

TETRA TECH INC  
Form DEF 14A  
January 18, 2017

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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 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Tetra Tech, Inc.**

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(Name of Registrant as Specified In Its Charter)

N/A

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

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- No fee required.
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(1) Amount Previously Paid:

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3475 E. Foothill Boulevard  
Pasadena, California 91107  
(626) 351-4664  
[www.tetratech.com](http://www.tetratech.com)

**NOTICE OF ANNUAL  
MEETING**

**AND**

**2017 PROXY STATEMENT**

Thursday, March 2, 2017

10:00 a.m. (PT)

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**LETTER TO STOCKHOLDERS  
FROM OUR BOARD OF DIRECTORS**

January 18, 2017

Dear Fellow Stockholder:

First, we want to thank you for your investment in Tetra Tech and for trusting us to represent you and oversee your interests.

Our Board operates under the premise that we are elected by you, the stockholders, to oversee the long-term health and overall success of our Company. We are the ultimate decision-making body of the Company, except for those matters reserved to or shared with stockholders, and we play a critical role in strategic planning. We select and oversee members of senior management, who are charged by the Board with conducting the business of the Company.

We oversee and evaluate a very capable management team that is optimistic about the future of this business. Beginning in late fiscal 2014, they took thoughtful and decisive steps to reorganize and refocus the business on "leading with science," and providing high-end consulting and engineering solutions that are differentiated and of long-lasting sustainable value to clients. We believe the Company has made significant progress and remains committed to delivering long-term value for our stockholders. Management and your Board remain optimistic in our belief about the future.

One of our priorities is listening to the views of our stockholders and considering them as we make decisions in the boardroom. We accomplish this through ongoing outreach and engagement with you, the owners of this business. Through management, we engage with stockholders throughout the year on a variety of topics. Based on this engagement, we have made significant enhancements to the Company's governance and compensation programs over the last two years.

**Executive Compensation**

Our stockholders continue to tell us that a fundamental principle underlying any compensation program is that it should pay for performance. We agree. Meaningful dialogue with our stockholders continues to contribute to our decisions on compensation. Our Compensation Committee continued to assess the Company's compensation programs and made certain enhancements that we believe further align our business and talent strategies with the long-term interests of our stockholders.

**Board Refreshment**

We hear from our stockholders about the need to ensure that the Directors they elect to represent their interests are the right people to be making decisions on their behalf. The issue of Board refreshment has emerged as an important area of focus for stockholders. We believe that new perspectives and new ideas are critical to a forward-looking and strategic Board. At the same time, it is also important to benefit from the valuable experience and familiarity that longer-serving Directors bring to the boardroom.

Ensuring diverse perspectives, including a mix of skills, experience and backgrounds, is key to effectively representing the long-term interests of stockholders. Doing so is a top priority of the Board. In just the last

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few years, three new Directors have been elected. As a result, the average tenure for our Directors has been reduced and our Board's gender diversity is 30% women. Further, in November 2015, the Board determined that the role of Presiding Director would rotate to ensure independence, and the term of the Presiding Director would be limited to four years. We remain committed to ensuring your Board is composed of a highly capable and diverse group of Directors, well-equipped to oversee the success of the business and effectively represent the interests of stockholders.

**Board Risk Oversight**

The Board oversees the Company's risk profile and monitors the management of risks within the Company. The Strategic Planning and Enterprise Risk Committee has been tasked with coordinating the Board's risk oversight function. This Committee oversees our enterprise risk management policies and procedures, particularly in the areas of strategic, operational and compliance risk. Cybersecurity is also a critical priority for the entire Company. The Committee routinely receives information regarding the Company's information technology systems and dedicates time in its agenda for a discussion of cybersecurity and other important risk issues.

**Board Accountability**

As we conduct the activities of this Board, we consider accountability to you as not only a mark of good governance, but a key to the long-term success of our Company. We remain accountable to stockholders through a variety of governance practices, including:

The annual election of all Directors;

A majority vote bylaw in uncontested Director elections;

An independent Presiding Director who presides over executive sessions of all independent directors;

An annual Board evaluation process;

The right of stockholders to call a special meeting;

An annual advisory vote on executive compensation; and

Proactive stockholder engagement.

**Communicating with the Board**

Finally, we value your input and encourage you to share your thoughts or concerns with us. We have established a process to facilitate communication by stockholders with Directors. Communications can be addressed to the Board of Directors in care of the Secretary, Tetra Tech, Inc., 3475 E. Foothill Blvd., Pasadena, CA 91107 or by email to [asktheboard@tetratech.com](mailto:asktheboard@tetratech.com).

As always, thank you for the trust you have placed in us.

Dan L. Batrack  
J. Christopher Lewis  
Albert E. Smith

Hugh M. Grant  
Joanne M. Maguire  
J. Kenneth Thompson  
Kirsten M. Volpi

Patrick C. Haden  
Kimberly E. Ritrievi  
Richard H. Truly

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January 18, 2017

Dear Tetra Tech Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Tetra Tech, Inc., which will be held at the Westin Pasadena, 191 N. Los Robles Avenue, Pasadena, California 91101, on Thursday, March 2, 2017, at 10:00 a.m. Pacific Time.

Details of the business to be conducted at the Annual Meeting are given in the Notice of Annual Meeting of Stockholders and the proxy statement.

We use the Internet as our primary means of furnishing proxy materials to our stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a notice with instructions for accessing the proxy materials and voting via the Internet. The notice also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. Internet transmission and voting are designed to be efficient, minimize cost and conserve natural resources.

Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. As an alternative to voting in person at the Annual Meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing the completed proxy card. Voting by any of these methods will ensure your representation at the Annual Meeting.

Thank you for your continued support of Tetra Tech. We look forward to seeing you at the Annual Meeting.

Dan L. Batrack  
*Chairman and Chief Executive Officer*

Pasadena, California

**YOUR VOTE IS IMPORTANT**

In order to ensure your representation at the Annual Meeting, you may submit your proxy and voting instructions via the Internet, by telephone or, if you receive a paper proxy card and voting instructions by mail, you may vote your shares by completing, signing and dating the proxy card as promptly as possible and returning it in the enclosed envelope. Please refer to the section entitled "Voting Your Shares" in the *Meeting and Voting Information* section of this proxy statement for a description of these voting methods. If your shares are held by a bank or brokerage firm (your record holder) and you have not given your record holder instructions to do so, your broker will NOT be able to vote your shares with respect to any matter other than ratification of the appointment of the independent registered public accounting firm. We strongly encourage you to vote.

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**NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS**

To Our Stockholders:

You are cordially invited to attend our 2017 Annual Meeting of Stockholders to be held on Thursday, March 2, 2017, at 10:00 a.m. Pacific Time, at the Westin Pasadena, 191 N. Los Robles Avenue, Pasadena, California 91101. At the meeting, stockholders will vote on the following items of business:

1. To elect the nine directors nominated by our Board to serve a one-year term;
2. To approve, on an advisory basis, our executive compensation;
3. To indicate, on an advisory basis, the preferred frequency of advisory votes on our executive compensation;
4. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2017; and
5. To transact any other business properly brought before the meeting or any adjournment or postponement thereof.

The record date for determining those stockholders who will be entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof is January 6, 2017. **Our Board recommends that stockholders vote FOR each of the director nominees nominated by our Board, FOR Item 2, FOR the option of once every year as the preferred frequency for holding advisory votes on executive compensation in Item 3, and FOR Item 4.** After considering these items of business at the meeting, Dan Batrack, our Chairman and Chief Executive Officer, will review our fiscal 2016 performance and answer your questions.

**Even if you cannot attend the Annual Meeting, it is important that your shares be represented and voted.** You may vote as follows:

**By Telephone**

In the U.S. or Canada, you can vote your shares by calling 1.800.690-6903 before 11:59 p.m. Eastern Time on March 1, 2017.

**On the Internet**

You can vote your shares online at [www.proxyvote.com](http://www.proxyvote.com) before 11:59 p.m. Eastern Time on March 1, 2017. You will need the 12-digit control number on your *Notice of Internet Availability* or proxy card.

**By Mail**

You can vote by mail by completing, dating and signing your proxy card and returning it in the postage-paid envelope provided or sending it to Vote Processing c/o Broadridge, 51 Merced Way, Edgewood, NY 11717.

**In Person**

You can vote in person at the Annual Meeting. Beneficial holders must contact their broker or other nominee if they wish to vote in person.

On behalf of the Board of Directors, management and employees of Tetra Tech, thank you for your continued support.

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BY ORDER OF THE BOARD OF DIRECTORS

Janis B. Salin

*Senior Vice President, General Counsel and Secretary*

Pasadena, California  
January 18, 2017

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**PROXY SUMMARY**

This section contains summary information described in greater detail in other parts of this proxy statement and does not contain all the information you should consider before voting. Stockholders are urged to read the entire proxy statement before voting.

**TETRA TECH**

Tetra Tech is a leading provider of consulting and engineering services that focuses on water, environment, infrastructure, resource management, energy and international development. We are a global company that is renowned for our expertise in providing water-related services for public and private clients. *Engineering News-Record*, the leading trade journal for our industry, has ranked Tetra Tech as the number one water services firm for the past 13 years. In 2016, we were also ranked number one in water treatment/desalination, environmental management, dams and reservoirs, solid waste, and wind power. We were ranked among the 10 largest firms in numerous other services lines.

Our approach is to "lead with science", which differentiates us in the marketplace, and emphasizes innovation and investment in new and emerging technologies in growing our business. Our reputation for high-end consulting and engineering expertise, and our ability to apply our skills to develop innovative solutions for our clients, has supported our growth over 50 years. Today, we are working on projects worldwide, and currently have approximately 16,000 staff, and over 400 offices.

**ANNUAL MEETING INFORMATION**

<b>Time And Date</b>	10:00 a.m. Pacific Time on Thursday, March 2, 2017
<b>Place</b>	Westin Pasadena, 191 N. Los Robles Avenue, Pasadena, California 91101
<b>Record Date</b>	Stockholders as of the close of business on January 6, 2017
<b>Attending the Meeting</b>	Please follow the instructions described under "Annual Meeting Procedures" in the <i>Meeting and Voting Information</i> section of this proxy statement

Table of Contents**ITEMS BEING VOTED ON AT ANNUAL MEETING**

<b>Item</b>	<b>Board Recommendation</b>	<b>Vote Required</b>	<b>Discretionary Broker Voting</b>
1. Election of directors	<b>FOR</b> <b>each nominee</b>	Majority of votes cast	No
2. Advisory vote to approve executive compensation	<b>FOR</b>	Majority of shares represented and entitled to vote	No
3. Frequency of advisory votes on executive compensation	<b>FOR</b> <b>annual Say on Pay votes</b>	The frequency option that receives the highest number of votes cast will be considered the frequency preferred by our stockholders	No
4. Ratification of appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for fiscal year 2017	<b>FOR</b>	Majority of shares represented and entitled to vote	Yes

**FISCAL 2016 PERFORMANCE HIGHLIGHTS**

**Summary.** On an overall basis, our fiscal 2016 operating results reflect a significant improvement compared to fiscal 2015, and we finished the year with record-high fourth quarter revenue and income. Our focus on providing clients with high-end consulting and engineering services, primarily in the water, environment and infrastructure markets, is resulting in increased margins and reduced risk in our business.

Our fiscal 2016 revenue growth was generally consistent with our annual operating plan, and resulted from broad-based contract wins across our end markets. The revenue growth was led by U.S. federal government, U.S. state and local government, and U.S. commercial activities in waste management and environmental remediation, together with an increase in international work. In fiscal 2016, we completed acquisitions that had a material impact on our financial results. In January 2016, we acquired Coffey International Limited (Coffey), headquartered in Sydney, Australia, which had approximately 3,300 staff delivering technical engineering and international development services. Coffey significantly expands our geographic presence, particularly in Australia and Asia Pacific, and is part of our Resource Management and Energy (RME) business group. In the second quarter of fiscal 2016, we also acquired INDUS Corporation (INDUS), headquartered in Vienna, Virginia, which is a technology solutions firm focused on water data analytics, geospatial analysis, secure infrastructure, and software applications management for U.S. federal government customers. INDUS is included in our Water, Environment and Infrastructure (WEI) business group. Our backlog reached an all-time high in the fourth quarter of fiscal 2016. We also experienced significant progress in the wind-down of our non-core construction activities in the Remediation and Construction Management (RCM) segment.

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Highlights of our fiscal 2016 results of ongoing operations compared to fiscal 2015 are noted below:

**Results of Ongoing Operations for Fiscal 2016 vs. Fiscal 2015**

Results of Ongoing Operations are non-GAAP financial measures. See Appendix A to this proxy statement for a definition of these measures.

**Strong Stock Price Performance.** Our strong annual total stockholder return (TSR) of 44% in fiscal 2016 (September 25, 2015 to September 30, 2016) contributed to our cumulative TSR of 40% for the fiscal 2014 to 2016 period (September 27, 2013 to September 30, 2016). We compare our TSR to the S&P 1000 and our TSR peer group (listed on p. 57 of this proxy statement), and outperformed both in fiscal 2016 and over the cumulative three-year period. TSR measures the return that we have provided our stockholders, including stock price appreciation and dividends paid (assuming reinvestment thereof).

**One- and Three-Year TSR**

**Disciplined Capital Allocation.** Effectively deploying capital is one of our core strategies, and we have been consistently disciplined in our execution of that strategy by returning cash to our stockholders through dividends and stock repurchases, while being a strategic investor with respect to acquisitions. Over the last three years, we have returned \$327 million to stockholders. In November 2016, our Board announced a quarterly dividend and approved a new \$200 million buyback program.

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**Return of Cash to Stockholders**

**CORPORATE GOVERNANCE HIGHLIGHTS**

Our corporate governance policies and practices reflect our values, and allow our Board to effectively oversee our company in the interest of creating long-term value. The key elements of our program and the related benefits to our stockholders are set forth below:

**Our Practice or Policy**

**Description and Benefit to Our Stockholders**

**STOCKHOLDER RIGHTS**

**Annual Election of Directors**

Our directors are elected annually, reinforcing their accountability to our stockholders.

**Single Class of Outstanding Voting Stock**

We have no class of preferred stock outstanding, which means that our common stockholders together control our company with equal voting rights.

**Majority Voting for Director Elections**

We have a majority vote standard for uncontested director elections, which increases Board accountability to stockholders.

**Mandatory Director Resignation Policy**

Incumbent directors who receive more "AGAINST" votes than "FOR" votes must tender their resignation to the Board for consideration.

**No Poison Pill**

We do not have a stockholder rights plan (commonly referred to as a "poison pill").

**Stockholder Calls for Special Meetings**

Our bylaws allow stockholders owning 20% or more of our outstanding shares to call a special meeting of stockholders.



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**BOARD STRUCTURE**

<b>Governance Policies</b>	Our Corporate Governance Policies provide stockholders with information regarding the best practice principles of our corporate governance program and Board framework.
<b>90% Independent</b>	All of our current directors, except our Chairman/Chief Executive Officer (CEO), are independent, ensuring that our directors oversee our company without undue influence from management.
<b>Robust Presiding Director Role</b>	Our Presiding Director is selected by our independent directors for a four-year term to perform clearly delineated duties, such as presiding at executive sessions of our Board and serving as the principal liaison between the independent directors and the CEO.
<b>Committee Governance</b>	Our Board Committees have written charters that clearly establish their respective roles and responsibilities, and are comprised exclusively of independent directors. Committee composition and charters are reviewed annually by our Board.
<b>Mandatory Retirement</b>	We have adopted a mandatory director retirement age of 75, which helps ensure regular refreshment of our Board.
<b>Board Refreshment</b>	Our Board's Nominating and Corporate Governance (NCG) Committee annually reviews our Board composition, which helps ensure we have the right balance between continuity and fresh perspectives. We added two new directors in 2013 and one new director in 2016, thereby reducing the average tenure of the Board.
<b>Annual Performance Evaluations</b>	Our NCG Committee oversees an annual performance evaluation of our Board, and its Committees and leadership, to ensure they continue to serve the best interests of stockholders.
<b>Access to Management and Experts</b>	Our Board and Committees have complete access to all levels of management and can engage advisors at our expense, giving them access to employees with direct responsibility for managing our company and experts to help them fulfill their oversight responsibilities on behalf of our stockholders.
<b>Succession Planning</b>	Our Board's NCG Committee and/or our full Board reviews potential CEO and other senior executive successors annually to develop our future leaders and ensure we can sustain business continuity if any of these key employees were to leave our company.

**EXECUTIVE COMPENSATION**

<b>At-Risk, Performance-Based Compensation</b>	For fiscal 2016, 82% of our CEO's target total direct compensation (TDC), and an average of 65% of our other Named Executive Officers' (NEOs') target TDC, was at-risk (all compensation components other than base salary). Further, 67% of our CEO's target TDC, and an average of 55% of our other NEOs' target TDC, was performance-based (annual incentive plan (AIP) award, options and performance share units (PSUs)).
<b>Annual Say-on-Pay Vote</b>	Stockholders have the opportunity annually to cast an advisory vote on our executive compensation. In Item 3 of the proxy statement, the Board is recommending that the stockholders continue to have the opportunity to cast an annual advisory vote on executive compensation.
<b>Executive and Director Stock Ownership Guidelines</b>	All of our directors (other than Ms. Maguire who joined the Board in November 2016) and executive officers have met our stock ownership guidelines, helping ensure the alignment of their interests with those of our stockholders.
<b>Best Practices</b>	Our executive compensation program reflects a number of best practices that are summarized at the end of this proxy summary and in the executive summary of the <i>Compensation Discussion and Analysis</i> section of our proxy statement.



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Our Board has overseen the continuing transformation of our company, including our strategic decision to exit RCM at the end of fiscal 2014 and the continued focus on our high-end consulting and engineering business. Further, the Board has overseen the continuation of our capital allocation plan, which included share repurchases of \$100 million and cash dividends of \$20 million in fiscal 2016. Our Board members have demonstrated their commitment to diligently and effectively executing their fiduciary duties on behalf of our stockholders, and we recommend that each of the following currently serving directors be re-elected at the Annual Meeting.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Principal Occupation</b>	<b>Independent</b>	<b>AC</b>	<b>CC</b>	<b>GC</b>	<b>SC</b>
Dan L. Batrack	58	2005	Chairman and CEO, Tetra Tech, Inc.	No				
Hugh M. Grant	80	2003	Retired Vice Chair & Regional Managing Partner, Ernst & Young LLP	Yes	C		M	
Patrick C. Haden	63	1992	Special Advisor to the President, University of Southern California	Yes		M	M	
J. Christopher Lewis	60	1988	Managing Director, Riordan, Lewis & Haden	Yes	M	M		
Joanne M Maguire	62	2016	Retired Executive Vice President, Lockheed Martin Space Systems Company	Yes			C	M
Kimberly E. Ritrievi	58	2013	President, The Ritrievi Group LLC	Yes	M			M
Albert E. Smith (PD)	67	2005	Retired Executive Vice President, Lockheed Martin	Yes			M	C
J. Kenneth Thompson	65	2007	President and CEO, Pacific Star Energy, LLC	Yes		C		M
Kirsten M. Volpi	52	2013	EVP for Finance and Administration, COO, CFO and Treasurer, Colorado School of Mines	Yes	M	M		

AC = Audit Committee      CC = Compensation Committee      GC = Nominating and Corporate Governance Committee

SC = Strategic Planning and Enterprise Risk Committee      M = Member      C = Chair      PD = Presiding Director

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Director Richard H. Truly, a member of our Board since 2003, will be retiring on the date of the Annual Meeting. Admiral Truly is an independent director and member of the NCG Committee and the Strategic Planning and Enterprise Risk Committee.

**EXECUTIVE COMPENSATION HIGHLIGHTS**

Our Board's Compensation Committee designs our executive compensation program to motivate our executives to execute our business strategies and deliver long-term stockholder value. We pay for performance, with compensation dependent on our achieving financial and business performance objectives that advance the interests of our stockholders.

We value our stockholders' opinions about our governance and compensation practices, and we actively solicit input through our stockholder outreach program. Based on stockholders' feedback and on the Compensation Committee's further review of certain "best practices," the Committee made a number of changes to the executive compensation program for fiscal years 2015 and 2016, including:

Increasing the percentage of long-term incentives that are performance-based;

Increasing the vesting period for performance share units; and

Eliminating the "single trigger" acceleration of new equity awards upon a change in control.

Additional information about these and other changes is in the *Compensation Discussion and Analysis* section of this proxy statement. In advance of the 2017 Annual Meeting, we engaged in telephonic, email and/or in-person discussions with stockholders representing more than 50% of our outstanding shares.

The TDC paid to our executives is comprised of the following three components:

Base salary;

Performance-based cash incentive under our AIP; and

Long-term performance-based incentives (LTIs) delivered in equity and consisting of:

50% PSUs with cliff vesting after a three-year performance period based 50% on earnings per share (EPS) growth and 50% on relative TSR,

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25% stock options vesting over four years, and

25% restricted stock units (RSUs) vesting over four years.

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**Fiscal 2016 Elements of Annual and Long-Term Compensation**

We structure our Named Executive Officers' (NEOs') TDC so that it results in payments that approximate the market median, giving consideration to various factors, including: responsibilities, individual performance, tenure, retention, company performance, succession planning and competitive market levels. The majority of this compensation is tied to financial, operational or stock price performance and is therefore "at risk", meaning that if we fail to achieve our financial objectives and create stockholder value, our executives may ultimately not realize some or all of the performance-based components of compensation. In fiscal 2016, 82% of our CEO's target TDC, and an average of 65% of our other NEOs' target TDC, was at-risk (all compensation components other than base salary). Further, 67% of our CEO's target TDC, and an average of 55% of our other NEOs' target TDC, was performance-based (AIP award, options and PSUs).

**Fiscal 2016 Target Total Direct Compensation Mix\***

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See the *Compensation Discussion and Analysis* section of this proxy statement for a description of the manner in which these amounts are determined.



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**Pay for Performance**

Our Compensation Committee designed the executive compensation program to reflect its philosophy that a majority of compensation should be tied to our success in meeting predetermined performance objectives, the achievement of which should positively influence our stock price. The objective is to motivate the executives to achieve these annual and long-term financial goals for the benefit of our stockholders. The following chart provides information concerning our CEO's total realized compensation, as a percentage of total realizable (reported) compensation, in each of fiscal years 2013 through 2016, together with our three-year cumulative TSR performance at the conclusion of each of those fiscal years. See the *Compensation Discussion and Analysis* and the *Summary Compensation Table* in this proxy statement for additional information.

**CEO Realized Compensation and Three-Year Cumulative TSR**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Realized Compensation, % Total</b>	63%	59%	51%	69%
<b>Three Year Cumulative TSR</b>	23%	35%	3%	40%

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