

ZEBRA TECHNOLOGIES CORP  
Form DEF 14A  
April 05, 2019  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

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

**ZEBRA TECHNOLOGIES CORPORATION**

*(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 previously 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:



**Dear**

**Stockholder**

April 5, 2019

Please join us for the Zebra Technologies Corporation 2019 Annual Meeting of Stockholders. We will hold the meeting at 10:30 a.m., Central Time, on Thursday, May 16, 2019, at our headquarters at 3 Overlook Point, Lincolnshire, Illinois 60069.

At the annual meeting, stockholders will be asked to vote on each of the three proposals set forth in the Notice of Annual Meeting of Stockholders and the Proxy Statement, which describe the formal business to be conducted at the annual meeting and follow this letter.

We are pleased to take advantage of rules and regulations adopted by the Securities and Exchange Commission allowing companies to furnish proxy materials to their stockholders over the Internet. We believe that the e-proxy process expedites stockholders' receipt of proxy materials and reduce the costs and environmental impact of our Annual Meeting of Stockholders. On April 5, 2019, we began mailing a Notice of Internet Availability of Proxy Materials to our stockholders containing instructions on how to access our Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2018, as well as instructions regarding how to receive paper copies of these documents if you prefer.

Your vote on the matters to be considered at the annual meeting is important, regardless of the size of your holdings. Whether or not you plan to attend the meeting, we urge you to vote your shares as soon as possible via the Internet or by telephone. If you received a paper copy of the proxy card by mail, you may sign and return the proxy card in the envelope provided, or may request a proxy card to complete, sign, and date and return by mail. By voting in advance of the meeting, you can ensure your shares will be represented and voted at the meeting, and you will spare Zebra the expense of a follow-up mailing. Even if you vote before the meeting you may still attend the meeting and vote in person.

Sincerely,

**Michael A. Smith Anders Gustafsson**

Chairman

Chief Executive Officer

**Notice of  
Annual Meeting  
of Stockholders**

**Meeting Information**

**MAY 16, 2019**

**10:30 a.m., Central Time**

**Zebra Technologies Corporation  
Three Overlook Point  
Lincolnshire, Illinois 60069  
(847) 634-6700**

**To the Stockholders of Zebra Technologies Corporation:**

The Annual Meeting of Stockholders of Zebra Technologies Corporation will be held at 10:30 a.m., Central Time, on Thursday, May 16, 2019, at our headquarters at 3 Overlook Point, Lincolnshire, Illinois 60069, for the following purposes:

- (1) To elect the two Class II directors named in the proxy statement with terms to expire in 2022;
- (2) To hold an advisory vote to approve the compensation of our named executive officers;

- (3) To ratify the appointment by our Audit Committee of Ernst & Young LLP as our independent auditors for 2019;  
and  
(4) To conduct other business if properly presented.

The proxy statement more fully describes the proposals. Only holders of record of common stock at the close of business on March 22, 2019 are entitled to vote at the meeting.

**Cristen Kogl**

*Corporate Secretary*

Lincolnshire, Illinois

April 5, 2019

**Review your proxy statement and vote in one of four ways:**

<b>INTERNET</b>	<b>BY TELEPHONE</b>	<b>BY MAIL</b>	<b>IN PERSON</b>
Visit <a href="http://www.proxyvote.com">www.proxyvote.com</a>	Call 1-800-690-6903	Sign, date and return your proxy card in the enclosed envelope	Attend the annual meeting in Lincolnshire, IL See page 53 for instructions on how to attend

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 16, 2019**

**Our proxy statement and 2018 Annual Report to Stockholders are available at:  
<https://materials.proxyvote.com/989207>**

**Please refer to the enclosed proxy materials or the information forwarded by your bank, broker or other holder of record to see which voting methods are available to you.**

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**Proxy Summary**

## Agenda and Voting Recommendations

### Proposal 1 Election of Directors

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “**FOR**” THE ELECTION OF FRANK B. MODRUSON AND MICHAEL A. SMITH TO SERVE AS CLASS II DIRECTORS OF ZEBRA.

The Board of Directors currently consists of eight directors. Seven of our directors are independent under NASDAQ listing requirements; the eighth director is Zebra’s CEO. Each of the nominees currently serves as a director of Zebra. The Board of Directors believes that the current nominees reflect an appropriate composition to effectively oversee and constructively challenge the performance of management in the execution of Zebra’s strategy.

For more information... page 13.

Name	Age	Director Since	Primary Occupation	Independent	Committee Memberships	Current Other Public Directorships
<b>Class I Directors</b>						
Frank B. Modruson	59	2014	Former CIO, Accenture		AC	1
Michael A. Smith	64	1991	Chairman of the Board, Zebra Technologies Chairman and Chief Executive Officer, FireVision LLC		AC (chair), CC, NGC (chair)	0
<b>Class II Directors</b>						
Anders Gustafsson	58	2007	Chief Executive Officer, Zebra Technologies		None	1
Andrew K. Ludwick	73	2008	Private Investor		AC	0
Janice Roberts	63	2013	Partner, Benhamou Global Ventures		CC	3
<b>Class III Directors</b>						
Chirantan “CJ” Desai	48	2015	Chief Product Officer, ServiceNow		CC	0
	76	2008			CC (chair), NGC	0

Richard L. Keyser			Retired Chairman Emeritus, W.W. Grainger, Inc.		
Ross W. Manire	67	2003	Retired President and CEO, ExteNet Systems, Inc.	AC, NGC	1

*AC = Audit Committee, CC = Compensation Committee and NGC = Nominating and Governance Committee*

### **Board Composition Snapshot**

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## **Proposal 2 Advisory Vote to Approve Compensation of Named Executive Officers**

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “**FOR**” APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

### Compensation Program Highlights

Zebra is seeking your advisory vote to approve the compensation of our named executive officers as disclosed in this proxy statement. For 2018, our Compensation Committee did not make any changes in Zebra’s executive compensation practices. At the 2018 annual meeting, Zebra’s say-on-pay vote received approval by 96.79% of the votes cast for Zebra’s say-on-pay vote at that meeting. For more information... CD&A on page 22.

### 2018 Elements of Compensation

Our executive officers are responsible for achieving long-term strategic goals, and their compensation is weighted toward rewarding long-term value creation for stockholders.

Our emphasis on creating long-term stockholder value is best illustrated in the following charts, which show that long-term incentive compensation accounts for the largest percentage of the Named Executive Officers’ overall target compensation for 2018. In addition, a majority of the Named Executive Officers’ compensation — consisting of target long-term and target short-term incentive compensation combined — is performance-based or “at risk.”

## **Proposal 3 Ratification of Appointment of Independent Auditors**

THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE RECOMMEND A VOTE “**FOR**” THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS FOR THE YEAR ENDING DECEMBER 31, 2019.

Zebra is seeking your advisory vote to ratify Ernst & Young LLP as Zebra’s Independent auditors, more information on page 48.

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**Proxy Statement**

*We are providing you with these proxy materials in connection with the solicitation by Zebra's Board of Directors of proxies for our 2019 Annual Meeting of Stockholders. We will hold the annual meeting at 10:30 a.m., Central Time, on Thursday, May 16, 2019, at our headquarters at 3 Overlook Point, Lincolnshire, Illinois 60069.*

In accordance with rules and regulations of the SEC, instead of mailing a printed copy of our proxy materials to each stockholder of record, we are furnishing the proxy materials, which include this proxy statement and the accompanying proxy card, notice of meeting, and annual report to stockholders, to our stockholders over the Internet unless otherwise instructed by the stockholder. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials. The Notice of Internet Availability of Proxy Materials was first mailed on or before April 5, 2019 to all stockholders of record as of March 22, 2019, the record date.

This proxy statement contains important information regarding our annual meeting, the proposals on which you are being asked to vote, information you may find useful in determining how to vote, and information about voting procedures. As used herein, "we," "us," "our," "Zebra" or the "Company" refers to Zebra Technologies Corporation.

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## **Corporate Governance**

### Corporate Governance Policies

Zebra believes that strong corporate governance practices help create long-term value for our stockholders. Our key governance policies, listed below, provide the framework for our corporate governance and assist the Board in fulfilling its duty to stockholders. Our commitment to these policies is vital to ensuring Zebra is managed and monitored in a responsible and value-driven manner.

The **Corporate Governance Guidelines** address matters relating to the composition and operations of the Board of Directors

The **Code of Business Conduct** applies to directors, officers, and employees, and addresses matters such as conflicts of interest, confidentiality, and fair dealing

The **Code of Ethics for Senior Financial Officers** applies to our CEO, Chief Financial Officer, and Chief Accounting Officer, and addresses matters such as compliance with laws and regulations

The Board reviews (and if necessary, modifies) these policies periodically to ensure they reflect sound corporate governance policies and practices. The Corporate Governance Guidelines were amended in February 2019.

All of these documents are available on Zebra's website at <http://www.zebra.com> under "About Zebra-Investor Relations-Governance-Governance Documents."

### **Selecting Nominees for the Board**

#### **HOW WE FIND POTENTIAL DIRECTORS**

The Nominating and Governance Committee of our Board of Directors is responsible for identifying individuals who are qualified to serve as directors and for recommending candidates. The Nominating and Governance Committee relies on several sources to identify potential directors, including referrals from current Board members and management, suggestions from stockholders, and individual self-nominations. From time to time, the Nominating and Governance Committee engages a search firm to identify prospective candidates for director.

Consideration of potential Board members typically involves a series of internal discussions, review of the candidates' qualifications, and interviews with promising candidates. Candidates from all sources are evaluated in the same way and are subject to the same standards.

## **WHAT WE LOOK FOR IN POTENTIAL DIRECTORS**

We believe that Board candidates must exhibit certain minimum characteristics: sound judgment and an even temperament, high ethical standards, and a healthy view of the relative responsibilities of board members and management. In addition, our Board members should be independent thinkers, articulate and intelligent, and be able to commit time and attention to Zebra's business. The Nominating and Governance Committee's charter sets forth other important criteria, including experience as a board member of another publicly-traded company; experience in industries, global businesses or with technologies relevant to Zebra; accounting or financial reporting experience; independence; and diversity of race, gender, nationality and ethnicity.

Each year the Nominating and Governance Committee reviews the performance of current directors whose terms will expire at the upcoming annual meeting of stockholders. When deciding whether to nominate an existing director for re-election, the Nominating and Governance Committee will confirm that the director meets the criteria described above, but also will consider matters such as whether the director:

- represents stockholder interests in Board deliberations,
- demonstrates loyalty to Zebra,
- attends meetings regularly,
- keeps abreast of corporate and industry changes,
- prepares effectively for meetings with Board members and senior management,
- communicates effectively at Board and committee meetings and with senior management,
- supports the deliberative process as a team member (e.g., is courteous, respectful, and constructive),
- challenges the Board and senior management to set and achieve goals, and
- possesses special characteristics that contribute to effectiveness as a Board member.

Although the Board does not have a specific diversity policy, it considers diversity of race, ethnicity, gender, nationality, age, cultural background and professional experience in evaluating Board candidates and in nominating existing directors for re-election. The Board views diversity as an important factor because the Board believes that a variety of points of view contributes to a more effective decision-making process. When recommending Board candidates for election or re-election by stockholders, the Board and Nominating and Governance Committee focus on how

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the experience and skillset of each Board candidate complements those of fellow candidates and members of the Board to create a balanced Board with diverse viewpoints and deep expertise.

The Board does not endorse a mandatory retirement age, term limits, or automatic re-nomination to serve as a director. The Board believes that Board and committee self-evaluation processes are the most effective means of assisting it in determining whether a director should continue to serve in that capacity. The Board assesses its contribution as a whole and identifies areas in which improvements may be made.

### **Director Independence**

Under our Corporate Governance Guidelines and NASDAQ listing rules, a majority of our directors must be independent. Under NASDAQ listing rules, a director does not qualify as independent unless the Board affirmatively determines that the director has no relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In February 2019, the Nominating and Governance Committee reviewed the independence of all Zebra directors and determined, and the Board formally approved, that each director, except Anders Gustafsson, our Chief Executive Officer, is independent under NASDAQ listing rules, and that no director other than Mr. Gustafsson has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

### **Board Leadership Structure**

Under our Corporate Governance Guidelines, the Board may be led by an independent Chairman or the roles of Chairman and Chief Executive Officer may be combined. When the CEO also serves as Chairman, the Corporate Governance Guidelines provide that the independent directors must appoint an independent lead director.

Michael Smith has served as an independent director since 1991, and as our independent Chairman since 2007. In that capacity, Mr. Smith presides at all meetings of stockholders and of the Board, including executive sessions of the whole Board and of the independent directors. Mr. Smith's other duties include advising the CEO of matters discussed in executive sessions when appropriate, and approving Board agenda items. We believe that separating the positions of Chairman and CEO allows our CEO to focus on the strategic, operational, and financial matters necessary to operate Zebra's business. Mr. Smith provides independent leadership that reflects his experience with Zebra and the operation and history of the Board.

### **Executive Sessions**



The Board and its committees regularly meet in executive session with and without the CEO.

### **Limitation on Service on Other Boards**

The Corporate Governance Guidelines limit to four the number of other publicly traded for-profit boards on which a non-employee director may serve. Employee directors and executive officers, other than the CEO, may serve on the board of one for-profit entity other than Zebra, as approved by the Chairman. The CEO may serve on the board of two publicly traded for-profit entities in addition to the Zebra board, as approved by the Nominating and Governance Committee.

### **Director Development**

Directors are provided with continuing education, including business-specific learning opportunities through site visits and briefing sessions on topics that are relevant to Zebra. Directors are also encouraged to attend additional continuing education programs designed to enhance the performance of individual directors and the Board as a whole. Zebra reimburses the costs of continuing director education programs. For new directors, Zebra provides an orientation and on-boarding to familiarize them with the company, Zebra's corporate governance practices, and the role and responsibility of a director and of the board of directors generally.

[Back to Contents](#)**Stock Ownership Guidelines**

Zebra's Stock Ownership Guidelines for executive officers and non-employee directors impose the following "multiple of pay" stock ownership requirements:

<b>Covered Participant</b>	<b>Must hold the lesser of:</b>	
	<b>Multiple of Pay</b>	<b>Number of Shares</b>
Chief Executive Officer	5x annual base salary	or 100,000
Executive Vice President	4x annual base salary	or 30,000
Senior Vice President	3x annual base salary	or 20,000
Vice President	1x annual base salary	or 10,000
Non-Employee Directors	5x annual board cash retainer	or 10,000

Directors and covered executives have five years after becoming subject to the Stock Ownership Guidelines to satisfy the applicable threshold ownership level. Until that ownership requirement is attained, directors and covered executives must retain 50% of their after-tax shares acquired upon exercise or vesting of an equity award. The Stock Ownership Guidelines are available on our website at <http://www.zebra.com> under "About Zebra-Investor Relations-Governance-Governance Documents."

In February 2019, the Compensation Committee reviewed compliance with the Stock Ownership Guidelines as of December 31, 2018, for all incumbent directors and executive officers. All of our non-employee directors satisfied the applicable stock ownership level. Except for Ms. Kogl, who was promoted to General Counsel in September 2018, and Mr. Williams, who joined Zebra as our Chief Supply Chain Officer in December 2018, each of Zebra's executive officers satisfied the applicable stock ownership level.

**Oversight of Risk Management**

The goal of our risk-management program is to provide reasonable assurance that a controllable risk will not have a material or significant adverse effect on Zebra. As set forth in our Corporate Governance Guidelines, the Board is responsible for the oversight of risk management. This responsibility is discharged primarily through the Audit Committee.

The Audit Committee receives regular reports from internal audit and from a risk committee made up of management employees regarding the identification and management of risk in our businesses. The Audit Committee is also responsible for the oversight of risk specifically related to information technology. The Compensation Committee is responsible for the oversight of risk related to our compensation policies and practices.

The Audit Committee and the Compensation Committee report regularly to the Board regarding their oversight roles, and the Board regularly discusses significant risks facing Zebra. Management categorizes identified risks for more efficient analysis as follows:

*market risks* include economic environment, competitive landscape, and currency/foreign exchange rates;  
*strategic risks* include succession planning, corporate governance, and strategic vision;  
*operational risks* include distribution, logistics, sales, and information technology (e.g., cybersecurity and business continuity);  
*financial risks* include tax, accounting, information technology, and liquidity; and  
*legal and compliance risks* include international trade, anti-bribery, product compliance, international laws and regulations, and litigation.

Management assesses identified risks that may be controlled by looking at the potential impact on Zebra, the likelihood of occurrence, and Zebra's level of risk exposure. Management cannot control market risks like general economic conditions, but these risks are evaluated against Zebra's activities to manage our exposure.

Risks arising out of Zebra's compensation policies and practices may, depending on the actions or behavior encouraged, be categorized as strategic, operational, financial, or legal and compliance risks. Management conducts an annual assessment of the risks arising out of Zebra's compensation policies and practices. Management reviewed each significant element of compensation for the purpose of determining whether that element—including any related performance goals and targets—encourages identifiable risk-taking behavior and whether any identified risks could have a material adverse effect on Zebra. As part of this review, management considers whether our compensation plan is designed to mitigate or cap risk, including features such as compensation caps under the Zebra Incentive Plan. In February 2018, management reviewed base salaries, the 2018 Zebra Incentive Plan, and equity awards granted under the 2015 Long-Term Incentive Plan. Based on this review, management prepared a report and discussed with the Compensation Committee its determination that our policies and practices are not reasonably likely to have a material adverse effect on Zebra.

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## **Related-Party Transactions**

Zebra's Related Party Transactions Policy applies to any transaction, arrangement or relationship in which Zebra and any related person are parties. For this purpose, a "related person" is a director or executive officer, their immediate family members, entities in which a director, executive officer or immediate family member is a partner or has a 10% or greater beneficial interest, and beneficial owners of more than 5% of our common stock and their immediate family members.

Our General Counsel and Audit Committee administer the Related Party Transactions Policy. If the General Counsel determines that a proposed transaction is a related-party transaction and thus is subject to the policy, then the Chairman of the Audit Committee or the full Audit Committee will review the proposed transaction to determine if it should be approved. The Related Party Transactions Policy provides that all relevant available facts and circumstances should be considered, including: (i) the benefits to Zebra; (ii) the impact on a director's independence in cases where the related person is a director, an immediate family member of a director, or an entity in which a director is a partner, stockholder or executive officer; (iii) the availability of other sources for comparable products or services; (iv) the related person's interest in the transaction; (v) the terms of the transaction; and (vi) the terms available to unrelated third parties or to employees generally.

At the end of each fiscal quarter, we conduct a related party survey that requires each director and executive officer to identify (a) all related parties, which includes family members and entities in which such director, executive officer or any family member has an ownership interest or for which such director, executive officer, or any family member serves as a director or officer, and (b) any transactions between Zebra and such related parties.

## **Compliance Reporting**

Zebra maintains a compliance hotline and website to provide a confidential means for employees or other interested individuals to communicate concerns to management or the Board, including concerns regarding accounting, internal controls or audit matters, and compliance with laws, regulations, policies or the Code of Business Conduct. Our Chief Compliance Officer reports regularly to the Audit Committee on our Compliance and Ethics Program, including information about the communications received via the compliance hotline and website.

## **Communications with the Board**

Any stockholder who would like to contact our Board may do so by writing to our Corporate Secretary at Three Overlook Point, Lincolnshire, Illinois 60069. Communications received in writing will be distributed to the appropriate members of the Board, depending on the content of the communication received.



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### **Proposal 1 Election of Directors**

The Board of Directors currently consists of eight directors. Seven of our directors are independent under NASDAQ listing requirements; the eighth director is Zebra's CEO. Each of the nominees currently serves as a director of Zebra.

Our Board of Directors is divided into three classes with staggered three-year terms. Every year we elect one class. We are asking stockholders to re-elect our two Class II directors, whose terms expire this year. If elected, Frank B. Modruson and Michael A. Smith will serve for a three-year term expiring at the 2022 annual meeting and until their successors are elected and qualified.

Both nominees have consented to stand for election and to serve if elected. However, if at the time of the annual meeting any nominee is unable or declines to serve, the individuals named in the proxy will, at the direction of the Board of Directors, either vote for the substitute nominee or nominees recommended by the Board or vote to allow the vacancy to remain open until filled by the Board.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **"FOR"** THE ELECTION OF FRANK B. MODRUSON AND MICHAEL A. SMITH TO SERVE AS CLASS II DIRECTORS OF ZEBRA.

The following table sets forth information regarding the nominees for Class II Directors and the remaining directors.

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## Nominees for Class II Director

### **FRANK B. MODRUSON**

**Class II Director**

**Independent**

**Director since: 2014**

**Age: 59**

**Committees: Audit Committee**

Mr. Modruson served from 2003 to 2014 as the Chief Information Officer at Accenture, a global leader in strategy, consulting, digital, technology, and operations. As CIO, he was responsible for the information technology strategy, applications and infrastructure supporting 281,000 employees. He also chaired Accenture's Information Technology Steering Committee and was a member of the Accenture Operating Committee and Global Leadership Council. Prior to becoming CIO, Mr. Modruson held other roles at Accenture, including Partner, for 15 years.

Mr. Modruson currently serves on the Board of Directors of First Midwest Bancorp, Inc. He is also a volunteer firefighter, and serves on the Board of Directors of the Lyric Opera of Chicago. In 2010, Mr. Modruson was elected to CIO *Magazine's* CIO Hall of Fame. In addition, *InfoWorld* has named him to its list of Top 25 CTOs, and *ComputerWorld* has named him one of its Premier 100 CTOs.

*Mr. Modruson is particularly valuable on our Board because of his extensive experience transforming IT into an asset for Accenture. His expertise will be*

### **MICHAEL A. SMITH**

**Chairman of the Board**

**Class II Director**

**Independent**

**Director since: 1991**

**Age: 64**

**Committees: Audit (Chair),**

**Compensation, and Nominating**

**and Governance (Chair)**

Mr. Smith has been Chairman of Zebra since 2007. He has substantial knowledge of Zebra and its industry, including prior service on the board of a public company in the automatic identification sector. Since 2000, he has served as Chairman and Chief Executive Officer of FireVision LLC, a private investment company he founded. Previously, Mr. Smith served in various senior investment banking and mergers & acquisitions roles at NationsBanc Montgomery Securities and its successor entity, Banc of America Securities, LLC, BancAmerica Robertson Stephens, BA Partners, and its predecessor entity, Continental Partners Group, and Bear Stearns.

Mr. Smith is a member of the Board of Directors of SRAM International Corp., a global designer, manufacturer and marketer of premium bicycle components. Mr. Smith is a Board Leadership Fellow of the National Association of Corporate Directors, having completed NACD's comprehensive program of study for experienced corporate directors.

*Mr. Smith is particularly valuable on our Board because of his background and skills in financial services, as well as his decades of industry experience.*

*indispensable as Zebra looks to expand and move into new markets.*



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**Continuing Directors**

**CHIRANTAN “CJ” DESAI**

**Class I Director**

*(Term Expires 2021)*

**Independent**

**Director since: 2015**

**Age: 48**

**Committees: Compensation**

Mr. Desai is Chief Product Officer at ServiceNow, a cloud computing company. From 2013 to 2016, Mr. Desai served as President of the Emerging Technologies Division at EMC. In this role, he oversaw research and development and new product launches, and helped grow new businesses. Prior to working at EMC, Mr. Desai was Executive Vice President at Symantec, where he led the firm’s Information Management Group. In this role, Mr. Desai was responsible for a \$3 billion business and a team of approximately 4,000 people. Previously, Mr. Desai was responsible for the Endpoint Security and Mobility group at Symantec, where he became the go-to security expert for top enterprises. Earlier in his career, Mr. Desai built and ran offshore businesses in Bangalore, India for Oracle and Pivotal through which he developed best practices in product development and go-to-market strategy. He began his career with Oracle and was a key member of the team that launched Oracle’s first cloud services.

**ANDERS GUSTAFSSON**

**Class III Director**

*(Term Expires 2020)*

**Director since: 2007**

**Age: 58**

**Committees: None**

Mr. Gustafsson became Zebra’s Chief Executive Officer and a director in 2007. Prior to joining Zebra, Mr. Gustafsson served as Chief Executive Officer of Spirent Communications plc, a publicly-traded telecommunications company, from 2004 until 2007. From 2000 until 2004, he was Senior Executive Vice President, Global Business Operations, of Tellabs, Inc., a communications networking company. Mr. Gustafsson’s other roles at Tellabs included President, Tellabs International; President, Global Sales; and Vice President and General Manager, Europe, Middle East and Africa. Earlier in his career, he held executive positions with Motorola, Inc. and Network Equipment Technologies, Inc.

Mr. Gustafsson is a member of the Board of Directors of Dycom Industries Inc., a company that provides construction and specialty services to the telecommunications industry, and of

**RICHARD L. KEYSER**

**Class I Director**

*(Term Expires 2021)*

**Independent**

**Director since: 2008**

**Age: 76**

**Committees:**

**Compensation (Chair)**

**and Nominating and**

**Governance Committee**

Mr. Keyser spent much of his career at W.W. Grainger, Inc., an international distributor of maintenance, repair and operating supplies. He served as President and Chief Operating Officer from 1994 to 1995, Chairman and Chief Executive Officer from 1995 until 2008, Chairman from 2008 to 2009, and Chairman Emeritus from 2009 to 2010. Prior to joining Grainger in 1986, Mr. Keyser held positions at NL Industries and Cummins Engine Company.

Mr. Keyser serves as a trustee of the Shedd Aquarium, a trustee of the Field Museum of Natural History, a director of the US Naval Academy Foundation,

*Mr. Desai provides value to our Board by being a strategic thinker with an affinity for innovation. He also has deep expertise software, product security and best practices in product development and go-to-market strategy, especially for enterprise clients similar to those Zebra supports.*

International Paper Company, a leading global producer of renewable fiber-based packaging, pulp and paper products. He is a member of the Technology Committee and the Immigration Committee of the Business Roundtable. He also serves as a trustee of the Shedd Aquarium.

and chairman of the National Merit Scholarship Corporation. In 2010, Mr. Keyser was honored as the National Association of Corporate Directors 2010 Public Company Director of the Year based on his unwavering commitment to integrity, informed judgment, and performance.

*Mr. Gustafsson has extensive executive level experience that allows him to bring to the Board of Directors a broad range of skills related to our industry, including knowledge of leadership of complex organizations, corporate strategy and planning, corporate finance and mergers and acquisitions.*

*Mr. Keyser has decades of experience with distributor and reseller channels, the primary means by which Zebra sells its products. His background provides significant strategic and operational benefits to Zebra.*

[Back to Contents](#)**Continuing Directors****ANDREW K.  
LUDWICK****ROSS W. MANIRE****JANICE ROBERTS****Class I Director****Class III Director***(Term Expires 2021)***Class III Director***(Term Expires 2020)***Independent***(Term Expires 2020)***Independent****Director since: 2003****Independent****Director since: 2008****Age: 67****Director since: 2013****Age: 73****Committees: Audit (Financial Expert)****Age: 63****Committees: Audit  
Committee****and Nominating and****Committees: Compensation****Governance Committee**

Mr. Ludwick has extensive experience in technology and start-up businesses, including serving as Chief Executive Officer of Bay Networks, Inc., a communications networking company, from 1994 to 1996. Before that he was Founder, President and Chief Executive Officer of SynOptics Communications, Inc., a communications networking company, from 1985 to 1994. He has been a private investor since 1997.

*Mr. Ludwick is particularly valuable on our Board because of his extensive experience as an entrepreneur, manager and investor in technology*

Mr. Manire founded ExteNet Systems, Inc., a wireless networking company, and served as its President and Chief Executive Officer from 2002 until 2018. He was President of the Enclosure Systems Division of Flextronics International, Ltd., an electronics contract manufacturer, from 2000 to 2002, and President and Chief Executive Officer of Chatham Technologies, Inc., an electronic packaging systems manufacturer that merged with Flextronics, in 2000. Prior to joining Chatham Technologies, Mr. Manire was Senior Vice President of the Carrier Systems Business Unit of 3Com Corporation, a provider of networking equipment and solutions. He served in various executive positions with U.S. Robotics from 1991 to 1997, including Chief Financial Officer, Senior Vice President of Operations, and Senior Vice President of the Network Systems Division prior to its 1997 merger with 3Com. From 1989 to 1991, Mr. Manire was a partner in Ridge Capital, a private investment company. He began his

Ms. Roberts is an experienced global technology executive and venture capitalist based in Silicon Valley, where her board experience spans public, private, and nonprofit organizations. She is currently a Partner at Benhamou Global Ventures where she leads early stage enterprise and “cross-border” investments and holds advisory and board positions with portfolio companies. Ms. Roberts currently serves on the boards of NETGEAR, Inc. (NASDAQ: NTGR), RealNetworks, Inc. (NASDAQ: RNWK) and Zynga Inc. (NASDAQ: ZNGA) and was most recently a director of ARM Holdings Plc until its acquisition by the SoftBank Group in 2016. From 2000 to 2013, Ms. Roberts served as Managing Director of Mayfield Fund where she continued as a venture advisor until 2014; investing in wireless, mobile, enterprise and consumer technology companies. From 1992 to 2000, Ms. Roberts was employed by 3Com Corporation (which was later acquired by Hewlett Packard), where she held various executive positions, including Senior Vice President of Global Marketing and Business Development, President of 3Com Ventures, and President of the Palm Computing Business

*businesses. Mr. Ludwick's operational background provides the experience necessary to help the Board fulfill its oversight duties with regard to Audit Committee responsibilities and also to advise the Board and management on technology matters.*

professional career at Ernst & Young, LLP, and served as a partner in the Entrepreneurial Services Group from 1983 to 1989.

Mr. Manire is a member of the Board of Directors of The Andersons, Inc., a diversified business with interests in agribusiness, railcars and retailing.

Unit. She also serves on the advisory board of Illuminate Ventures and is Co-Chair of GBx Global.org, a curated network of British entrepreneurs and senior technology executives in the San Francisco Bay Area.

Ms. Roberts holds a Bachelor of Commerce degree (honors) from the University of Birmingham in the U.K.

*Mr. Manire has particular appreciation for the challenges facing our operations due to his extensive business, operational, accounting and financial knowledge and experience. For example, Mr. Manire's experience with electronics contract manufacturing provides important expertise with respect to Zebra's use of contract manufacturers. Mr. Manire's financial and accounting experience facilitates the Board's oversight of Zebra's accounting, internal control and auditing functions and activities.*

*Ms. Roberts is particularly valuable on our Board because of her extensive experience with technology companies and venture deals and her work on a variety of other boards. Her expertise is important as Zebra expands into additional technological spheres, including the Internet of Things.*

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## Committees of the Board

Our business is managed under the direction of our Board, which is kept advised of Zebra's business through regular and special meetings of the Board and its committees, written reports and analyses, and discussions with the CEO and other officers.

During 2018, our Board met seven times. All directors attended 75 percent or more of the meetings of our Board and the standing committees on which they served in 2018. Barring unforeseen circumstances, Zebra expects all directors to attend the annual meeting of our stockholders. The full Board attended the 2018 Annual Meeting.

Our Board has three standing committees — the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee — each of which is composed entirely of independent directors. Each of the standing committees operates pursuant to a written charter, which sets forth the committee's authority, duties, and responsibilities. The committees periodically review the adequacy of their respective charters, all of which are available on Zebra's website at <http://www.zebra.com> under "About Zebra-Investor Relations-Governance-Governance Documents."

**Audit Committee** The Audit Committee assists the Board in fulfilling its oversight functions with respect to matters involving financial reporting, independent and internal audit processes, disclosure controls and procedures, internal control over financial reporting, related-party transactions, and risk management. In particular, the Audit Committee is responsible for:

### Members:

Michael A.  
Smith (chair)

Ross W. Manire appointing, retaining, compensating, evaluating, and terminating, when appropriate, our independent auditor;

Frank B.  
Modruson

Andrew K. Ludwick reviewing and discussing with management and the independent auditor Zebra's annual and quarterly financial statements;

### Meetings in 2018: 6

reviewing and evaluating Zebra's cybersecurity, disaster recovery and business continuity programs; and

discussing policies with respect to risk assessment and risk management.

The Audit Committee has the authority to engage and determine funding for outside legal, accounting or other advisors.

Our Board has determined that each member of the Audit Committee meets the independence requirements under NASDAQ listing rules and rules of the Securities and Exchange Commission, and that Mr. Manire is an “audit committee financial expert” as defined under SEC regulations. In addition, as required by NASDAQ listing rules, no member of the Audit Committee has participated in the preparation of financial statements of Zebra or any current subsidiary of Zebra within the past three years, and Mr. Manire has attained “financial sophistication” due to his background as a CEO and as a CFO.

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**Compensation  
Committee**

The Compensation Committee assists the Board with its responsibilities regarding the compensation of our executive officers and non-employee directors by:

**Members:**

Richard L. Keyser (chair) generally overseeing Zebra's compensation and benefit programs and overall compensation governance;

Chirantan Desai

Michael A. Smith

Janice Roberts reviewing our total rewards philosophy, and Zebra's implementation of that philosophy, annually to ensure the components align with the objectives;

**Meetings in 2018: 5**

overseeing the administration of Zebra's short-term and long-term compensation plans;

determining (or with respect to the CEO, recommending to the Board) the total compensation and terms of employment for executive officers;

approving Zebra's peer group for market-competitive compensation purposes;

overseeing Zebra's Stock Ownership Guidelines for the non-employee directors and executive officers;

overseeing Zebra's performance management and talent management processes;

recommending to the Board the compensation of non-employee directors;

seeking the counsel of our management team, an independent compensation consultant, and other advisors as needed; and

using a sound corporate governance approach that balances an appropriate level of risk tolerance with a total rewards philosophy.

Willis Towers Watson served in 2018 as the Compensation Committee's independent executive compensation consultant. The role of Willis Towers Watson in determining executive compensation is described below under "Compensation Discussion and Analysis — Overview of Our Executive Compensation Program."

The Nominating and Governance Committee has three primary responsibilities:

**Nominating and  
Governance  
Committee**

assisting the Board in discharging its responsibilities relating to Zebra's governance;

**Members:**

Michael A. Smith  
(chair)

confirming the independence of our non-employee directors; and

Richard L. Keyser

Ross W. Manire

identifying individuals qualified to serve on the Board and recommending director nominees.

**Meetings in 2018: 3**

The Nominating and Governance Committee has the authority to retain a search firm to identify director candidates and to engage outside legal counsel or other advisors.





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## **Director Compensation**

### **Market Comparison**

In November 2017, the Compensation Committee reviewed market data on both non-employee director compensation and the financial performance of the peer group, as well as general industry data for companies similar to Zebra. (For more information on the peer group, see “Compensation Discussion and Analysis — Overview of Our Executive Compensation Program.”) Using this data, the Compensation Committee confirmed that the 2018 total mix of compensation for the non-employee directors are below the level compared to the market, as shown below.

The Compensation Committee also reviewed the data on the cash compensation awarded to the chairs and members of the Board’s standing committees. Based on this data, shown below, the Board decided not to adjust our non-employee director compensation for 2018.

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**Elements of Director Compensation**

Our non-employee director compensation for 2018 was awarded in a combination of cash and equity, as shown below.

<b>Annual cash retainer</b>	\$80,000 for all non-employee directors other than the Chairman of the Board – an increase from \$60,000 in 2017
<b>Annual cash retainer for the Chairman of the Board</b>	\$155,000 – an increase from \$110,000 in 2017
<b>Annual equity retainer</b>	Target grant date fair value of \$175,000 for all non-employee directors  Awarded in the form of fully-vested common stock  \$25,000 for the Compensation Committee Chair
<b>Annual cash retainer for committee chairs</b>	\$25,000 for the Audit Committee Chair  \$10,000 for the Nominating and Governance Committee Chair  \$15,000 for each Compensation Committee member
<b>Annual cash retainer for non- chair committee members</b>	\$15,000 for each Audit Committee member
<b>Additional meeting fees</b>	\$7,500 for each Nominating and Governance Committee member  \$2,000 for each in-person Board meeting in excess of five in-person Board meetings per year  \$1,000 for each telephonic Board meeting in excess of two telephonic Board meetings per year

\$1,500 for the Chair and \$1,000 for other committee members for each in-person committee meeting in excess of five in-person committee meetings per year, with no additional fee for telephonic committee meetings

Non-employee directors may participate in our non-qualified deferred compensation plan and our group medical and dental plans, and they are reimbursed for expenses incurred in attending Board and committee meetings. Mr. Gustafsson does not receive additional compensation for service as a director.

## 2018 Non-Employee Director Compensation

In May 2018, the Compensation Committee approved annual equity grants for each of the seven non-employee directors. These awards had a targeted value of \$175,000, and were awarded in the form of 1,140 shares of fully-vested common stock for each non-employee director.

The following table provides information regarding the compensation of our non-employee directors for 2018.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	All other Compensation (\$)	Total (\$)
<b>Chirantan Desai</b>	95,000	175,138	0	270,138
<b>Richard L. Keyser</b>	112,500	175,138	0	287,638
<b>Andrew K. Ludwick</b>	95,000	175,138	0	270,138
<b>Ross W. Manire</b>	102,500	175,138	0	277,638
<b>Frank B. Modruson</b>	95,000	175,138	0	270,138
<b>Janice Roberts</b>	95,000	175,138	0	270,138
<b>Michael A. Smith</b>	205,000	175,138	0	380,138

*The amounts in the table represent the aggregate grant date fair value for these awards computed in accordance with Financial Accounting Standards Codification 718, Compensation – Stock Compensation. Please see Note 13, (1) “Share-Based Compensation,” of Zebra’s consolidated financial statements included in Zebra’s Annual Report on Form 10-K for the year ended December 31, 2018, for a discussion of assumptions made in calculating the grant date fair value of these awards.*

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## **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth below. Based on that review and discussion, the Compensation Committee has recommended to Zebra's Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in Zebra's Annual Report on Form 10-K for the year ended December 31, 2018.

### **Compensation Committee**

Richard L. Keyser, Chair

Chirantan Desai

Janice Roberts

Michael A. Smith

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**Compensation Discussion and Analysis**

**Executive Summary**

Our Compensation Discussion and Analysis focuses on the following:

	Page Reference
	Compensation Components
<b><u>Overview of Our Executive Compensation Program</u></b>	Pay-for-Performance and At-Risk Compensation <u>23</u> Role of Our Compensation Committee
<b><u>Our Compensation Approach</u></b>	Role of the Independent Compensation Consultant How We Establish the Peer Group <u>25</u> 2018 Base Salaries
<b><u>Key Compensation Decisions in 2018</u></b>	2018 Annual Cash Incentive Awards 2018 Long-Term Equity Incentive Awards <u>26</u>
<b><u>Restricted Stock that Vested in 2018</u></b>	How 2018 Compensation for the Named Executive Officers Compares to the Peer Group Performance-Vested Restricted Stock <u>31</u> Time-Vested Restricted Stock
<b><u>Stockholders Approve Compensation of Zebra's Named Executive Officers (Say on Pay)</u></b>	<u>32</u>
<b><u>Employee Benefits</u></b>	<u>32</u>
<b><u>Our Executive Officer Employment Agreements</u></b>	<u>33</u>

**Named Executive Officers**

This CD&A discusses the compensation of the following individuals, who are referred to as our Named Executive Officers:

<b>ANDERS GUSTAFSSON</b>	Chief Executive Officer
<b>WILLIAM BURNS</b>	Senior Vice President, Chief Product and Solutions Officer

**JOACHIM HEEL**  
**OLIVIER LEONETTI**  
**MICHAEL TERZICH**

Senior Vice President, Global Sales  
Chief Financial Officer  
Senior Vice President, Chief Administrative Officer

### **Compensation Governance Practices**

On an on-going basis, our Compensation Committee reviews whether the Company's compensation governance practices support the Company's executive compensation philosophies and objectives, as shown in the table below, and are aligned with stockholder interests. The Compensation Committee determined that the Company's executive compensation philosophies, objectives and elements continued to be appropriate. As part of this review, the Compensation Committee considers the results of our annual say-on-pay vote that received approval by 96.79% of the votes cast for Zebra's say-on-pay vote at our 2018 annual meeting. The Compensation Committee did not make any changes in the Company's executive compensation program.

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## **WHAT WE DO**

A significant portion of targeted executive pay is at-risk because it is based on performance and ultimately may not be earned and paid out

We align compensation with stockholder interests by linking incentive compensation to Zebra's overall performance

We target executive compensation at the median of our benchmarks, including our peer group, and compensate based on executive's performance

We have robust stock ownership guidelines for our Named Executive Officers and directors

We require Named Executive Officers and directors to retain 50% of vested equity awards or exercised stock appreciation rights until share ownership guidelines are met

We consider, and attempt to mitigate, risk in our compensation program

We use an independent compensation consultant

We have "double-trigger" accelerated vesting of equity awards, which requires both a change in control and an involuntary termination

We conduct an annual talent management review, including succession planning

## **WHAT WE DON'T DO**

We expressly forbid option and SAR repricing without stockholder approval

We expressly forbid exchanges of underwater options or SARs for cash

We do not provide perquisites

## **Overview of Our Executive Compensation Program**

### **Compensation Components**

Our executive compensation program includes four components: base salary, annual incentive, long-term equity incentive, and employee benefits. Each component serves a particular purpose, so each is considered independently, but the four components combined provide a holistic total executive compensation approach. The Compensation Committee does not follow a pre-established formula to allocate total compensation among the various pay components.

For 2018, the Compensation Committee determined each Named Executive Officer's compensation level by reviewing market data for each individual compensation component. Base salary, annual incentive and long-term equity incentive compensation for our Named Executive Officers are targeted at market median when target performance goals are achieved. (For more information on market comparisons, see "Our Compensation Approach" below.) Actual compensation awarded varies based upon the attainment of financial and individual performance goals, as well as each executive's position, responsibilities and overall experience. (For more information on individual performance goals, see "Performance Management Process and Individual Adjustments" below.) We award superior pay when Zebra surpasses target performance goals or an executive's individual performance exceeds expectations.



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The following table describes the purpose of each compensation component and how that component is related to our pay-for-performance approach and budget.

<b>Compensation Component</b>	<b>Purpose of Compensation Component</b>	<b>Compensation Component in Relation to Performance</b>
<b>Base salary</b>	To attract and retain executives by compensating them for the primary functions and responsibilities of the position.	Aligned to peer group benchmarking; any base salary increase that an executive receives depends upon the individual performance, and the executive's displayed skills and competencies.
<b>Annual cash incentive awards</b>	To attract, retain, motivate and reward executives for achieving or surpassing key target performance goals at the company, business unit and individual level.	Financial and individual performance determines the actual amount of the executive's annual cash incentive award.
<b>Long-term equity awards</b>	To attract, retain, motivate and reward top talent to increase stockholder value.	Aligned to peer group benchmarking; an executive's past performance and future potential determine the amount of equity granted.
<b>Employee benefits</b>	To attract and retain executives by providing competitive health, welfare and retirement benefits packages in order to maintain their overall health.	Established within the overall employee benefit budget.

The objectives of Zebra's executive compensation approach include:

- Increasing stockholder value through long-term stock price growth;
- Maximizing Zebra's financial performance;
- Facilitating the delivery of the highest quality goods and services to our customers;
- Encouraging our employees to take actions that balance short-term achievements with long-term success without excessive risk;
- Motivating behavior to attain Zebra's objectives; and
- Attracting, retaining and rewarding the highest performing employees who contribute to our success.

**Pay-for-Performance and At-Risk Compensation**

Our executive officers are responsible for achieving long-term strategic goals, and their compensation is weighted toward rewarding long-term value creation for stockholders.

Our emphasis on creating long-term stockholder value is best illustrated in the following charts, which show that target long-term equity compensation accounts for the largest percentage of the Named Executive Officers' overall compensation for 2018. In addition, a majority of the Named Executive Officers' compensation — consisting of long-term equity and short-term incentive compensation combined — is performance-based or "at risk."



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## **Role of Our Compensation Committee**

The Compensation Committee consists entirely of independent directors, none of whom have ever been employed by Zebra. As further described above under “Committees of the Board,” the Compensation Committee assists the Board by overseeing Zebra’s compensation and benefit programs, particularly as those programs apply to our Named Executive Officers and non-employee directors. With input from the CEO, the Compensation Committee makes final decisions regarding all aspects of compensation for our Named Executive Officers other than the CEO. The Compensation Committee recommends a compensation package and the related performance targets for the CEO for final approval by all of the independent directors.

## **Role of the Independent Compensation Consultant**

The Compensation Committee engaged Willis Towers Watson (WTW) as its independent executive compensation consultant for 2018. In that capacity, WTW provided competitive peer group and executive compensation data, analysis and guidance to help the Compensation Committee:

- establish a peer group;
- use benchmark compensation surveys;
- develop the design of our executive compensation program;
- set executive officer and non-employee director compensation; and
- review performance and determine payouts with respect to performance-based awards.

The Compensation Committee annually assesses WTW’s independence pursuant to relevant SEC and NASDAQ rules. To that end, the Compensation Committee received a letter from WTW addressing the firm’s independence, and concluded that no conflict of interest exists that would prevent WTW from providing independent advice.

## **Our Compensation Approach**

In designing and implementing our total compensation program for 2018, we were guided primarily by market compensation data of a peer group of comparable publicly-traded companies and from broad-based surveys.

## **How We Establish the Peer Group**

In August 2017, the Compensation Committee asked WTW, the committee's independent compensation consultant, to review Zebra's peer group and to make recommendations regarding changes. In response, WTW compiled data on the financial performance of eighteen publicly-traded companies viewed as comparable to Zebra, including all of the companies in the peer group used for 2017 executive compensation. In compiling the recommended peer group, WTW used the following methodology:

Zebra's 2017 ISS Peer Group – review of the 2017 Zebra peer group for overall reasonableness and relevance;  
Industry Classification Research – review of all U.S.-based publicly-listed companies within the Global Industry Classification Standards (GICS) for the Technology Hardware and Equipment, Software and Services and Healthcare Equipment and Services; and  
Peers-of-Peers Analysis – review of companies that are disclosed as peers to companies in Zebra's peer group.

The Compensation Committee then reviewed the following company-specific information provided by WTW for the proposed peer group:

complexity and business model, including industry, cost structure, and geographic reach;  
size, primarily in terms of revenue (all 18 companies had 2016 revenue of between 50% and 200% of Zebra's 2016 revenue of \$3.65 billion);  
whether the proposed peer group member competes with Zebra for executive talent;  
investor profile (i.e., whether the proposed peer group member is considered a reasonable investment alternative and attracts investors with similar risk/return expectations);  
market capitalization; and  
whether the proposed peer group member creates products of a technical nature.

In addition to reviewing this data, the Compensation Committee also considered whether potential peer companies regard Zebra as a peer.

For 2018, WTW recommended removing one company and adding two companies to the peer group used in 2017. The Compensation Committee agreed to remove one company (Lexmark International, Inc.) and include one of those additions (Itron, Inc.), and approved the companies shown below as the peer group for purposes of evaluating and determining 2018 executive compensation.

[Back to Contents](#)**Zebra's Peer Group for 2018 Compensation Purposes**

Agilent Technologies, Inc.	Harris Corporation	Motorola Solutions, Inc.
Analog Devices, Inc.	Insight Enterprises Inc.	NCR Corporation
ARRIS International plc	Itron, Inc.	Rockwell Collins Inc.
Brocade Communications Systems, Inc.	Juniper Networks, Inc.	Teradata Corporation
Ciena Corporation	KLA-Tencor Corporation	Trimble Navigation, Ltd.
Eastman Kodak Co.	Lam Research Corporation	

**Key Executive Compensation Decisions in 2018**

To establish the compensation of the Named Executive Officers for 2018, the Compensation Committee and Mr. Gustafsson (who made recommendations regarding Named Executive Officers other than himself) reviewed competitive compensation data for the peer group, market compensation data from broad-based surveys, and each Named Executive Officer's historical compensation. The 2018 compensation packages for the Named Executive Officers are described below.

**2018 Base Salaries**

For 2018, Mr. Gustafsson recommended increases in the base salaries of the four Named Executive Officers (other than himself) effective as of March 18, 2018. The Compensation Committee discussed Mr. Gustafsson's recommendations and approved the recommended base salary adjustments for 2018. The Compensation Committee also recommended to the Board, and the Board approved, an increase in Mr. Gustafsson's 2018 base salary.

Our Named Executive Officers' annual base salaries appear in the following table:

Named Executive Officer	2017 Salary	2018 Salary	Percentage Increase
Anders Gustafsson	\$950,000	\$1,000,000	5.3%
William Burns	\$463,500	\$477,405	3.0%
Joachim Heel	\$463,500	\$475,088	2.5%
Olivier Leonetti	\$525,000	\$546,000	4.0%
Michael Terzich	\$—	\$421,824	N/A

**2018 Annual Cash Incentive Awards****Target Awards**

The 2018 Zebra Incentive Plan (“ZIP”) provided for an annual cash incentive award based on the achievement of pre-determined financial performance goals. All five Named Executive Officers participated in the ZIP.

For each Named Executive Officer, the Compensation Committee (or, in the case of Mr. Gustafsson, the Board) establishes a target annual cash incentive award, which is set as a percentage of base salary. The Compensation Committee discussed each executive’s performance with Mr. Gustafsson, and compared each executive’s target annual incentive — both the percentage of base salary and the absolute dollar amount — to the market. Mr. Gustafsson recommended that the Compensation Committee approve annual increases in the target annual cash incentive awards of two of the other Named Executive Officers. After considering Mr. Gustafsson’s recommendations, the Compensation Committee approved increases in the target annual cash incentive award for the two Named Executive Officers.

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The 2018 target annual and maximum incentive percentages for Named Executive Officers were established as follows:

Named Executive Officer	2017 Target Annual	2017 Maximum Annual	2018 Target Annual	2018 Maximum Annual
	Cash Incentive*	Cash Incentive*	Cash Incentive*	Cash Incentive*
Anders Gustafsson	125%	250%	125%	250%
William Burns	80%	160%	85%	170%
Joachim Heel	75%	150%	75%	150%
Olivier Leonetti	90%	180%	95%	190%
Michael Terzich	—	—	70%	140%

\* expressed as a percentage of the officer's base salary earned during the calendar year.

#### Annual Cash Incentive Plan Performance Metrics

For the 2018 ZIP, the Compensation Committee selected two financial performance metrics:

1. 2018 consolidated net sales