

Mueller Water Products, Inc.

Form DEF 14A

December 13, 2018

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

Mueller Water Products, Inc.

(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.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

December 13, 2018

To My Fellow Stockholders:

It is my pleasure to invite you to attend the 2019 Annual Meeting of Stockholders (the “Annual Meeting”) of Mueller Water Products, Inc. The meeting will be held on January 23, 2019 at 10:00 A.M., Eastern Time, in the Peachtree Dunwoody Room on the 3rd Floor of Building 500 at Northpark Town Center, located at 1100 Abernathy Road, N.E. in Atlanta, Georgia. The meeting will begin with voting on the matters described in the attached Notice of Annual Meeting of Stockholders and Proxy Statement, followed by my report on our company’s financial performance and operations.

The Board appreciates and encourages stockholder participation in our affairs. Whether or not you plan to attend the meeting, it is important your shares be represented and voted.

Sincerely,

Scott Hall

President and Chief Executive Officer

**YOUR VOTE IS IMPORTANT TO US.**

**PLEASE REVIEW THE ATTACHED MATERIALS AND SUBMIT YOUR VOTE PROMPTLY.**

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JANUARY 23, 2019

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To the Stockholders of Mueller Water Products, Inc.:

NOTICE IS HEREBY GIVEN that the 2019 Annual Meeting of Stockholders of Mueller Water Products, Inc. will be held at 10:00 A.M., Eastern Time, on Wednesday, January 23, 2019 in the Peachtree Dunwoody Room on the 3rd Floor of Building 500 at Northpark Town Center, located at 1100 Abernathy Road, N.E., in Atlanta, Georgia, for the following purposes:

1. To elect nine directors;
2. To approve, on an advisory basis, the compensation of our named executive officers;
3. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2019; and
4. To transact any other business properly brought before the Annual Meeting and any reconvened or rescheduled meeting following any adjournments or postponements thereof.

Only our stockholders at the close of business on December 6, 2018, the record date for voting at the Annual Meeting, are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof.

This Proxy Statement and our 2018 Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com) (for beneficial stockholders) and [www.edocumentview.com/mwa](http://www.edocumentview.com/mwa) (for registered stockholders).

We use Securities and Exchange Commission rules allowing issuers to furnish proxy materials to their stockholders over the Internet. A Notice of Internet Availability of Proxy Materials or this Proxy Statement will first be mailed to our stockholders on or about December 13, 2018. Please refer to the Notice of Internet Availability of Proxy Materials, proxy materials email or proxy card you received for information on how to vote your shares and to ensure your shares will be represented and voted at the Annual Meeting.

By Order of the Board of Directors.

Steven S. Heinrichs  
Corporate Secretary  
Atlanta, Georgia  
December 13, 2018

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Please note attendance at the Annual Meeting will be limited to stockholders of Mueller Water Products, Inc. (or their authorized representatives) as of December 6, 2018. You will be required to provide the admission ticket that is detachable from your proxy card or other evidence of ownership, along with photo identification. If your shares are held by a bank or broker, please bring your bank or broker statement evidencing your beneficial ownership of our common stock ("Common Stock") as of the record date to gain admission to the Annual Meeting.

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PROXY STATEMENT SUMMARY

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

2019 ANNUAL MEETING OF STOCKHOLDERS

Date and Time: Wednesday, January 23, 2019; 10:00 A.M., Eastern Time  
Place: Peachtree Dunwoody Room, 3rd Floor, Building 500 Northpark Town Center, 1100 Abernathy Road, N.E. Atlanta, Georgia  
Record Date: December 6, 2018  
Voting: Stockholders as of the record date may vote by Internet, telephone, signing and dating the proxy card or in person at the Annual Meeting.

VOTING MATTERS

|  |                                     |
|--|-------------------------------------|
| Matter   | Board of Directors' recommendations |
| •  | FOR each director                   |
| Election of nine directors nominee   |                                     |
| •  |                                     |
| Advisory resolution to approve executive compensation  | FOR                                 |
| •  |                                     |
| Ratification of the appointment of our independent registered public accounting firm for fiscal 2019 | FOR                                 |

Notable Achievements in Fiscal 2018

• In June 2018, we paid off our \$484 million senior secured term loan through the issuance of \$450 million aggregate principal amount of 5.50% Senior Notes due 2026.

• We launched our new Mueller brand identity in September 2018 to more closely align our family of brands in support of our ongoing efforts to drive revenue growth.

• In accordance with the strategic reorganization we announced last year, we re-configured our divisional structure around products, with five business teams that have line and cross-functional responsibility for managing specific

product portfolios. Under the new organizational structure, engineering, operations, sales & marketing and other functions have been centralized to better align with business needs and generate greater efficiency. The changes we have made over the past year have led to improved execution of our key initiatives across the organization.

In fiscal 2018, we improved our operating performance and executed initiatives to return value to our stockholders.

#### Strong Operating Results

We increased net sales 10.9% over the prior year to \$916.0 million. Our operating income and net income in fiscal 2018 were \$121.7 million and \$105.6 million, respectively. Adjusted operating income improved 11.4% to \$137.3 million, from \$123.3 million in fiscal 2017.

#### Increased dividend

We increased our quarterly dividend per share to \$0.05 from \$0.04. We paid \$30.1 million of dividends in fiscal 2018.

#### Repurchased Shares

We repurchased \$30.0 million of our outstanding Common Stock during fiscal 2018.



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Highlights of  
2018  
Performance  
Related to  
Executive  
Compensation

The Compensation and Human Resources Committee used several performance elements, including those set forth below, to assess and determine incentive plan compensation earned during fiscal 2018.

| Net Sales        | Performance Evaluation Basis<br>Adjusted Operating Income | Performance Evaluation Basis<br>Adjusted Cash Flow from Operations | Performance Evaluation Basis<br>Return on Net Assets |
|------------------|---|--|--|
| (\$ in millions) |   |  | (%)  |
| 2018 \$916.0     | \$132.2   | \$143.8  | 48.5%  |

See “Compensation Discussion and Analysis — Highlights of 2018 Performance Related to Executive Compensation” for more information and Exhibit A for a reconciliation of the non-GAAP financial measures used in determining executive compensation to GAAP financial results.

Highlights of  
2018  
Executive  
Compensation

We design our executive compensation programs to target total compensation for executives at or about the 50<sup>th</sup> percentile (plus or minus 15%) of our customized peer group. The principal elements of these compensation programs are base salary, annual performance-based cash bonus, long-term incentive and performance-based equity compensation, as well as broad-based employee benefit plans.

We structure a significant portion of our executives’ overall compensation as incentive compensation. For fiscal 2018, incentive compensation, which includes performance-based compensation, represented approximately 81% of the total target compensation of Scott Hall, our CEO, and an average of 71% of the total target compensation of our other continuing named executive officers’, excluding Mr. Heinrichs.

We structure performance-based compensation to pay for performance. Performance-based incentive compensation represented 52% of our CEO’s total target compensation for fiscal 2018. We set clear and measurable financial goals for Company performance. In evaluating individual performance, we assess progress toward strategic priorities.

• We paid performance-based compensation for fiscal 2018 that reflects Company performance.

Our named executive officers’ compensation was positively affected by Company performance in relation to targets set for fiscal 2018.

Annual cash bonuses earned by our continuing named executive officers’ were 132% of target.

Long-term compensation was achieved at 135.7% of target for fiscal 2018 based on our return on net assets.

• We continue to maintain best practices for executive compensation.

We design our compensation programs to mitigate risk.

Our equity incentive plan prohibits the repricing or exchange of equity-based awards.

We prohibit hedging and pledging of our Common Stock by executives or directors.

Our executives and directors are subject to stock ownership guidelines.

We can “clawback” cash- or equity-based compensation paid to executives under certain circumstances.

We do not provide excise tax gross-up benefits.

See “Compensation Discussion and Analysis — Executive Compensation Program Overview”, “— Other Factors Considered by the Compensation Committee” and “— Other Compensation Practices and Policies” for more information regarding our compensation philosophy, structure and developments.



Table of ContentsDIRECTOR  
NOMINEES

Each director stands for election annually. All nominees are independent, except Mr. Hall, our President and CEO. The Board held 10 meetings in fiscal 2018 and each director attended at least 95% of the total number of meetings of the Board and committees of which he or she was a member.

The following table provides summary information about each director nominee. See “Matters to be Voted On — Proposal One” for more information about each nominee.

| Name                           | Age | Director Since       | Independent | Experience   | Board Committees <sup>(1)</sup> |
|--------------------------------|-----|----------------------|-------------|--|---------------------------------|
| Shirley C. Franklin            | 73  | 2010                 |             | Executive Chair of Purpose Built Communities, Inc.; former Mayor of Atlanta                          | Comp; EHS                       |
| Scott Hall                     | 54  | 2017                 |             | President and Chief Executive Officer of Mueller Water Products, Inc.                                | Exec*                           |
| Thomas J. Hansen               | 69  | 2011                 |             | Former Vice Chairman of Illinois Tool Works Inc.   | Audit; EHS                      |
| Jerry W. Kolb                  | 82  | 2006                 |             | Retired Vice Chairman of Deloitte & Touche LLP   | Audit*; Comp; Governance        |
| Mark J. O'Brien <sup>(2)</sup> | 75  | 2006                 |             | Former Chairman and Chief Executive Officer of Walter Investment Management Corp.                    | Exec                            |
| Christine Ortiz                | 48  | New Director Nominee |             | Morris Cohen Professor of Materials Science and Engineering at Massachusetts Institute of Technology | EHS <sup>(3)</sup>              |
| Bernard G. Rethore             | 77  | 2006                 |             | Chairman Emeritus and former Chief Executive Officer of Flowserve Corporation                        | Audit; Governance*; Exec        |
| Lydia W. Thomas                | 74  | 2008                 |             | Retired President and Chief Executive Officer of Noblis, Inc.  | EHS*; Governance                |
| Michael T. Tokarz              | 69  | 2006                 |             | Chairman of Tokarz Group, LLC  | Comp*; Governance; Exec         |

\* Denotes committee chairperson

Audit = Audit Committee; Comp = Compensation and Human Resources Committee; EHS = Environment, Health (1) and Safety Committee; Exec = Executive Committee; Governance = Nominating and Corporate Governance Committee

<sup>(2)</sup> Mr. O'Brien serves as our Non-Executive Chairman. See “Corporate Governance — Board Operations — Board Leadership Structure” for more information.

<sup>(3)</sup> Expected to serve on EHS Committee if elected to the Board.

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MATTERS TO BE VOTED ON

PROPOSAL ONE:

ELECTION OF DIRECTORS

The Nominating and Corporate Governance Committee (the “Governance Committee”) is responsible for identifying qualified candidates to serve on the Board and recommending nominees to be submitted to our stockholders for election at each annual meeting of stockholders. After the Governance Committee completes its evaluation of candidates, it presents its recommendation to the Board for consideration and approval.

We strive to maintain a well-rounded and diverse Board that balances industry expertise with independence and the institutional knowledge of longer-tenured directors with the fresh perspectives brought by new directors. Focusing on our current and anticipated strategic and operating requirements and as part of our continued efforts to broaden our skill and gender diversity, the Board, per the recommendation of the Governance Committee, has nominated Dr. Christine Ortiz for election at the Annual Meeting. With the anticipated election of Dr. Ortiz, the size of the Board will increase from eight members to nine.

The Governance Committee uses a matrix of key skills and experiences to evaluate candidates. The Governance Committee carefully reviews all directors and director candidates in light of these factors based on the context of the current and anticipated composition of the Board and our current and anticipated strategic and operating requirements. In reviewing a director candidate, the Governance Committee considers the following elements as qualifications required of all directors: ü

- Personal ethics and integrity • Collaborative skills • Commitment
- Independence • Interpersonal skills • Business acumen

The Governance Committee does not expect or intend each director to have the same background, skills and experiences; instead, it expects the Board to be comprised of directors with diverse backgrounds, skills and experiences. Although the Board does not have a formal policy regarding diversity, diversity is among the criteria considered by the Board when evaluating candidates. Diversity may include gender, race, ethnicity, geographic origin/foreign citizenship or personal, educational and professional experience. The Governance Committee further believes the backgrounds and qualifications of the directors, considered as a group, should provide an appropriate mix of experience, knowledge and abilities that will enhance the Board’s oversight role.

Set forth below is a summary of the key areas of skills and experience reflected in our director nominees.

SKILLS & EXPERIENCE

Franklin Hall Hansen Kolb O’Brier Ortiz Rethore Thomas Tokarz

- CEO/Executive Leadership
- Corporate Governance
- Financial/Capital Allocation
- Government and Regulatory Affairs
- International Business
- Marketing
- Mergers and Acquisitions
- Multiple-Part Manufacturing
- Offshore Sourcing
- Strategic Planning
- Compliance/Risk Management
- Environment, Health and Safety
- Technology/Systems
- Materials Science and Engineering

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After evaluating each director and the composition of the full Board, the Governance Committee has recommended each director for election, as well as Dr. Ortiz. If elected, each of the nine individuals nominated for election to the Board will hold office until the 2020 Annual Meeting of Stockholders and until his or her successor is elected and qualified. Each nominee has agreed to serve as a director if elected. However, if for some unforeseen reason a nominee becomes unwilling or unable to serve, proxies will be voted for a substitute nominee selected by the Board. In lieu of designating a substitute nominee, the Board, in its discretion, may reduce the number of directors. Information about the nominees, including information concerning their qualifications for office, is set forth below:

Shirley C. Franklin

Age: 73

Director since: 2010

Board committees: Compensation, EHS

Other public company boards within the last five years: Delta Air Lines, Inc.

Ms. Franklin serves as Executive Chair of the board of directors of Purpose Built Communities, Inc., a national non-profit organization that works to transform struggling neighborhoods into sustainable communities. She also serves as Co-Chair of the Atlanta Regional Commission on Homelessness and as Chair of the board of directors of the National Center for Civil and Human Rights. From 2002 to 2010, Ms. Franklin served as mayor of Atlanta, Georgia. She earned a Bachelor of Science degree in sociology from Howard University and a Master's degree in sociology from the University of Pennsylvania.

The Board considered Ms. Franklin's record of civic involvement and significant executive management experience, which has spanned three decades. In addition, during her service as mayor of Atlanta, Ms. Franklin worked to rebuild the city's water infrastructure.

J. Scott Hall

Age: 54

Director since: 2017

Board committees: Executive

Mr. Hall has served as our President and Chief Executive Officer since January 2017. He served as President and CEO of Textron's Industrial segment from December 2009 until January 2017. Mr. Hall joined Textron in 2001 as president of Tempo, a multi-facility roll-up of communication test equipment. He was named president of Greenlee in 2003 when Tempo became part of the Greenlee business unit. Prior to joining Textron, Mr. Hall had several leadership roles at General Cable, a leading manufacturer of wire and cable. Mr. Hall ran General Cable's Canadian businesses before taking over responsibility for General Cable's Global Communications business. Mr. Hall received his Bachelor of Commerce degree from Memorial University of Newfoundland and his MBA from the University of Western Ontario Ivey School of Business.

The Board considered Mr. Hall's commercial experience and business leadership skills gained from his past and current positions in management.

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Thomas J. Hansen

Age: 69

Director since: 2011

Board committees: Audit, EHS

Other public company boards within the last five years: Standex International Corporation, Terex Corporation

Until 2012, Mr. Hansen served as Vice Chairman of Illinois Tool Works Inc. (“ITW”), a manufacturer of fasteners and components, consumable systems and a variety of specialty products and equipment. He joined ITW in 1980 as a sales and marketing manager of the Shakeproof Industrial Products businesses. From 1998 to 2006, Mr. Hansen served as Executive Vice President of ITW. He earned a Bachelor of Science degree in marketing from Northern Illinois University and a Master of Business Administration degree from Governors State University.

The Board considered Mr. Hansen’s experience as a senior executive of a large diversified industrial manufacturing company that faces many of the same economic, social and governance issues we face.

Jerry W. Kolb

Age: 82

Director since: 2006

Board committees: Audit (Chair), Governance, Compensation

Other public company boards within the last five years: Walter Energy, Inc.

From 1986 to 1998, Mr. Kolb served as a Vice Chairman of Deloitte & Touche LLP, a registered public accounting firm. He is a certified public accountant. Mr. Kolb earned a Bachelor of Science degree in accountancy, with highest honors, from the University of Illinois and a Master of Business Administration degree from DePaul University.

The Board considered Mr. Kolb’s broad perspective in accounting and financial reporting matters and his extensive experience in audit, finance and compensation matters and in executive management based on his 41-year career with Deloitte & Touche.

Mark J. O’Brien

Age: 75

Director since: 2006

Board committees: Executive and ex officio member of all other standing committees

Other public company boards within the last five years: Walter Investment Management Corp.

Mr. O’Brien serves as our Non-Executive Chairman. He served as Chairman of Walter Investment Management Corp. (formerly Walter Industries’ Homes Business), a mortgage portfolio owner and mortgage originator and servicer, from 2009 through December 2015, and he served as its Chief Executive Officer from 2009 to October 2015. Mr. O’Brien has served as President and Chief Executive Officer of Brier Patch Capital and Management, Inc., a real estate management and investment firm, since 2004. He served in various executive capacities at Pulte Homes, Inc., a home building company, for 21 years, retiring as President and Chief Executive Officer in 2003. Mr. O’Brien earned a Bachelor of Arts degree in history from the University of Miami.

The Board considered Mr. O'Brien's knowledge of capital markets, municipal finance and the homebuilding and real estate sectors of the economy.

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Christine Ortiz

Age: 48

Nominated: November 2018

Board committees: EHS (Designate)

Dr. Ortiz is the Morris Cohen Professor of Materials Science and Engineering at the Massachusetts Institute of Technology. The author of more than 180 scholarly publications, she has supervised research projects across multiple academic disciplines, received 30 national and international honors, including the Presidential Early Career Award in Science and Engineering awarded to her by President George W. Bush, and served as the Dean for Graduate Education at MIT from 2010 to 2016. She is also the founder of an innovative, nonprofit, post-secondary educational institution, Station1. Dr. Ortiz earned a B.S. from Rensselaer Polytechnic Institute and an M.S. and Ph.D. from Cornell University, all in the field of materials science and engineering.

The Board considered Dr. Ortiz's background as a dean, a social entrepreneur and a distinguished scientist and engineer whose research focuses on multi-scale mechanics of structural materials, materials design, nanotechnology, additive manufacturing, and computational materials.

Bernard G. Rethore

Age: 77

Director since: 2006

Board committees: Audit, Governance (Chair), Executive

Other public company boards within the last five years: Dover Corp., Walter Energy, Inc., Belden, Inc.

Mr. Rethore has served as Chairman Emeritus of Flowserve Corporation, a manufacturer of pumps, valves, seals and components, since 2000. From January 2000 to April 2000, he served as Flowserve's Chairman. Mr. Rethore had previously served as its Chairman, President and Chief Executive Officer. In 2008, Mr. Rethore was honored by the Outstanding Directors Exchange as an Outstanding Director of the Year, and in 2012, he was designated a Board Leadership Fellow by the National Association of Corporate Directors. He earned a Bachelor of Arts degree in Economics (Honors) from Yale University and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, where he was a Joseph P. Wharton Scholar and Fellow.

The Board considered Mr. Rethore's more than 30 years of experience at senior executive level positions with public manufacturing companies and his service on the boards of multiple public companies, as a member and chair of their executive, audit, compensation, environment, health and safety, governance and special committees. His extensive management and board experience make him a valuable contributor to the Board on matters involving business strategy, capital allocation, merger and acquisition opportunities and corporate governance.



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Lydia W. Thomas

Age: 74

Director since: 2008

Board committees: Governance, EHS (Chair)

Other public company boards: Washington Mutual Investors Fund

Other public company boards within the last five years: Cabot Corporation

Dr. Thomas served as President and Chief Executive Officer of Noblis, Inc., a public interest scientific research, technology and strategy company, from 1996 to 2007. She was previously with The MITRE Corporation, Center for Environment, Resources and Space, serving as Senior Vice President and General Manager from 1992 to 1996, Vice President from 1989 to 1992 and Technical Director from 1982 to 1989. In 2013, she was honored by the Outstanding Directors Exchange as an Outstanding Director of the Year. Dr. Thomas earned a Bachelor of Science degree in zoology from Howard University, a Master of Science degree in microbiology from American University and a Doctor of Philosophy degree in cytology from Howard University.

The Board considered Dr. Thomas' extensive experience at senior executive level positions and particular expertise related to information technology and environment, health and safety matters.

Michael T. Tokarz

Age: 69

Director since: 2006

Board committees: Compensation (Chair), Governance, Executive

Other public company boards: MVC Capital, Inc. (Chairman)

Other public company boards within the last five years: Walter Energy, Inc., Dakota Growers Pasta Company, IDEX Corporation, CNO Financial Group, Inc., Walter Investment Management Corp.

Since 2002, Mr. Tokarz has served as a member of the Tokarz Group, LLC, an investment company. From 1996 until 2002, Mr. Tokarz served as a member of the limited liability company that serves as the general partner of Kohlberg Kravis Roberts & Co. L.P., a private equity company. In 2007, he was honored by the Outstanding Directors Exchange as an Outstanding Director of the Year. He earned a Bachelor of Arts degree in economics with high distinction and a Master of Business Administration degree in finance from the University of Illinois.

The Board considered Mr. Tokarz's knowledge and experience in banking and finance, his entrepreneurial and business leadership skills, his more than 20 years of board experience with publicly traded companies and his corporate governance training.

The affirmative vote of a majority of the votes cast in respect of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote shall be required to elect these nominees (or a substitute nominee as designated by the Board) to serve as directors, which means that the number of votes cast in favor of a nominee's election exceeds the number of votes cast against that nominee's election. If an incumbent director fails to receive a majority of the votes cast, the incumbent director will promptly tender his or her irrevocable offer of resignation to the Board. The Board can then choose to accept the resignation, reject it or take such other action that the Board deems appropriate. See "Corporate Governance — Overview" for more information.

The Board recommends a vote FOR each nominee for director.



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PROPOSAL TWO:

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

We provide our stockholders with the annual opportunity to cast an advisory vote to approve the compensation of our named executive officers. The vote on this proposal represents an additional means by which we obtain feedback from our stockholders about executive compensation. Our Compensation and Human Resources Committee (the “Compensation Committee”) sets executive compensation.

The overall objective of our executive compensation program is to encourage and reward the creation of sustainable, long-term stockholder value. To meet this objective, the Compensation Committee has designed compensation plans for our executive officers that target total compensation at or about the 50<sup>th</sup> percentile (plus or minus 15%) of our customized peer group. A significant portion of our executives’ overall compensation is structured as incentive compensation. For fiscal 2018, incentive compensation represented approximately 81% of our current CEO’s total target compensation, and an average of 71% of the total target compensation of the other continuing named executive officers. We believe an emphasis on both short-term and long-term incentive compensation aligns executives’ and stockholders’ interests.

We encourage our stockholders to read the Compensation Discussion and Analysis section of this Proxy Statement, which discusses how our compensation policies and procedures implement our compensation philosophy. The Board and the Compensation Committee believe these policies and procedures are strongly aligned with the long-term interests of our stockholders and are effective in implementing our compensation philosophy and in achieving our strategic goals.

Accordingly, we ask for stockholder approval of the following resolution:

RESOLVED, that the stockholders of Mueller Water Products, Inc. approve, on an advisory basis, the compensation paid to the Company’s named executive officers, as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure in the Company’s proxy statement for the 2019 annual meeting of stockholders.

At last year’s annual meeting of stockholders, approximately 94% of votes cast were in support of the compensation of our named executive officers. The Compensation Committee will once again consider the result of this year’s vote, as well as other communications from stockholders relating to our compensation practices, and take them into account in future determinations concerning our executive compensation program. See “Compensation Discussion and Analysis — Highlights of 2018 Executive Compensation”.

The Board recommends a vote FOR Proposal Two.

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**PROPOSAL THREE:**

**RATIFICATION OF THE APPOINTMENT OF THE  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has authority to retain and terminate the services of our independent registered public accounting firm. The Audit Committee has appointed Ernst & Young LLP as the independent registered public accounting firm to audit our consolidated financial statements and internal control over financial reporting for the fiscal year ending September 30, 2019, subject to negotiation of definitive fee arrangements. Although stockholder ratification of Ernst & Young's appointment is not required, the Board believes submitting the appointment to our stockholders for ratification is a matter of good corporate governance. See below for a description of the fees Ernst & Young billed us for fiscal 2018 and fiscal 2017.

A representative of Ernst & Young is expected to be present at the Annual Meeting. The representative will have an opportunity to make a statement and will be available to respond to stockholder questions.

The Board recommends a vote FOR Proposal Three.

**FEES AND SERVICES OF THE INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

The Audit Committee appointed Ernst & Young as the independent registered public accounting firm to audit our consolidated financial statements and internal control over financial reporting for fiscal 2018.

**Audit Fees and Other Fees**

The following table shows the approximate fees for audit and other services provided by Ernst & Young for fiscal years 2018 and 2017 (in millions). All fees in 2018 and 2017 were pre-approved by the Audit Committee.

2018 2017

Audit fees