketplace
	A focus on increasing shareholder value

2017 Performance

Timken performed well in 2017, both year-over-year and as compared against the global bearing industry and its industrial peers. We profitably grew the Company in 2017, increasing revenue 12.5% to $3 billion. We achieved earnings per diluted share of $2.58 and adjusted earnings per diluted share of $2.63[2], up approximately 45% and approximately 23%, respectively, from the prior year.

We achieved these results through the disciplined execution of our strategy, which is focused on driving organic growth in our core business by leading in product technology, innovation and customer service; improving our business performance and expanding margins through operational excellence initiatives; and deploying our cash flow and capital to drive strong returns for our investors.

In 2017, we strengthened our global leadership position in tapered roller bearings and grew our offering in industrial bearings. We also significantly expanded our mechanical power transmission portfolio and geographic reach, completing three acquisitions during the year. The acquisitions of Torsion Control Products, Groeneveld Group and PT Tech advanced our position in industrial couplings and lubrication systems and introduced industrial clutches and brakes to the Timken portfolio. Our majority-owned subsidiary, Timken India Ltd., also entered into a definitive agreement to acquire ABC Bearings Ltd. to strengthen our position in the growing India bearing market. This transaction is expected to close in the first half of 2018.

[2] See Appendix A for reconciliation of adjusted EPS to its most comparable GAAP equivalent.

Our commitment to creating long-term shareholder value is reflected in our disciplined approach to capital allocation. In 2017, the Company generated net cash from operations of $236.8 million and returned approximately $83 million through dividends. In addition, we repurchased nearly 1 million shares, or approximately 1.2% of our outstanding shares; invested approximately $105 million in capital expenditures to grow and improve our business; and spent approximately $350 million on three acquisitions. The approach has created shareholder value by delivering a TSR of 26.8% in 2017, higher than the S&P 500 index and only slightly below our peer median over the same period. Over the past 10 years, our average annual TSR exceeds both the S&P 500 index and our peer median. Additionally, we increased and paid out our 382nd consecutive quarterly dividend, continuing one of the longest active streaks on the NYSE. We also improved our ROIC year-over-year.

*Total Shareholder Return for the Company was calculated on an annualized basis, assumes quarterly reinvestment of dividends and takes into account the value of TimkenSteel common shares distributed in the Spinoff.

**See page 32 for the companies that are included in the compensation peer group for 2017.

Our above-target annual cash incentive compensation plan payout for 2017 reflects Timken s accomplishments and strong performance for the year, as measured by the financial and operational metrics discussed throughout the Compensation Discussion & Analysis (CD&A). Our below-target payout for 2015-2017 performance-based restricted stock units reflects challenging markets and below target performance in 2015 and 2016, partially offset by improved performance in 2017. See page 38 for details on annual cash incentive award decisions, and the *2017 Long-Term Incentive Decisions* section on page 40 for details on long-term incentive award payouts. Overall, executive compensation for 2017 reflects our compensation objectives and our strong operating performance, demonstrating a long-standing commitment to pay our executives based upon the performance they deliver.

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2017 Compensation Decisions and Actions

Factors Guiding Our Decisions *(see page 33 for details)*	Executive compensation program objectives and philosophy Financial performance CEO recommendations for other NEOs Assessment of risk management, including avoidance of unnecessary or excessive risk taking to ensure long-term shareholder value Shareholder input including say-on-pay vote Advice of independent outside compensation consultant Market pay practices Current and historical compensation
Program Updates Implemented at the Beginning of 2017	**2017 Compensation Peer Group** For fiscal year 2017, we removed Lincoln Electric Holdings, Inc. (Lincoln Electric) and Joy Global Inc. (Joy Global) from our compensation peer group and replaced them with Carlisle Companies Incorporated and Dana Incorporated. Joy Global was removed due to the announcement that it would be acquired by Komatsu Ltd. and Lincoln Electric was removed because Mr. Mapes, a member of our Compensation Committee, is the Chairman, President and Chief Executive Officer of Lincoln Electric.

Stock Ownership Guidelines

To better align with common market practice, as of January 1, 2017, the design of the share ownership requirement was revised so that an individual needs to hold a multiple of the cash retainer for Directors and a multiple of base salary for NEOs (rather than a fixed share ownership requirement).

Key 2017 Compensation Decisions

(see page 36 for details)

The compensation decisions outlined below demonstrate the multiple factors guiding our compensation decisions.

Base Salary

CEO: Mr. Kyle did not receive a base salary increase in 2017. His last base salary increase was in May 2014 to reflect his appointment as President and CEO of the Company.

Other NEOs: Mr. Fracassa received a base salary increase of 3% in March 2017. Mr. Myers was appointed to Executive Vice President, Human Resources in November 2017 and he received base salary increases totaling 20% in 2017 to align him more closely with the market and to reflect his promotion. Mr. Coughlin and Mr. Burkhart did not receive a base salary increase in 2017. Ms. Cheverine s initial base salary was determined by considering market data for her role as well as her past experience.

Annual Cash Incentive

Based on the Company s 2017 performance, annual cash incentive awards were paid at 136.8% for the NEOs, reflecting above-target performance for this time period and the exercise of negative discretion by the Compensation Committee to align incentive payments for the NEOs with the payouts under the Company s corporate annual cash incentive plan.

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For additional details, see the *Annual Cash Incentive* section on page 37.

Long-Term Incentives

The NEOs received target grants of nonqualified stock options, time-based restricted stock units and performance-based restricted stock units in 2017, with values ranging from approximately $0.4 million to $4.2 million.

Performance-based restricted stock units (which are based on ROIC and earnings per share (EPS) performance), were earned at 55.2% of target for the 2015-2017 performance period.

2018 Program Updates

Eliminated the financial planning allowance for NEOs.

Added earnings before interest and taxes (EBIT) margin to the annual cash incentive plan as a third metric to shift weight from quantity of earnings to quality of earnings.

Shifted weighting from EPS to ROIC in the long-term incentive plan to increase emphasis on return on invested capital.

CEO Pay At-A-Glance

Target pay for 2017 for Mr. Kyle was determined by the Compensation Committee after consideration of the factors described below under *Determining Compensation for 2017.* The Compensation Committee considered the total compensation package in relation to the target established for the position, taking into account the scope of responsibilities for the particular position. Further details are provided on page 33.

Elements of our executive compensation consist of base salary, annual cash incentive, long-term incentives that include restricted stock units (time-based and performance-based) and stock options, and other benefits.

Aligning Pay with Performance

The Company s success depends largely on the contributions of motivated, focused and energized employees all working to achieve our strategic and financial objectives. This understanding shapes our approach to providing a competitive compensation and benefits package to our CEO and the other named executive officers.

Pay-for-performance is one of the principles that make up our executive compensation philosophy. To ensure that we are adhering to this principle, we evaluate the degree of alignment of our total incentive compensation to our business results, including the level of EBIT, ROIC and EPS, which we believe are key financial metrics that drive total shareholder return.

The Company s Approach to Rewarding Performance

Annual Cash Incentive

Reward achievement of short-term individual and corporate performance goals

Time-Based Restricted Stock Units and Stock Options

Reward long-term value creation

Reinforce ownership in the Company

Support retention of executives

Align executive compensation with shareholders

Performance-Based Restricted Stock Units

Reward long-term financial results that drive value creation

Reinforce ownership in the Company

Align executive compensation with shareholders

The Company uses a balance of short- and long-term incentives as well as cash and non-cash compensation to meet these objectives. The elements of executive compensation provided to our NEOs for 2017 consisted of base salary, annual cash incentive, long-term incentives including nonqualified

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stock options, time-based restricted stock units, performance-based restricted stock units and other employee benefits. Our compensation program is designed to link pay and performance.

Program Design: 85% of the targeted total direct compensation for Mr. Kyle and between 63% and 72% of the targeted total direct compensation for the other NEOs is comprised of incentive-based pay.

Performance Assessment: Our Compensation Committee uses a comprehensive process to assess Company performance. We believe our metrics focus management on the appropriate objectives for the creation of both short- and long-term shareholder value.

The Company s incentive compensation program for executives is designed to link compensation with the full spectrum of our business goals, some of which are short term, while others take several years or more to achieve:

	Short-Term (Cash) **Annual Incentive***	**Long-Term** (Equity) **Performance-Based Restricted Stock Units**	**Long-Term** (Equity) **Time-Based Restricted Stock Units**	**Long-Term** (Equity) **Nonqualified Stock Options**
Objective	Short-term operational business priorities	Long-term strategic financial goals and shareholder value creation	Long-term shareholder value creation	Long-term shareholder value creation
Time Horizon and 2017 Metrics	1 Year 80% Adjusted EBIT 20% Working capital as a percentage of sales	3 Years 80% Adjusted EPS 20% ROIC	4 Year vesting period (1/4 per year)	4 Year vesting period (1/4 per year) and 10 Year exercise period

*See *Annual Cash Incentive* section on page 37 for more details.

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Other key features of our executive compensation program include:

Stock ownership requirements: Our stock ownership guidelines require all senior executives to meet specific ownership targets based on position. This requirement aligns the interests of our executives to those of our shareholders. See page 45 for more information.

Clawback provisions: The Company maintains specific provisions regarding the recovery (clawback) of awards to deter certain types of conduct, including conduct that could affect the accuracy of the Company s financial statements. These provisions apply to both short- and long-term incentive programs where, if personal misconduct or any fraudulent activity on the part of the executive leads to the restatement of Company financial results, the Company can clawback an award. In such cases, the Compensation Committee has discretion, based on applicable facts and circumstances, to cause the Company to recover all or any portion of the incentive paid or payable to the executive for some or all of the years covered by the restatement.

Consideration of 2017 Say-on-Pay Vote

In evaluating the design of our executive compensation programs and the specific compensation decisions for each of our NEOs, the Compensation Committee considers shareholder input, including the advisory say-on-pay vote at our annual meeting, in addition to other factors. In 2017, over 97% of the votes cast approved the compensation for our NEOs described in our Proxy Statement for the 2017 Annual Meeting of Shareholders.

Benchmarking Our 2017 Executive Compensation Program

The Company establishes target compensation levels that are consistent with market practice and internal equity considerations relative to base salaries, annual cash incentive awards and long-term incentive grants, as well as with the Compensation Committee s assessment of the appropriate pay element mix for the position.

In order to gauge the competitiveness of its compensation programs, the Company reviewed compensation practices and pay opportunities from general industry survey data, as well as from a selection of publicly traded peer companies. The Company attempts to position itself to attract and retain qualified senior executives in the face of competitive pressures in its relevant labor markets.

Specifically in 2017, the Company used information regarding the pay practices of general industry companies in the WTW Executive Compensation Database, regressed to the Company s revenue size. The Company believes that revenue and operational footprint are appropriate indicators of the size and complexity of an organization, which should be reflected in determining compensation levels. The compensation data resulting from this analysis was a significant factor considered by the Compensation Committee with respect to its 2017 executive compensation decisions for our NEOs.

The Company also used a compensation peer group as an additional reference point when determining executive compensation. The 2017 peer group consisted of a select group of similarly sized companies that our Compensation Committee believes are representative of the talent market in which we compete and consisted of the following companies:

Allison Transmission Holdings, Inc.	Donaldson Company, Inc.	Nordson Corporation
American Axle & Manufacturing Holdings, Inc.	Flowserve Corporation	Regal Beloit Corporation
Carlisle Companies Incorporated	IDEX Corporation	Rexnord Corporation
Colfax Corporation	ITT Inc.	Trinity Industries, Inc.
Crane Co.	Kennametal Inc.	Triumph Group, Inc.
Dana Incorporated	Meritor, Inc.	Westinghouse Air Brake Technologies Corporation

While the Compensation Committee considered peer group data in determining the general competitiveness of executive compensation, it is only one factor taken into consideration when determining the total compensation for our NEOs. The Compensation Committee also considered other factors listed in *Factors Guiding Our Decisions* on page 29.

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Determining Compensation for 2017

Role of the Compensation Committee

Each year, the Compensation Committee determines the appropriate level of compensation for our NEOs. As part of this process, the Compensation Committee reviews all of the components of compensation for the NEOs and determines if each individual s total compensation is reasonable and consistent with the Company s compensation philosophy. The Compensation Committee reviews each component of compensation individually, references competitive market data (25^{th} to 75^{th} percentile) for total direct compensation and, after consideration of additional factors (*e.g.* the executive s responsibilities, experience level, tenure and performance in the position), may make adjustments to any element of an executive s compensation in establishing such executive s total direct compensation.

The Compensation Committee then approves, with any modifications it deems appropriate, base salary ranges, target annual cash incentive award opportunities and long-term incentive grants for the Company s NEOs.

In the course of this analysis and development of proposed total compensation packages, WTW, the Compensation Committee s external compensation consultant, reviews the relevant information and discusses its findings with the Compensation Committee.

The compensation package for the CEO is determined by the Compensation Committee and approved by the independent members of the Board during executive session.

Role of the CEO and Management

The CEO, in consultation with executive compensation leadership and WTW, prepares compensation recommendations for the NEOs (other than the CEO) and presents these recommendations to the Compensation Committee. These recommendations are based on the CEO s personal review of each NEOs performance, job responsibilities and importance to our overall business strategy, as well as our compensation philosophy. Although these recommendations are given significant weight, the Compensation Committee retains full discretion when determining compensation for NEOs.

As part of this process, each element of compensation provided to the NEOs is compared to general market data and peer group data and the total compensation package is considered in relation to the target established for the position, taking into account the scope of responsibilities for the particular position. Total direct compensation (base salary, annual cash incentives and long-term incentive grants) also is evaluated in relation to the total compensation of comparable positions derived from the general market data, peer group data, as well as internal equity considerations.

Role of the Compensation Consultant

To add rigor in the review process and to inform the Compensation Committee of market trends, the Compensation Committee engages the services of WTW, an independent executive compensation consultant, to analyze our executive compensation structure and plan designs, and to assess whether the compensation program is competitive and supports the Compensation Committee s goal to align the interests of executive officers with those of shareholders. WTW also provides the Compensation Committee with market data, which the Compensation Committee references when determining compensation for executive officers.

In 2017, WTW s primary areas of assistance to the Compensation Committee were:

Gathering information related to current trends and practices in executive compensation in response to questions raised by the Compensation Committee and management;

Reviewing information developed by management for the Compensation Committee and providing its input on such information to the Compensation Committee;

Attending and participating in meetings with the Compensation Committee, as well as briefings with the committee chairperson and management prior to meetings; and

Reviewing with management and the Compensation Committee materials to be used in the Company s Proxy Statement.

The Compensation Committee has authorized WTW to interact with the Company s management, as needed, on behalf of the Compensation Committee with respect to executive compensation matters. WTW also provides actuarial, pension administration and other services to the Company, which are unrelated to the work that WTW provides to the Compensation Committee. The WTW consultants who advise the Compensation Committee are different from the WTW employees who perform work for the Company in other areas. In order to maintain independence, WTW has adopted internal safeguards to ensure that its executive compensation unit, which provides support to the Compensation Committee, is maintained separately from its other business units, which provides advice to the Company s management. For more information regarding fees paid to WTW by the Company in 2017 and the Compensation Committee s assessment that there is no conflict of interest in the work performed by WTW with respect to executive compensation, see page 18 of the Proxy Statement.

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Key Elements of the Executive Compensation Program

	Link to Program Objectives	Type of Compensation	Key Features
Base Salary	A standard compensation element in executive compensation packages, offering market competitive fixed compensation to attract and retain talent.	Cash	Provides a stable source of income.
Annual Cash Incentive	A cash-based award that encourages executives to focus on specific annual corporate performance goals.	Cash	Target incentive opportunity is set as a percentage of base salary and is paid out only if threshold performance levels are met.
Long-Term Incentive: Nonqualified Stock Options	Helps ensure that executive pay is directly linked to the achievement of the Company s long-term objectives and promotes retention.	Long-Term Equity	Four-year vesting and ten-year exercise period; NEOs holding nonqualified stock options will only receive value if the stock price rises.
Long-Term Incentive: Performance-Based Restricted Stock Units	Requires achievement of target financial and operating metrics that further align the long-term financial interests of our executives with those of our shareholders and links compensation to building long-term shareholder value.	Long-Term Equity	Designed to reward executives for attainment of specified long-term corporate performance goals; value is delivered in equity to align with shareholder experience. Cumulative dividend equivalents are paid in cash based on the actual number of shares delivered at the end of the three-year performance cycle.
		Long-Term	

Long-Term Incentive: Time-Based Restricted Stock Units	Rewards long-term shareholder value creation, enhances executive stock ownership and promotes retention.	Equity	Four-year time vesting; value is delivered in equity to align with shareholder experience. Cumulative dividend equivalents are paid in cash upon vesting.
Retirement Benefits	An element of our benefits program that helps attract and retain executive talent.	Benefit	NEOs receive retirement benefits through several plans: Qualified and nonqualified defined contribution plans*; Qualified and nonqualified defined benefit plans*; and Deferred compensation plan. *See *Retirement Programs* on page 42 for NEO eligibility

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Other Benefits	Keeps program competitive and provides protection for executives, where warranted.	Benefit	Perquisites are limited in amount and use.
Severance and Change in Control Agreements	Helps ensure NEOs remain focused on creating sustainable performance.	Benefit	Agreements help protect the Company and the NEOs from risks by providing: Economic stability; Death or disability payments; and Payments and benefits in the event of a qualifying termination, including in connection with a change in control.

Analysis of 2017 Compensation

Base Salary

Base salaries for the NEOs are intended to reflect the scope of their responsibilities, the length of their experience performing those responsibilities and their performance. The Compensation Committee initially determines base salary ranges for executive officers based on external general market and peer group data for salary practices for positions with similar levels of responsibility. The Compensation Committee also reviews base salaries for the NEOs annually in light of each officer s experience, leadership, current salary and position in the salary range.

Establishing Base Salaries

When establishing base salaries for NEOs, the Compensation Committee considers general industry data for comparable roles and peer group data as a guideline.

2017 Base Salary Decisions

CEO: Mr. Kyle did not receive a base salary increase in 2017. His last base salary increase was in May of 2014 to reflect his appointment as President and CEO.

Other NEOs: Mr. Fracassa received a base salary increase of 3% in March 2017. Mr. Myers was appointed to Executive Vice President, Human Resources in November 2017 and he received base salary increases totaling 20% in 2017 to align him closer to the market and to reflect his promotion. Mr. Coughlin and Mr. Burkhart did not receive a base salary increase in 2017. Ms. Cheverine s initial base salary was determined by considering market data for the role as well as her past experience.

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Annual Cash Incentive

The Company s annual cash incentive provides the NEOs with the opportunity to earn compensation based on the achievement of annual corporate performance goals established by the Compensation Committee and approved by the Board. It is intended to focus the NEOs on specific performance goals in the current year. For all NEOs except Ms. Cheverine, the 2017 annual cash incentive was delivered through the Senior Executive Management Performance Plan (the SEMPP). Ms. Cheverine s 2017 annual cash incentive was delivered through the corporate annual cash incentive plan described below.

Linking Compensation to Performance

The Compensation Committee established adjusted EBIT as the primary performance measure because it believes this measure is closely correlated with the creation of shareholder value.

Our SEMPP permits us to grant awards that may be able to qualify as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Historically, in order for amounts earned under this plan to potentially qualify as performance-based for purposes of Section 162(m) of the Code, the Compensation Committee could exercise discretion only to reduce an award. A