

SJW GROUP

Form DEF 14A

March 06, 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

(AMENDMENT NO. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

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SJW Group

(Name of Registrant as Specified In Its Charter)

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SJW Group

Notice of Annual Meeting of Stockholders

To Be Held On April 25, 2018

To Our Stockholders:

Notice is hereby given that the annual meeting of stockholders of SJW Group will be held on Wednesday, April 25, 2018 at 9:00 AM Pacific Time at the principal offices of SJW Group, 110 W. Taylor Street, San Jose, California 95110, for the following purposes, as more fully described in the proxy statement accompanying this Notice:

1. To elect eight directors to serve on the Board of Directors of SJW Group;
2. To approve, on an advisory basis, the compensation of the named executive officers as disclosed in this proxy statement;
3. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of SJW Group for the fiscal year ending December 31, 2018; and
4. To act upon such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The Board of Directors has set the close of business on Friday, March 2, 2018 as the record date for determining the stockholders entitled to notice of, and to vote at, the annual meeting and at any adjournment or postponement thereof. You are cordially invited to attend the meeting in person. You may call our offices at (408) 918-7231 for directions to our principal offices in order to attend the meeting in person. Your vote is important. Whether or not you plan to attend the meeting, please vote as soon as possible. You may vote by telephone, via the Internet or by mailing a completed proxy card. For detailed information regarding voting instructions, please refer to the section entitled "Voting Procedure" on page 2 of the proxy statement. You may revoke a previously delivered proxy at any time prior to the meeting. If you attend the meeting and wish to change your proxy vote, you may do so automatically by voting in person.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 25, 2018: A COPY OF THE PROXY STATEMENT, THE FORM OF PROXY, AND THE ANNUAL REPORT FOR THE YEAR ENDED ON DECEMBER 31, 2017 ARE AVAILABLE AT <https://www.proxydocs.com/SJW>**

BY ORDER OF THE BOARD OF DIRECTORS

Eric W. Thornburg

President, Chief Executive Officer and  
Board Member

San Jose, California

March 6, 2018

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SJW Group  
110 W. Taylor Street  
San Jose, California 95110  
Proxy Statement for the 2018 Annual Meeting of Stockholders  
To Be Held on April 25, 2018

The enclosed proxy is solicited on behalf of the Board of Directors of SJW Group, a Delaware corporation ("SJW Group" or the "Corporation"), for use at SJW Group's annual meeting of stockholders to be held on Wednesday, April 25, 2018, at 9:00 AM Pacific Time and at any adjournment or postponement thereof. The annual meeting will be held at the principal offices of the Corporation, 110 W. Taylor Street in San Jose, California 95110.

These proxy solicitation materials are being mailed on or about March 16, 2018 to all stockholders entitled to notice of, and to vote at, the annual meeting of stockholders. SJW Group's 2017 Annual Report, which includes its Form 10-K for the year ended December 31, 2017, accompanies these proxy solicitation materials.

#### PURPOSE OF MEETING

The Board of Directors has called the annual meeting of stockholders for the following purposes:

1. To elect eight directors to serve on the Board of Directors of SJW Group;
2. To approve, on an advisory basis, the compensation of the named executive officers as disclosed in this proxy statement;
3. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of SJW Group for the fiscal year ending December 31, 2018; and
4. To act upon such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The Board of Directors asks for your proxy for each of the foregoing proposals.

#### VOTING RIGHTS AND SOLICITATION

##### Voting

Only stockholders of record on March 2, 2018, the record date, will be entitled to notice of, and to vote at, the annual meeting. As of the close of business on March 2, 2018, there were 20,585,018 shares of common stock issued and outstanding. Each share of common stock is entitled to one vote on each matter presented at the meeting.

##### Quorum and Votes Required

A majority of the Corporation's voting power of all shares of stock issued and outstanding and entitled to vote must be present in person or represented by proxy at the annual meeting in order to constitute a quorum. Abstentions and broker non-votes (shares held of record by brokers for which the required voting instructions are not provided by the beneficial owners of those shares) are included in the number of shares present for purposes of determining whether a quorum is present for the transaction of business at the annual meeting. If a broker or other nominee holds shares in its name on behalf of a stockholder, the broker or nominee is not permitted to vote those shares on Proposals 1 and 2 in the absence of voting instructions from that stockholder. The broker or nominee is permitted to vote on Proposal 3 in the absence of voting instructions from the stockholders, therefore the Corporation does not expect broker non-votes for Proposal 3.

For Proposal 1, each director nominee is elected by a majority of the votes cast with respect to the director, i.e., the number of votes "for" the director exceeds the number of votes "against" the director. Our Amended and Restated Bylaws (the "Bylaws") provide that any incumbent director who does not receive the required majority votes at the annual meeting will promptly tender his or her resignation to the Board, and the Board, after considering the recommendation of the Nomination & Governance Committee regarding such resignation, shall determine whether to accept or reject the resignation. For a more detailed description of the majority voting process, see "Proposal 1-Election of Directors-General." Abstention and broker non-votes are not considered votes cast and will not be counted for Proposal 1.

Proposals 2 and 3 require for approval the affirmative vote of a majority of stockholders present in person or represented by proxy at the meeting and entitled to vote. As a result, abstentions will have the same effect as voting against Proposals 2 and 3. For Proposal 2, broker non-votes will not be included in the calculation of votes because they are not considered as shares "entitled to vote" on the proposal. In addition, the stockholder vote on executive compensation in Proposal 2 is an advisory vote only, and it is not binding on the Corporation. Although the vote is non-binding, the Board of Directors and the Executive Compensation Committee will consider the outcome of the vote when making future compensation decisions affecting the Corporation's executive officers.

#### Voting Procedure

Stockholders of record may vote via the Internet, by telephone, by mailing a completed proxy card prior to the annual meeting, by delivering a completed proxy card at the annual meeting, or by voting in person at the annual meeting. Instructions for voting via the Internet or by telephone are set forth on the enclosed proxy card. The Internet and telephone voting facilities will close at 11:59 PM Eastern Time on April 24, 2018. If the enclosed form of proxy is properly signed, dated and returned, the shares represented thereby will be voted at the annual meeting in accordance with the instructions specified thereon. If voting instructions are not specified on the proxy, the shares represented by that proxy (if that proxy is not revoked) will be voted at the annual meeting FOR the election of each of the director nominees listed in Proposal 1; FOR the advisory resolution to approve the compensation of the named executive officers as disclosed in this proxy statement (Proposal 2); and FOR the ratification of the appointment of KPMG LLP as the independent registered public accounting firm as described in Proposal 3, and as the proxy holder may determine in his or her discretion with respect to any other matter that properly comes before the annual meeting or any adjournment or postponement thereof.

**YOUR VOTE IS IMPORTANT. PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY CARD WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON.**

You may revoke your proxy at any time before it is actually voted at the meeting by:

• Delivering written notice of revocation to the Corporate Secretary at SJW Group, 110 W. Taylor Street, San Jose, California 95110;

• Submitting a later dated proxy; or

• Attending the meeting and voting in person.

Your attendance at the meeting will not, by itself, constitute a revocation of your proxy.

You may also be represented by another person present at the meeting by executing a form of proxy designating that person to act on your behalf. Shares may only be voted by or on behalf of the record holder of shares as indicated in the stock transfer records of the Corporation. If you are a beneficial owner of shares, but those shares are held of record by another person such as a stock brokerage firm or bank, then you must provide voting instructions to the appropriate record holder so that such person can vote those shares. In the absence of such voting instructions from you, the record holder may not be entitled to vote those shares.

#### Proxy Solicitation Costs

The Corporation will bear the entire cost of this solicitation of proxies, including the preparation, assembly, printing, and mailing of this proxy statement, the proxy, and any additional solicitation materials that the Corporation may provide to stockholders. Copies of solicitation materials will be provided to brokerage firms, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward the solicitation material to such beneficial owners. The Corporation will reimburse the brokerage firms, fiduciaries and custodians holding shares in their names for reasonable expenses incurred by them in sending solicitation materials to its beneficial stockholders. The solicitation of proxies will be made by regular or first class mail and may also be made by telephone, telegraph, facsimile, electronic mail or personally by directors, officers and employees of the Corporation who will receive no extra compensation for such services. In addition, the Corporation has retained Georgeson LLC to act as a proxy solicitor in conjunction with the annual meeting. The Corporation has agreed to pay that firm \$7,500, plus expenses, for proxy solicitation services.

PROPOSAL 1  
ELECTION OF DIRECTORS

General

Eight directors, which will constitute the entire Board of Directors (the "Board") following the annual meeting, are to be elected at the annual meeting. George E. Moss and W. Richard Roth, current members of the Board of Directors, will not stand for reelection as a nominee for director at the annual meeting. The Corporation's Bylaws provide a majority voting standard for the election of directors in uncontested elections. The election of directors at the annual meeting is uncontested, therefore under the Bylaws, each of the eight nominees set forth in this proxy statement will be elected by the majority of the votes cast with respect to such nominee. If an incumbent director does not receive the required majority vote, the director shall promptly tender his or her resignation to the Board. Within 90 days after the annual meeting, the Nominating & Governance Committee will make a recommendation to the Board of Directors as to whether to accept or reject the resignation. The Board will act by taking into account such committee's recommendation. If the Board does not accept the resignation, the Board is required to publicly disclose its decision and the rationale behind the decision. For more details about the majority voting standard, see our Bylaws which were filed with the Securities and Exchange Commission (the "SEC").

Unless individual stockholders specify otherwise, each returned proxy will be voted FOR the election of each of the eight nominees who are listed below, each of whom has been nominated by the existing Board of Directors upon the recommendation of the Nominating & Governance Committee. All nominees are current directors of SJW Group, San Jose Water Company, a wholly owned subsidiary ("San Jose Water Company" or "SJWC"), and SJW Land Company, another wholly owned subsidiary of SJW Group. SJW Group intends to appoint all persons elected as directors of SJW Group at the annual meeting to be the directors of San Jose Water Company and SJW Land Company for a concurrent term. It is anticipated that four of the individuals elected as directors of SJW Group at the annual meeting will also be appointed as directors of SJWTX, Inc., a wholly owned subsidiaries of SJW Group, for a concurrent term. In the unanticipated event that a nominee is unable or declines to serve as a director at the time of the annual meeting, proxies will be voted for any nominee named by the present Board of Directors to fill the vacancy. As of the date of this proxy statement, SJW Group is not aware of any nominee who is unable or will decline to serve as a director.

The following sets forth certain information concerning the nominees for directors of SJW Group:

Name	Age	Director Since	Position with the Corporation	Standing Committee Membership
Katharine Armstrong	65	2009	Director	Executive Compensation Committee Nominating & Governance Committee (Chair)
Walter J. Bishop	66	2012	Director	Executive Compensation Committee Nominating & Governance Committee
Douglas R. King	75	2003	Director	Audit Committee (Chair) Nominating & Governance Committee
Gregory P. Landis	67	2016	Director	Audit Committee
Debra C. Man	64	2016	Director	Audit Committee
Daniel B. More	61	2015	Director	Audit Committee Executive Compensation Committee (Chair)
Eric W. Thornburg	57	2017(1)	President, Chief Executive Officer and Director	
Robert A. Van Valer	68	2006	Director	Nominating & Governance Committee

(1) Mr. Thornburg is expected to be appointed Chairman of the Board of Directors following his election at the annual meeting.

#### Business Experience of Nominees

Katharine Armstrong, Chairman of the Advisory Board of Natural Resources Solutions (“NRS”) since 2017. Ms. Armstrong was the President of NRS from 2008 until 2017 and the President of Katharine Armstrong, Inc. from 2003 until 2014. Ms. Armstrong founded NRS in 2008, an Austin, Texas based company that works in partnership with universities, agencies of state and federal government, stakeholder groups and others to identify and implement positive solutions to environmental challenges created by regulatory mandates. Ms. Armstrong also served as a director of Uranium Energy Corp. from June 2012 until June 2014.

Walter J. Bishop, Principal in Walter Bishop Consulting, a firm dedicated to utility management, leadership development, and strategic and business planning since 2010. Mr. Bishop was the General Manager and acted as the Chief Executive Officer of the Contra Costa Water District (the “District”) from September 1992 until 2010. The District serves 600,000 customers in Northern California’s Contra Costa County. From 1983 until 1992, he worked for the East Bay Municipal Utility District in Northern California, including serving as its General Manager. Mr. Bishop has served as a Board Member, Chairman and Officer of numerous water industry organizations dedicated to water supply and utility management. Mr. Bishop is a registered civil engineer in the State of California, and holds a Bachelor of Science in Civil Engineering from Duke University and a Master’s Degree in Public Administration from Pepperdine University.

Douglas R. King, Retired as an audit partner of Ernst & Young LLP in 2002. During his career, Mr. King was the audit partner for large, complex public companies, and he managed Ernst & Young LLP’s San Francisco office, and had regional management responsibilities. He also serves as a director of Adaptive Spectrum & Signal Alignment, Inc. since 2005. He served as a director of Marvell Technology Group, Ltd. from April 2004 until October 2007, Fuel Systems Solutions, Inc. from April 2006 until July 2010, Silicon Graphics International Corp. from February 2008 until November 2016, and Westport Innovations, Inc. from January 2012 until November 2015. Mr. King is a Certified Public Accountant and holds a Master’s Degree in Business Administration from the University of Arkansas.

Gregory P. Landis, Counsel to Yarmuth Wilsdon, PLLC since April 2016 and Senior Advisor to TerraPower, LLC since January 2015. Mr. Landis served as General Counsel and Senior Vice President of TerraPower, LLC from January 2013 until January 2015, and was General Counsel and then Senior Legal Advisor of Intellectual Ventures from November 2007 until December 2012. Previously, Mr. Landis served as the General Counsel and Executive Vice President of Vulcan, Inc. from 2005 to 2007, and from 1995 to 2005 was the General Counsel of AT&T Wireless Services, Inc., where he also served as Executive Vice President and Corporate Secretary. From 1985 until 1995, Mr. Landis was a partner at the law firm of McCutchen, Doyle, Brown & Enersen. Mr. Landis holds a Juris Doctor, cum laude, from Harvard Law School, and a Bachelor of Arts in Psychology, magna cum laude, from Yale University.

Debra C. Man, Retired as the Assistant General Manager and Chief Operating Officer at The Metropolitan Water District of Southern California (“Metropolitan”) in June 2017. She held such positions since December 2003. Metropolitan is a wholesale water utility that provides water to a six-county service area in which over 19 million people reside. She was responsible for managing the operational business functions of Metropolitan, including operations, engineering, water resource management, budget and regulatory compliance. Ms. Man had been with Metropolitan since 1986. Ms. Man is a registered engineer in California and Hawaii and holds a Bachelor of Science in Civil Engineering from University of Hawaii and a Master’s Degree in Civil Engineering from Stanford University.

Daniel B. More, Retired as a Managing Director and Global Head of Utility Mergers & Acquisitions of the Investment Banking Division of Morgan Stanley in 2014. He held such position since 1996. Mr. More has been an investment banker since 1978 and has specialized in the utility sector since 1986. Mr. More serves as a Senior Advisor to Guggenheim Securities since November 2015. He serves as a director of Saeta Yield since February 2015 and served as a director of the New York Independent System Operator from April 2014 until February 2016. Mr. More holds a Bachelor of Arts in Economics from Colby College and a Master of Business Administration in Finance from the Wharton School at the University of Pennsylvania.

Eric W. Thornburg, President and Chief Executive Officer of SJW Group and SJW Land Company and Chief Executive Officer of San Jose Water Company and SJWTX, Inc. since November 6, 2017. Prior to joining the Corporation, Mr. Thornburg served as President and Chief Executive Officer of Connecticut Water Service, Inc. (“CTWS”) since 2006, and Chairman of the Board of CTWS since 2007. Mr. Thornburg served as President of Missouri-American Water, a subsidiary of American Water Works Corporation from 2000 to 2004. From July 2004 to January 2006, he served as Central Region Vice President-External Affairs for American Water Works Corporation. Mr. Thornburg holds a Bachelor of Arts in Biology and Society from Cornell University and a Master’s Degree in Business Administration from Indiana Wesleyan University.

Robert A. Van Valer, President of Roscoe Moss Manufacturing Company, manufacturer of water well casing and screen and water transmission pipe, since 1990. Mr. Van Valer served as Vice President from 1984 until 1990 and previously managed domestic and international water well construction projects since joining Roscoe Moss Manufacturing Company in 1977. Mr. Van Valer holds a Bachelor of Science in Finance from the University of Arizona and a Master of International Management from the Thunderbird School of Global Management.

No nominee or current director has any family relationship with any other current director, nominee or with any executive officer. Other than Mr. Thornburg, whose employment relationships with SJW Group and its subsidiaries are described above, no nominee is or has been employed by SJW Group or its subsidiaries during the past five years.

Experience, Qualifications, Attributes and Skills of Board Members

The biographies included above and the following table describe the particular experience, qualifications, attributes and skills that led the Board of Directors to conclude that each continuing director and nominee should serve as a director of SJW Group at this time, in light of its business and structure (in addition to any past experience on the Board of Directors of SJW Group and its subsidiaries):

Name	Particular Experience, Qualifications, Attributes and Skills
Katharine Armstrong	<p>The principal experience, qualifications and skills that Ms. Armstrong brings to the Board of Directors contribute to the Board's oversight of the Corporation's operations in a heavily-regulated industry, its management of its water supply, its administration of executive officer compensation programs through the Executive Compensation Committee, and its commitment to community involvement. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:</p> <ul style="list-style-type: none"><li>- Chairman of the Armstrong Center for Energy and the Environment since 2009, a Texas public policy foundation</li><li>- Chairman of the Advisory Board and Past President of Natural Resources Solutions, an environmental consulting company based in Austin, Texas</li><li>- Former Chairman of the Texas Parks and Wildlife Commission</li><li>- Extensive experience in a wide variety of natural resource regulatory policy, including water</li><li>- Participated in the formulation of a Land and Water Resources Conservation Plan, a strategic plan mandated by the Texas Legislature</li><li>- Past President and current Board member of Texan by Nature, a state-wide conservation initiative founded by Laura Bush, former First Lady of the United States</li><li>- Active in the State of Texas where the Corporation conducts business operations through its wholly owned subsidiary, SJWTX, Inc.</li></ul> <p>The principal experience, qualifications and skills that Mr. Bishop brings to the Board of Directors contribute to the Board's oversight of the Corporation's operations in a heavily-regulated industry, its management of its water supply, and its commitment to community involvement. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:</p> <ul style="list-style-type: none"><li>- Extensive experience leading and managing major water utilities in the United States with over one million customers</li><li>- Nationally recognized leader and engineer in the water and wastewater industry for over 40 years and received awards from numerous organizations for his commitment to water issues and policy</li><li>- Former member of the American Water Works Association's ("AWWA") Board of Directors and Executive Committee and served on the Water Utility Council, International Council and Strategic Planning Committee</li><li>- Past Chair of the Water Research Foundation and member of the Board of Trustees for 12 years</li></ul>
Walter J. Bishop	

Two-term member of the National Drinking Water Advisory Council which is chartered by Congress to advise the U.S. Environmental Protection Agency on national drinking water policy

Name	Particular Experience, Qualifications, Attributes and Skills
Douglas R. King	<p>The principal experience, qualifications and skills that Mr. King brings to the Board of Directors contribute to the Board's oversight of the Corporation's financial reporting requirements and corporate governance. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:</p> <ul style="list-style-type: none"><li>- Accounting, finance and audit experience, including his experience at Ernst &amp; Young LLP from 1970 until 2002</li><li>- Serves as the Corporation's "audit committee financial expert" as defined in SEC rules</li><li>- Experience serving on the Boards and Audit Committees of various publicly-traded companies</li><li>- Experience in managing 400 employees at Ernst &amp; Young LLP from 1998 until 2002</li></ul>
Gregory P. Landis	<p>The principal experience, qualifications and skills that Mr. Landis brings to the Board of Directors contribute to the Board's oversight of the Corporation's reporting and compliance requirements, corporate governance, and consideration of potential acquisitions and dispositions by the Corporation. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:</p> <ul style="list-style-type: none"><li>- Legal, corporate governance, and mergers and acquisitions experience, including nearly 20 years' experience as chief legal officer for public and private corporations and over 18 years in commercial litigation</li><li>- Utility regulatory experience before the California Public Utilities Commission and the Federal Energy Regulatory Commission</li><li>- Leadership of government relations functions at public and private companies</li><li>- Experience serving on the Board of Directors, chairing the Nomination and Governance Committee and serving on special committees of another publicly traded corporation</li><li>- Service on various non-profit Boards, including as Board Chair, Finance Committee Chair, and Strategic Planning Co-Chair</li><li>- Service on various executive committees, including Compensation and Benefits, Business Ethics, and Recruiting</li></ul>
Debra C. Man	<p>The principal experience, qualifications and skills that Ms. Man brings to the Board of Directors contribute to the Board's oversight of the Corporation's operations in a heavily-regulated industry and its management of its water supply. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:</p> <ul style="list-style-type: none"><li>- Experience in managing utility operations and capital investments, including managing an annual budget of over \$1.4 billion</li><li>- Experience as an executive officer responsible for compliance with federal and state drinking water quality regulations and workforce safety laws</li></ul>

- Experience negotiating labor contracts
- Experience maintaining over 100,000 acres of properties for operational use by a utility

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Name Particular Experience, Qualifications, Attributes and Skills  
Daniel B. More The principal experience, qualifications and skills that Mr. More brings to the Board of Directors contribute to the Board's oversight of the Corporation's financial reporting requirements and consideration of potential acquisitions and dispositions by the Corporation. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:

Over 30 years of experience in investment banking, including capital raising, privatizations, and mergers and acquisitions with specialization in the utility sector since 1986

Experience and knowledge in business strategy, strategic initiatives, corporate governance, and executive recruiting

Experience and knowledge of utility regulation, cost of capital proceedings and the rate making process

Eric W. Thornburg The principal experience, qualifications and skills that Mr. Thornburg brings to the Board of Directors contribute to the Board's oversight of the Corporation's operations in a heavily-regulated industry, its management of its water supply, and the Corporation's execution of its overall strategy. Such experience, qualifications and skills may be summarized as follows:

Over 30 years of leadership experience in the investor owned water utility profession across ten states -and currently serving as the President and Chief Executive Officer of the Corporation with intimate knowledge and experience with our day-to-day operations

Served as President and Chief Executive Officer of a publicly traded water utility for over eleven years, including ten years as Board Chair

Served as President of the National Association of Water Companies ("NAWC") in 2011 and as a Director for over a decade

-Currently serving as a Trustee of the Water Research Foundation

Robert A. Van Valer The principal experience, qualifications and skills that Mr. Van Valer brings to the Board of Directors relate primarily to his substantial experience in the water industry that allows him to contribute to the Board's oversight of the Corporation's operations, through its wholly owned subsidiaries San Jose Water Company and SJWTX, Inc., in that heavily-regulated industry. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:

Over 40 years of water industry experience, including water well construction, domestic and foreign, -and manufacturing operations and management for water well casing and screen and water transmission pipe

President since 1990 of Roscoe Moss Manufacturing Company, supplier to municipal, state and federal water projects and investor owned utilities in the western United States

Participation in several industry non-profit and educational organizations and groundwater associations

Independent Directors

The Board of Directors has affirmatively determined that each of its directors who served during the 2017 fiscal year, current directors and nominees, other than W. Richard Roth, SJW Group's current Chairman of the Board and Eric W. Thornburg, SJW Group's President and Chief Executive Officer, is independent within the meaning of the New York Stock Exchange director independence standards, as currently in effect.

In connection with the determination of independence for Robert A. Van Valer and George E. Moss, the Board of Directors considered the Corporation's relationship with Roscoe Moss Manufacturing Company, a supplier of the Corporation and its subsidiaries. Mr. Moss is Chairman of the Board and a significant stockholder and Mr. Van

Valer is the President and a stockholder of Roscoe Moss Manufacturing Company. Roscoe Moss Manufacturing Company sold Rossum Sand Tester equipment to San Jose Water Company, the Corporation's wholly owned subsidiary, for an aggregate price of approximately \$1,596 in 2015, \$1,325 in 2016, and \$8,191 in 2017. In addition, Roscoe Moss Manufacturing Company sold conductor casing, well casing and screen for water wells with an aggregate price of approximately \$1,326,329 in 2016 and approximately \$554,093 in 2017 to contractors for use in San Jose Water Company's well replacement construction projects. The Board of Directors concluded that the Corporation's relationship with Roscoe Moss Manufacturing Company is not a material relationship and therefore would not impair the independence of Mr. Van Valer and Mr. Moss in light of the fact that the aggregate sales of Roscoe Moss Manufacturing Company to the Corporation and contractors for use in San Jose Water Company construction projects were less than two percent of Roscoe Moss Manufacturing Company's gross revenues in 2015, 2016, and 2017, and Messrs. Moss and Van Valer expect that direct and indirect purchases of products from Roscoe Moss Manufacturing Company will be less than two percent of its revenue in future years.

The Board of Directors has determined that the members of the Audit Committee and the members of the Executive Compensation Committee also meet the additional independence criteria promulgated by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the New York Stock Exchange for audit committee membership and executive compensation committee membership, respectively.

#### Board Leadership Structure

Board structures vary greatly among U.S. public corporations, and the Board does not believe that any one leadership structure is more effective at creating long-term stockholder value. The Board believes that an effective leadership structure could be achieved either by combining or separating the Chair and Chief Executive Officer positions, so long as the structure encourages the free and open dialogue of competing views and provides for strong checks and balances.

The position of Chairman is currently held by W. Richard Roth. Mr. Roth served as SJW Group's Chief Executive Officer and President until November 5, 2017 and as Chief Executive Emeritus until December 31, 2017. Mr. Roth is not standing for reelection as a nominee for director at the annual meeting and therefore his term as Chairman will expire on April 25, 2018. The Board intends to appoint Eric W. Thornburg, the current Chief Executive Officer and President of SJW Group, as the Chairman following the annual meeting. The Board also appointed Robert A. Van Valer, an independent director, as the Lead Independent Director of the Board. The Board of Directors believes that combining the Chair and Chief Executive Officer positions and having a lead independent director is the appropriate leadership structure for the Corporation at this time. Combining the Chair and Chief Executive Officer roles fosters clear accountability, effective decision-making, and alignment on corporate strategy and value creation. The Board believes that the Chief Executive Officer is in an optimal position to identify and to lead Board discussions on important matters related to business operations. The Board believes this leadership structure is particularly appropriate for the Corporation at this time given Mr. Roth's and Mr. Thornburg's many years of experience in managing companies in the regulated water utility industry and their familiarity with the challenges and intricacies of the regulatory environment.

As the Lead Independent Director, Mr. Van Valer assumes the following duties and responsibilities: (i) advise and consult with the Chair regarding the information provided to directors in connection with Board meetings; (ii) ensure that independent directors have adequate opportunities to meet and discuss issues in executive sessions or at separate meetings without management being present and preside at such executive sessions and meetings; (iii) serve as principal liaison between the independent directors and the Chair; (iv) chair the meetings of the Board when the Chair is not present; and (v) respond directly to stockholders and other stakeholder questions and comments that are directed to the lead independent director or to the independent directors as a group.

The Board believes that this leadership structure provides strong, unified leadership of the Corporation while maintaining effective and independent oversight of management. Nevertheless, the Board will continue to consider from time to time whether this leadership structure should be maintained or modified.

#### Board's Role in Risk Oversight

The Corporation has implemented an internal risk assessment process that focuses on the principal risks that have been identified for the Corporation, including risks associated with the Corporation's regulatory environment, business operations and continuity, compliance requirements, its information technology and data storage and



retrieval facilities, insurance coverage, liquidity, credit and other financial risks, internal controls over financial reporting, risks related to potential fraudulent activities and any material risks posed by the Corporation's compensation policies. Potential risks are reviewed and discussed by the Board of Directors on a regular basis. The Audit Committee, pursuant to its charter, meets periodically with employees to discuss identified risks and the measures taken to control, manage and mitigate those risks. On the basis of these meetings and discussions, the Chairman of the Audit Committee reports periodically to the full Board. In addition, the Executive Compensation Committee oversees risk management as it relates to the compensation plans, policies and practices for all employees, including executive officers, particularly whether the compensation programs may create incentives for employees to take excessive or inappropriate risks which could have a material adverse effect on the Corporation. The Nominating & Governance Committee monitors the effectiveness of the corporate governance guidelines and policies and manages risks associated with the independence of the Board of Directors and qualification of directors and nominees for directors.

#### Board Committees

The Board of Directors has a standing Audit Committee, Executive Compensation Committee, and Nominating & Governance Committee. The Board of Directors dissolved the Real Estate Committee in April 2017. The Board has the authority to form additional committees, and has done so from time to time, to address matters specifically identified by the Board.

#### Audit Committee

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee assists the Board of Directors in its oversight of the integrity of the financial reports and other financial information provided by the Corporation to any governmental body or the public, the Corporation's compliance with legal and regulatory requirements, the Corporation's systems of internal controls, the qualifications and independence of the independent accountants, and the quality of the Corporation's accounting and financial reporting processes generally. The Audit Committee reviews significant accounting policies and the financial results with management and the independent accountants. Ms. Man and Messrs. King, Landis, and More are the current Audit Committee members, and Mr. King serves as the Chair of the Audit Committee. These members are independent as such term is defined pursuant to the Exchange Act and the corporate governance listing standards of the New York Stock Exchange with respect to audit committee members. The Board of Directors has determined that Mr. King is an "audit committee financial expert" as defined in SEC rules and all committee members are financially literate. The Audit Committee held eight meetings during fiscal year 2017. The Audit Committee has a written charter which may be found at the Corporation's website at [www.sjwgroup.com](http://www.sjwgroup.com).

#### Executive Compensation Committee

The Executive Compensation Committee assists the Board of Directors in its responsibilities with respect to the compensation of the Corporation's executive officers and other key employees, and administers all employee benefit plans, including the Corporation's Long-Term Incentive Plan, Executive Officer Short-Term Incentive Plan and other incentive plans that may be adopted by the Corporation. The Executive Compensation Committee is authorized to approve the compensation payable to the Corporation's executive officers and other key employees, approve all perquisites, equity incentive awards and special cash payments made or paid to executive officers and other key employees, and to approve severance packages with cash and/or equity components for the executive officers and other key employees. Additionally, the Executive Compensation Committee reviews and recommends to the Board of Directors appropriate director compensation programs.

The Executive Compensation Committee retained Mercer (US), Inc. to serve as the committee's independent compensation consultant and provide advice on executive officer and director compensation for the 2017 fiscal year. The role of such consultant, the nature and scope of the consultant's assignments and the material elements of the instructions or directions given to the consultant with respect to the performance of its duties are more fully set forth below in the section entitled "Compensation Discussion and Analysis."

Ms. Armstrong and Messrs. Bishop, and More are the current members of the Executive Compensation Committee, and Mr. More serves as the Chair of the Executive Compensation Committee. These members are independent as such term is defined pursuant to the Exchange Act and the corporate governance listing standards of the New York Stock Exchange with respect to compensation committee members. The Executive Compensation



Committee held nine meetings during fiscal year 2017. The Executive Compensation Committee has a written charter which may be found at the Corporation's website at [www.sjwgroup.com](http://www.sjwgroup.com).

#### Nominating & Governance Committee

The Nominating & Governance Committee is charged by the Board of Directors with reviewing and proposing changes to the Corporation's corporate governance policies, developing criteria for evaluating performance of the Board of Directors, determining the requirements and qualifications for members of the Board of Directors and proposing to the Board of Directors nominees for the position of director of the Corporation. Ms. Armstrong and Messrs. Bishop, King, Moss, and Van Valer are the current Nominating & Governance Committee members, and Ms. Armstrong serves as the Chair of the Nominating & Governance Committee. The Board of Directors has determined that all of the members of the Nominating & Governance Committee are independent as defined under the independence standards for nominating committee members in the listing standards for the New York Stock Exchange. The Nominating & Governance Committee held five meetings during fiscal year 2017. The Nominating & Governance Committee has a written charter which may be found at the Corporation's website at [www.sjwgroup.com](http://www.sjwgroup.com). Upon recommendation of the Nominating & Governance Committee, the Board approved Corporate Governance Policies that set forth additional principles and procedures regarding the functions, responsibilities and other governance matters of Board and its committees and members. Such Corporate Governance Policies may be found at the Corporation's website at [www.sjwgroup.com](http://www.sjwgroup.com).

The Board of Directors has approved the "Policies and Procedures of the Nominating & Governance Committee for Nomination for Directors" (as amended the "Policies and Procedures"). The Policies and Procedures specify director selection criteria for the Nominating & Governance Committee to consider and the procedures for identifying and evaluating director candidates for the Nominating & Governance Committee to follow when executing its duty to recommend director nominees at the annual meeting of stockholders. The Policies and Procedures also specify steps a stockholder must take in order to properly recommend director candidates which the Nominating & Governance Committee will consider. All candidates for director must generally meet the criteria set forth in the Policies and Procedures, a copy of which may be found at the Corporation's website at [www.sjwgroup.com](http://www.sjwgroup.com).

The criteria address the specific qualifications that the Nominating & Governance Committee believes must be met by each nominee prior to recommendation by the committee for a position on the Corporation's Board of Directors. In particular, the criteria address the specific qualities or skills that the Nominating & Governance Committee believes are necessary for one or more of the Corporation's directors to possess in order to fill Board, committee chair and other positions, and to provide the best combination of experience and knowledge on the Board and its committees. These criteria include: highest professional and personal ethical standards; absence of any interests that would materially impair his or her ability to exercise judgment or otherwise discharge the fiduciary duties; ability to contribute insight and direction to achieve the Corporation's goals; skills and expertise relative to the entire make-up of the Board; experience in effective oversight and decision-making, including experience on other boards; ability and willingness to serve a full term with consistent attendance; first-hand business experience and achievement in the industry; and independence as determined under the New York Stock Exchange and SEC rules and regulations. The Nominating & Governance Committee and the Board of Directors do take diversity into account when considering potential nominees for directors, such as differences of viewpoint, varied professional or governmental experience, education and advanced degrees, skill set and other individual qualities and attributes that are likely to contribute to board heterogeneity. However, SJW Group does not have a formal or other established policy in which one or more diversity factors have been specifically identified for application as a matter of ordinary course in the director nominee process.

The steps a stockholder must take in order to properly recommend director candidates which the Committee will consider include submission via mail to the attention of the Nominating & Governance Committee at the address of the Corporate Secretary, SJW Group, 110 W. Taylor Street, San Jose, California 95110, of a completed "Stockholder Recommendation of Candidate for Director" form which can be found at the Corporation's website at [www.sjwgroup.com](http://www.sjwgroup.com) or may be obtained by mailing a request for a copy of the form to the Corporate Secretary of the Corporation at the above address. A completed form must be submitted not earlier than 210 days prior and not later than 120 days prior to the one-year anniversary of the date the proxy statement for the preceding annual meeting was mailed to stockholders. In addition to or in lieu of making a director candidate recommendation via the completed



recommendation form, stockholders may nominate directly a person for election as a director at the annual meeting by complying with the procedures set out in the Corporation's Bylaws and other applicable federal and state laws governing the election of directors and distribution of proxy statements. Under the Bylaws, a nominating stockholder must provide the Corporation with advance written notice of a proposed nomination no later than 90 days and no earlier than 120 days prior to the one-year anniversary of the preceding year's annual meeting. Such advance notice must include certain information and materials relating to the stockholder and the proposed nominee as prescribed under the Bylaws, including without limitation the name and qualification of the proposed nominee and other information typically required in a proxy statement filed under SEC proxy rules. For more information on the procedure and advance notice requirement for nominating a director, see the Corporation's Bylaws, a copy of which was filed with the SEC.

#### Real Estate Committee

The Real Estate Committee was charged with the review of significant potential acquisitions or dispositions involving the real property interests of the Corporation and its subsidiaries and made recommendations thereon to the Chief Executive Officer and the full Board. Such Committee was dissolved in April 2017 as the Board believed that it was no longer necessary or desirable to delegate such responsibilities to a committee. Prior to its dissolution, Messrs. Bishop, Roth and Van Valer were the members of the Real Estate Committee. The Real Estate Committee did not meet during fiscal year 2017.

#### Evaluation of Board and Committee Performance

Annually, the Board and each of our Audit, Executive Compensation and Nominating & Governance Committees conduct a self-evaluation pursuant to our Corporate Governance Policies or applicable committee charters. In addition, the Nominating & Governance Committee is responsible to report annually to the Board an assessment of the Board's performance based on such evaluation, which includes a review of the Board's overall effectiveness and the areas in which the Board or management believes the Board can make an impact on the Corporation.

#### Communications with the Board

Communications to the Board of Directors may be submitted by email to [boardofdirectors@sjwater.com](mailto:boardofdirectors@sjwater.com) or by writing to SJW Group, Attention: Corporate Secretary, 110 W. Taylor Street, San Jose, California 95110. The Board of Directors relies upon the Corporate Secretary to forward written questions or comments to named directors or committees or the Lead Independent Director, as appropriate. General comments or inquiries from stockholders are forwarded to the appropriate individual within the Corporation, including the President, as appropriate.

Interested parties may make their concerns known to non-management directors or independent directors on a confidential and anonymous basis by calling the Corporation's toll free hotline, 1-888-883-1499.

### Code of Ethical Business Conduct

The Corporation has adopted a Code of Ethical Business Conduct (the "Code") that applies to the directors, officers and employees of the Corporation. A copy of the Code may be found at the Corporation's website at [www.sjwgroup.com](http://www.sjwgroup.com). In the event that we make any amendments to or grant any waivers of, a provision of the Code of Ethics that applies to the principal executive officer, principal financial officer, or principal accounting officer that requires disclosure under applicable SEC rules, we intend to disclose such amendment or waiver and the reasons therefore, on our website at [www.sjwgroup.com](http://www.sjwgroup.com).

### Board Meetings

During 2017, there were four regular meetings and eight special meetings of the Board of Directors of SJW Group. Each director attended or participated in 75 percent or more of the aggregate of: (i) the total number of regular and special meetings of the Board of Directors of SJW Group; and (ii) the total number of meetings held by all committees of the Board on which such director served during the 2017 fiscal year. As the Lead Independent Director, Robert A. Van Valer presides at all executive sessions of non-management directors or independent directors.

Pursuant to the Corporation's Corporate Governance Policies, each member of the Board of Directors is strongly encouraged to attend the annual meetings of stockholders. All members of the Board who were nominated for election at the 2017 annual meeting attended such meeting.

### Compensation of Directors

The following table sets forth certain information regarding the compensation of each non-employee member of the Board of Directors of SJW Group for the 2017 fiscal year:

Name	Fees		Total (\$)
	Earned or Paid in Cash (\$)(2)	Stock Awards (\$)(3)	
Katharine Armstrong	\$92,000	\$59,055	\$151,055
Walter J. Bishop	\$100,000	\$59,055	\$159,055
Douglas R. King	\$103,000	\$59,055	\$162,055
Gregory P. Landis	\$80,000	\$59,055	\$139,055
Debra C. Man	\$79,000	\$59,055	\$138,055
Daniel B. More	\$105,000	\$59,055	\$164,055
Ronald B. Moskovitz (1)	\$29,667	\$—	\$29,667
George E. Moss	\$77,750	\$59,055	\$136,805
Robert A. Van Valer	\$84,000	\$59,055	\$143,055

(1) Mr. Moskovitz served on the Board of Directors of the Corporation until April 26, 2017.

Consists of the annual retainer and meeting fees for service as a member of the Board of Directors of the Corporation, San Jose Water Company, SJW Land Company, and SJWTX, Inc., including amounts deferred under (2) the Corporation's Deferral Election Program for Non-Employee Board members. The respective dollar amounts of these fees are set forth in the table below. For further information concerning such fees, see the sections below entitled "Director Annual Retainer" and "Director Meeting Fees."

Name	2017 Retainer	2017 Meeting Fees	Total Annual Service Fees
Katharine Armstrong	\$ 55,000	\$ 37,000	\$ 92,000
Walter J. Bishop	\$ 55,000	\$ 45,000	\$ 100,000
Douglas R. King	\$ 50,000	\$ 53,000	\$ 103,000
Gregory P. Landis	\$ 50,000	\$ 30,000	\$ 80,000
Debra C. Man	\$ 50,000	\$ 29,000	\$ 79,000
Daniel B. More	\$ 50,000	\$ 55,000	\$ 105,000
Ronald B. Moskovitz	\$ 16,667	\$ 13,000	\$ 29,667
George E. Moss	\$ 55,000	\$ 22,750	\$ 77,750
Robert A. Van Valer	\$ 60,000	\$ 24,000	\$ 84,000

Represents the grant-date fair value of the restricted stock unit award for 1,155 shares made to the non-employee director on April 26, 2017. The applicable grant-date fair value of each award was calculated in accordance with FASB ASC Topic 718 and accordingly determined on the basis of the closing selling price per share of SJW Group's common stock on the award date as appropriately discounted to reflect the lack of dividend equivalent rights. The reported grant-date value does not take into account any estimated forfeitures related to service-vesting conditions. In addition to the restricted stock units, as of December 31, 2017, Messrs. King and Van Valer held deferred stock awards covering 9,128 and 2,657 shares of SJW Group's common stock, respectively, with dividend equivalent rights. Any deferred shares so held are attributable to the director's prior participation in certain deferred compensation programs implemented under the Corporation's Long-Term Incentive Plan. For further information concerning those programs, see the sections below entitled "Deferral Election Program for Non-Employee Board (3) Members" and "Deferred Restricted Stock Program." The phantom dividends that accumulate on those deferred shares pursuant to the dividend equivalent rights are converted annually into additional deferred shares. For further information concerning such dividend equivalent rights, see the section below entitled "Dividend Equivalent Rights." Such dividend equivalent rights were factored into the original grant-date fair value of the deferred shares determined for financial accounting purposes under FASB ASC Topic 718, and accordingly no amounts are reported in this column with respect to the additional deferred shares attributable to the phantom dividends that accumulated during the 2017 fiscal year as a result of those dividend equivalent rights. Those 2017 fiscal year phantom dividends were converted into the following additional deferred shares for the non-employee directors on January 2, 2018: Mr. King was credited with 166 shares and Mr. Van Valer was credited with 48 shares. At the time of such credit, the fair market value per share of the Corporation's common stock was \$63.47, the closing price on January 2, 2018.

## Director Annual Retainer

The following table sets forth the 2017 annual retainer fees for the non-employee Board members of SJW Group, San Jose Water Company, SJW Land Company, SJWTX, Inc. and Texas Water Alliance Limited ("TWA"). The Corporation sold all its equity interest in TWA on November 16, 2017. SJW Group's Board members therefore no longer serve on the TWA Board. The Director Compensation and Expense Reimbursement Policies were amended on January 31, 2018 to remove all references to TWA.

	Annual Retainer
SJW Group	
Chair	\$ 30,000
Other Board Members	\$ 5,000
Additional Fee for Lead Independent Director	\$ 5,000
San Jose Water Company	
Chair	\$ 60,000
Other Board Members	\$ 40,000
SJW Land Company	
Chair	\$ 10,000
Other Board Members	\$ 5,000
SJWTX, Inc.	
Chair	\$ 5,000
Other Board Members	\$ 5,000
Texas Water Alliance Limited	
Chair	\$ 0
Other Board Members	\$ 0

## Director Meeting Fees

The following table sets forth the 2017 per meeting Board and Committee fees for the non-employee Board members of SJW Group, San Jose Water Company, SJW Land Company, SJWTX, Inc. and TWA. TWA did not hold meetings in 2017.

	Per Meeting Fee
SJW Group	
Chair	\$ 1,000
Other Board Members	\$ 1,000
SJW Group Committees	
Audit Committee Chair (for attending audit committee meetings)	\$ 3,000
Other Committee Chair (for attending their respective committee meetings)	\$ 2,000
Other Board Members	\$ 1,000
San Jose Water Company	
Chair	\$ 1,000
Other Board Members	\$ 1,000
SJW Land Company	
Chair	\$ 500
Other Board Members	\$ 500
SJWTX, Inc.	
Chair	\$ 2,500
Other Board Members	\$ 500
Texas Water Alliance Limited	
Chair	\$ 500
Other Board Members	\$ 500

As indicated above, the Director Compensation and Expense Reimbursement Policies were amended on January 31, 2018 to remove all references to TWA.

The meeting fees are the same for attending Board and Committee meetings held telephonically.

In the event a non-employee director attends an in-person Board or Committee meeting by telephone, he or she will be entitled to receive the applicable per meeting fee for the first meeting attended by telephone in a calendar year, and half of such meeting fee for each subsequent meeting attended by telephone in the same calendar year.

Non-employee directors may also receive fees determined on a case-by-case basis by SJW Group's Executive Compensation Committee and ratified by the Board of Directors for attending additional meetings other than Board or Committee meetings, such as Board retreats, strategic planning meetings, or other programs organized by SJW Group, San Jose Water Company, SJW Land Company, or SJWTX, Inc. No such additional fees were paid in 2017.

## Deferral Election Program for Non-Employee Board Members

Pursuant to the Deferral Election Program, each non-employee member of the Corporation's Board of Directors has the opportunity to defer: (i) either 50 percent or 100 percent of his or her annual retainer fees for serving on the Corporation's Board and the Board of one or more subsidiaries; and (ii) 100 percent of his or her fees for attending pre-scheduled meetings of such Boards or any committees of such Boards on which he or she serves. The deferral election is irrevocable and must be made prior to the start of the year for which the fees are to be earned.

The fees which a non-employee Board member elects to defer under such program for the fiscal year are credited to a deferral election account pursuant to one of the following alternatives selected by the Executive Compensation Committee: (i) in a lump sum on the first business day of that calendar year or as soon as administratively practicable thereafter; or (ii) periodically when the fees would otherwise become due and payable during such calendar year in the absence of his or her deferral election for that calendar year in which case the amounts credited shall be fully vested on crediting. In the event of such lump sum credit, the non-employee Board

members will vest in the portion of their account attributable to each Board or Board committee on which they serve during a calendar year in a series of 12 equal monthly installments upon their completion of each calendar month of service on that Board or Board committee during such calendar year. For the deferral election accounts established for the 2017 calendar year, the periodic credit alternative was utilized.

The deferral election account will be credited with a fixed rate of interest, compounded semi-annually, set at the start of each calendar year at the lower of (i) the then current 30-year long-term borrowing cost of funds to San Jose Water Company (or the equivalent thereof), as measured as of the start of such calendar year, or (ii) 120 percent of the long-term Applicable Federal Rate determined as of the start of such calendar year and based on semi-annual compounding.

Distribution of the vested balance credited to each Board member's deferral election account will be made or commence on the 30<sup>th</sup> day following his or her cessation of Board service. The cash distribution will be made either in a lump sum or through a series of up to 10 annual installments in accordance with the payment election such Board member made.

Messrs. More and Moss each elected to defer all of their 2017 annual retainer fees and pre-scheduled 2017 meeting fees, Messrs. King and Landis elected to defer all of their 2017 pre-scheduled meeting fees, Ms. Man elected to defer her 2017 annual retainer fees, and Mr. Bishop elected to defer 50 percent of his 2017 annual retainer fees.

#### Deferred Restricted Stock Program

Prior to the 2008 fiscal year, the non-employee directors were able to receive awards of deferred stock, either through the conversion of their deferred Board and Committee fees under the Deferral Election Program into deferred shares of SJW Group common stock or through their participation in the Deferred Restricted Stock Program. Both of those deferred stock programs were implemented under the Corporation's Long-Term Incentive Plan (the "LTIP").

The principal features of the Deferred Restricted Stock Program may be summarized as follows:

Each non-employee director who commenced Board service on or after April 29, 2003 was granted: (i) a deferred stock award on the first business day of January following his or her completion of at least six months of service as a Board member; and (ii) annual grants of deferred stock on the first business day of January in each succeeding calendar year through the close of the 2007 calendar year, provided he or she remained a non-employee member of the Board through such date. The number of shares of the Corporation's common stock underlying each annual deferred stock award was determined by dividing (i) the aggregate dollar amount of the annual retainer fees, at the levels in effect as of the date of grant, for service on the Board and for service on the Boards of Directors of the Corporation's subsidiaries for the calendar year in which the grant was made by (ii) the fair market value per share of the Corporation's common stock on the grant date. The shares subject to each deferred stock award are fully vested and will be issued from the LTIP on a distribution commencement date tied to the director's cessation of Board service or other pre-specified date. The shares may be issued either in a single lump sum or in up to 10 annual installments, as elected by the director at the time of his or her initial entry into the Deferred Stock Program or pursuant to the special payment election made available in 2007.

In addition, each non-employee director who commenced Board service prior to April 29, 2003 and participated in the Director Pension Plan was given the opportunity during the 2003 calendar year to elect to convert his or her accumulated benefit under that plan into a deferred stock award. The accumulated benefit of each director who made such an election was converted, on September 1, 2003, into a deferred stock award of comparable value based on the fair market value per share of the Corporation's common stock on such date. The award vested in 36 monthly installments over the director's period of continued Board service measured from the conversion date.

In accordance with the foregoing, Mr. Moss elected to have his accumulated Director Pension Plan benefits converted into deferred stock pursuant to the Deferred Restricted Stock Program. As a result, Mr. Moss had \$270,000 in Pension Plan benefits converted into a deferred stock award covering 19,014 shares of the Corporation's common stock. The shares were distributed to Mr. Moss in 2008.

#### Restricted Stock Units and the Formulaic Equity Award Program for Non-Employee Board Members

The Company has implemented a Formulaic Equity Award Program for Non-Employee Board Members ("Formulaic Program") under the LTIP which provides that at the close of business on the date of each annual stockholder meeting, beginning with the 2014 annual stockholder meeting, each individual who is elected or re-elected to serve as a non-employee Board member will automatically be granted restricted stock units covering that number of shares of common stock (rounded up to the next whole share) determined by dividing the Applicable Annual Amount by the fair market value per share on such date. The Applicable Annual Amount for 2017 was \$60,000. Each restricted unit awarded entitles the non-employee Board member to one share of common stock on the applicable vesting date of that unit. Each restricted stock unit award will vest in full upon the non-employee Board member's continuation in Board service through the day immediately preceding the date of the first annual stockholder meeting following the annual stockholder meeting at which that restricted stock unit award was made, subject to accelerated vesting under certain prescribed circumstances. Each non-employee Board member must retain beneficial ownership of at least 50 percent of the shares of common stock issued in connection with the vesting of such restricted stock units until such time as such individual is in compliance with the equity ownership guidelines that the Corporation from time to time establishes for its non-employee Board members. The Formulaic Program was amended on October 26, 2016 to increase the Applicable Annual Amount from \$35,000 to \$60,000 commencing with the 2017 annual stockholder meeting.

Pursuant to this program, on April 26, 2017, each non-employee Board member elected at the 2017 annual stockholder meeting received an award of restricted stock units covering 1,155 shares of common stock. The units will vest in full upon the Board member's continuation in Board service through the day immediately preceding the date of the Corporation's 2018 annual stockholder meeting, subject to accelerated vesting under certain prescribed circumstances.

#### Director Pension Plan

Mr. King continues to participate in the Director Pension Plan. Under such plan, Mr. King will receive a benefit equal to one half of the aggregate annual retainer for service on the Board of SJW Group, and the Boards of San Jose Water Company and SJW Land Company, following his cessation of service as a director. This benefit will be paid to Mr. King, his beneficiary or his estate, for four years. These payments will be made with the same frequency as the ongoing retainers. Directors who elected to convert their accumulated Director Pension Plan benefits into deferred restricted stock in 2003 and non-employee directors who commenced Board service on or after April 29, 2003, are not eligible to participate in the Director Pension Plan.

#### Dividend Equivalent Rights

Dividend Equivalent Rights ("DERs") were part of the outstanding deferred stock awards credited to certain non-employee directors as a result of their pre-2008 participation in the Deferral Election and Deferred Restricted Stock Programs. Pursuant to those DERs, each such non-employee director's deferred stock account under each program was credited, each time a dividend was paid on the Corporation's common stock, with a dollar amount equal to the dividend paid per share multiplied by the number of shares at the time credited to the deferred stock account, including shares previously credited to the account by reason of the DERs. As of the first business day in January each year, the cash dividend equivalent amounts so credited in the immediately preceding year was converted into additional shares of deferred stock by dividing such cash amount by the average of the fair market value of the Corporation's common stock on each of the dates in the immediately preceding year on which dividends were paid. Effective as of January 1, 2008, the Corporation imposed a limitation on the maximum number of years such DERs continued to remain outstanding. Accordingly, such DERs terminated with the dividends paid by the Corporation during the 2017 calendar year, with the last DER conversion into deferred stock occurring on the first business day in January 2018. As part of the DER phase-out, each non-employee Board member was given the opportunity to make a special election by December 31, 2007, to receive a distribution from his accounts under the two programs in either (i) a lump sum distribution in any calendar year within the 10-year period from 2009 to 2018 or (ii) an installment distribution over a five or 10-year period within that 10-year period. The amount distributable from each such account would be equal to the number of deferred shares credited to that account as of December 31, 2007, plus the number of additional deferred shares subsequently credited to that account by reason of the DERs existing on those deferred shares during the period prior to their distribution. No further DERs will be paid on the



distributed shares, but those shares will be entitled to actual dividends as and when paid to the Corporation's stockholders. In the absence of such special payment election, the distribution of the non-employee Board member's accounts will continue to be deferred until cessation of Board service.

On January 2, 2018, the following current non-employee Board members were credited with additional shares of deferred stock pursuant to their DERs: Mr. King, 166 shares; and Mr. Van Valer, 48 shares.

#### Expense Reimbursement Policies

Under the Corporation's Director Compensation and Expense Reimbursement Policies, each non-employee director will be reimbursed for all reasonable expenses incurred in connection with his or her attendance at Board or committee meetings of SJW Group or its subsidiaries as well as his or her attendance at certain other meetings held by such companies. Expenses subject to reimbursement include the expense of traveling by non-commercial aircraft if within 1,000 miles of company headquarters and approved by the Chairman of the Board, and the expense of traveling first class for any travel within the United States. A copy of the Director Compensation and Expense Reimbursement Policies, amended and restated as of January 1, 2014, is attached as Exhibit 10.36 to the Form 10-K filed for the year ended December 31, 2013. The first amendment to such amended and restated Director Compensation and Expense Reimbursement Policies is attached as Exhibit 10.47 to the Form 10-K filed for the year ended December 31, 2016. A copy of the Director Compensation and Expense Reimbursement Policies amended and restated on January 31, 2018 is attached as Exhibit 10.53 to the Form 10-K filed for the year ended December 31, 2017.

#### Recommendation of the Board of Directors

The Board of Directors unanimously recommends that stockholders vote FOR the election of the eight nominees listed on page 3. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR each of the eight nominees.

## PROPOSAL 2

### ADVISORY VOTE ON EXECUTIVE COMPENSATION

#### General

Pursuant to Section 14A(a)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Corporation's stockholders are entitled to vote at the annual meeting to approve the compensation of the Corporation's named executive officers, as disclosed in this proxy statement in accordance with the standards established under Item 402 of Regulation S-K under the Exchange Act. However, the stockholder vote on executive compensation is an advisory vote only, and it is not binding on the Corporation or the Corporation's Board of Directors or the Executive Compensation Committee of the Board.

Although the vote is non-binding, the Corporation's Board of Directors and the Executive Compensation Committee value the opinions of the stockholders and will consider the outcome of the vote when making future compensation decisions affecting the Corporation's executive officers.

In deciding how to vote on this proposal, the Board encourages you to read the Compensation Discussion and Analysis section beginning on page 26 and Summary Compensation Table beginning on page 47. The Executive Compensation Committee has made numerous enhancements in recent years to better align our executive compensation programs with our strategic objectives, and to respond to changes in the marketplace and feedback received from stockholders and stockholder advisory groups as discussed in the Compensation Discussion and Analysis section of this proxy statement.

#### Resolution

The Corporation's stockholders are being asked to approve by advisory vote the following resolution relating to the compensation of the named executive officers in this proxy statement:

"Resolved that the Corporation's stockholders hereby approve the compensation paid to the Corporation's executive officers named in the Summary Compensation Table of this proxy statement, as that compensation is disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the various compensation tables and the accompanying narrative discussion included in this proxy statement."

The vote on this resolution is not intended to address any specific element of compensation; rather the vote relates to the compensation of the Corporation's named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

#### Recommendation of the Board of Directors

The Board of Directors unanimously recommends an advisory vote FOR the resolution to approve the compensation of the named executive officers as disclosed in this proxy statement in accordance with the standards established under Item 402 of Regulation S-K under the Exchange Act. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR the approval of such resolution.

PROPOSAL 3  
 RATIFICATION OF APPOINTMENT OF INDEPENDENT  
 REGISTERED ACCOUNTING FIRM

General

The Audit Committee of the Board of Directors has appointed KPMG LLP as the Corporation's independent registered public accounting firm (the "independent accountants") for the fiscal year ending December 31, 2018. At the annual meeting, stockholders are being asked to ratify the appointment of KPMG LLP as the Corporation's independent accountants for fiscal year 2018. In the event the stockholders fail to ratify the appointment of KPMG LLP, the Audit Committee will reconsider its selection.

Representatives of KPMG LLP are expected to be present at the annual meeting. They have been offered the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Principal Independent Accountants' Fees and Services

The following table sets forth the approximate aggregate fees billed to the Corporation during or for fiscal years 2016 and 2017:

	2017	2016
Audit Fees (1)	\$941,000	\$1,006,580
Audit-Related Fees (2)	\$—	\$—
Tax Fees (3)	\$—	\$—
All Other Fees (4)	\$—	\$—
Total Fees	\$941,000	\$1,006,580

Audit Fees: This category consists of the fees billed for those fiscal years for the audit of annual financial statements, review of the financial statements included in the annual report on Form 10-K and quarterly reports on (1) Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit-Related Fees: This category consists of fees billed in those fiscal years with respect to assurance and related (2) services by the independent accountants that are reasonably related to the performance of the audit and review of financial statements and are not reported under "Audit Fees."

Tax Fees: This category consists of fees billed in those fiscal years with respect to professional services rendered (3) by the independent accountants for tax compliance, tax advice and tax planning. All tax fees, if any, were pre-approved by the Audit Committee.

All Other Fees: This category consists of fees billed in those fiscal years which are not covered by "Audit Fees," (4) "Audit-Related Fees" and "Tax Fees."

The Audit Committee has considered and concluded that the provision of services described above is compatible with maintaining the independence of KPMG LLP.

The Audit Committee has adopted a pre-approval policy regarding the rendering of audit, audit-related and non-audit services by KPMG LLP. In general, audit fees are reviewed and approved by the Audit Committee annually.

Audit-related and non-audit services are pre-approved by the Audit Committee. The Audit Committee has delegated authority to its Chairman to pre-approve specific services to be rendered by KPMG LLP subject to ratification by the Audit Committee when it next convenes a meeting.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the adoption of the proposal to ratify the appointment of KPMG LLP as SJW Group's independent accountants for fiscal year 2018. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR this Proposal.

OWNERSHIP OF SECURITIES

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the executive officers and directors of the Corporation, and persons who own more than 10 percent of a registered class of the Corporation's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange. These persons are required to furnish SJW Group with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such reports received by it, and written representations from certain reporting persons that no other reports were required during 2017, SJW Group believes that all Section 16(a) reporting obligations were met during 2017 except for one Form 4 which was filed one day late by Mr. Roth with respect to the vesting of performance-based restricted stock units on February 27, 2017.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of February 5, 2018, certain information concerning beneficial ownership of shares of SJW Group common stock by each director of the Corporation, nominee for director, and each of the two individuals who served as the Corporation's Chief Executive Officer during 2017, the Corporation's Chief Financial Officer and each of the Corporation's other executive officers named in the Summary Compensation Table below (the "named executive officers"), and all directors, nominees and named executive officers as a group and beneficial owners of five percent or more of outstanding shares of common stock of SJW Group. Unless otherwise indicated, the beneficial ownership consists of sole voting and investment power with respect to the shares indicated, except to the extent that spouses share authority under applicable law. None of the shares reported as beneficially owned by the named executive officers and directors have been pledged as security for any loan or indebtedness. Unless otherwise indicated, the principal address of each of the stockholders below is c/o SJW Group, 110 W. Taylor Street, San Jose, California 95110. The calculations in the table below are based on 20,557,554 shares of common stock issued and outstanding as of February 5, 2018. In addition, shares of common stock that may be acquired by the person shown in the table within 60 days of February 5, 2018 are deemed to be outstanding for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Name	Shares Beneficially Owned	Percent of Class
Directors and Nominees for Directors:		
Katharine Armstrong (1)	8,343	*
Walter J. Bishop (2)	8,153	*
Douglas R. King (3)	8,293	*
Gregory P. Landis	—	*
Debra C. Man	957	*
Daniel B. More (4)	2,126	*
George E. Moss (5)(6)	1,092,728	5.3 %
W. Richard Roth, Chairman of the Board (7)	156,988	*
Eric W. Thornburg, President and Chief Executive Officer	—	*
Robert A. Van Valer (8)(9)	2,217,280	10.8 %
Named Executive Officers not listed above:		
Andrew R. Gere, President and Chief Operating Officer of SJWC (10)	13,129	*
Palle L. Jensen, Executive Vice President of SJWC (11)	8,753	*
James P. Lynch, Chief Financial Officer and Treasurer (12)	19,949	*
Suzy Papazian, General Counsel and Corporate Secretary (13)	9,057	*
All directors, nominees and executive officers as a group (14 individuals) (14)	3,545,756	17.2 %
Beneficial owners of five percent or more not listed above:		
Nancy O. Moss (15)	1,181,092	5.7 %
BlackRock, Inc. and Certain Subsidiaries (16) 55 East 52nd Street, New York, New York 10055	1,283,440	6.2 %

\*Represents less than one percent of the outstanding shares of SJW Group's common stock.

(1) Includes (i) 2,550 shares of common stock held in a joint account with spouse and for which Katharine Armstrong and her spouse share voting and investment power, (ii) 1,000 shares of common stock held under an IRA account, and (iii) 4,793 shares of common stock held by the Katharine Armstrong Love Exempt Trust U/A/D 6/30/2009, for which Katharine Armstrong is the sole trustee.

(2) Includes 8,153 shares of common stock held by the Bishop Family Trust, for which Walter Bishop and his spouse are trustees. Mr. Bishop has shared voting and investment powers with respect to such shares.

(3) Includes 8,293 shares of common stock held by the King Family Trust dated June 6, 2005 of which Mr. King and Melinda King are trustees. Mr. King has shared voting and investment powers with respect to such shares.

(4) Includes 2,126 shares of common stock held by the Daniel B. More and Laura A. More Joint Tenancy. Mr. More has shared voting and investment powers with respect to such shares.

(5) Includes (i) 1,083,980 shares of common stock held by the George Edward Moss Trust, a living trust of which Mr. Moss is the sole trustee and sole beneficiary, (ii) 6,645 shares of common stock held by his spouse's revocable trust, (iii) 800 shares of common stock held under his spouse's IRA, and (iv) 1,303 shares of common stock held under his spouse's Roth IRA.

(6) The address for George E. Moss is 4360 Worth Street, Los Angeles, California 90063.

Includes (i) 138,688 shares of common stock held by the W. Richard Roth and Viviane L. Roth Community

(7) Property Revocable Trust dated December 17, 2004 of which 23,433 shares of such common stock subject to restricted stock unit awards were issued on February 28, 2018, and (ii) 18,300 shares of common stock held by

a separate property trust for which Mr. Roth is trustee. Mr. Roth has shared voting and investment powers with respect to the 138,688 shares.

Includes (i) 79,412 shares of common stock, (ii) 1,937,226 shares of common stock held under the Non Exempt Bypass Trust created under the Roscoe Moss Jr Revocable Trust dated March 24, 1982 for which Mr. Van Valer (8) has sole voting and dispositive powers, and (iii) 200,642 shares of common stock held under an Exempt Bypass Trust created under the Roscoe Moss Jr Revocable Trust dated March 24, 1982 for which Mr. Van Valer has sole voting and dispositive powers.

(9) The address for Robert A. Van Valer is 4360 Worth Street, Los Angeles, California 90063.

(10) Includes (i) 12,224 shares of common stock and (ii) 905 shares of common stock subject to a restricted stock unit award that were issued on February 28, 2018 (which amount is net of shares withheld to cover withholding taxes).

(11) Includes (i) 7,992 shares of common stock and (ii) 761 shares of common stock subject to a restricted stock unit award that were issued on February 28, 2018 (which amount is net of shares withheld to cover withholding taxes).

Includes (i) 2,114 shares of common stock, (ii) 2,500 shares of common stock held under a Roth IRA, and (iii) 15,335 shares of common stock held by Mr. Lynch and his spouse in joint tenancy of which 871 shares of (12) common stock subject to a restricted stock unit award were issued on February 28, 2018 (which amount is net of shares withheld to cover withholding taxes). Mr. Lynch has shared voting and investment powers with respect to 15,335 shares.

Includes (i) 3,531 shares of common stock and (ii) 5,526 shares of common stock held by the John Affaki and (13) Suzy Papazian Living Trust dated December 10, 2008 of which 733 shares of such common stock subject to a restricted stock unit award were issued on February 28, 2018 (which amount is net of shares withheld to cover withholding taxes).

Includes 26,703 shares of common stock subject to restricted stock unit awards that were issued to the named (14) executive officers on February 28, 2018 (which amount is net of shares withheld to cover withholding taxes). See footnotes (7) and (10) through (13) above.

Includes (i) 1,180,092 shares of common stock held by the Nancy O. Moss Trust and (ii) 1,000 shares of common (15) stock held under a SEP-IRA account. Ms. Moss has shared voting and investment powers over the shares held in her trust. The mailing address of Nancy O. Moss is 25 Kewen Place, San Marino, California 91108.

Pursuant to Schedule 13G/A filed with the SEC on January 23, 2018, BlackRock, Inc. had sole power to vote or (16) to direct the vote of 1,242,690 shares of common stock and sole power to dispose or to direct the disposition of 1,283,440 shares of common stock.

In addition to the ownership of the shares reported in the above table, as of February 5, 2018, the following directors, nominees to the Board and named executive officers held deferred stock awards and restricted stock units covering shares of the Corporation's common stock as follows:

Name	Number of Shares*
Directors and Nominees for Directors:	
Katharine Armstrong	1,155 (1)
Walter J. Bishop	1,155 (1)
Douglas R. King	10,449 (1)(2)
Gregory P. Landis	1,155 (1)
Debra C. Man	1,155 (1)
Daniel B. More	1,155 (1)
George E. Moss	1,155 (1)
W. Richard Roth, Chairman of the Board	113,196(3)
Eric W. Thornburg, President and Chief Executive Officer	26,976 (4)
Robert A. Van Valer	3,860 (1)(2)
Executive Officers not listed above:	
Andrew R. Gere, President and Chief Operating Officer of SJWC	5,349 (4)
Palle L. Jensen, Executive Vice President of SJWC	4,817 (4)
James P. Lynch, Chief Financial Officer and Treasurer	5,431 (4)
Suzy Papazian, General Counsel and Corporate Secretary	4,657 (4)

\* The shares reported in this table are not deemed to be beneficially owned by the individuals listed above under applicable SEC rules and regulations.

(1) Includes shares of common stock underlying restricted stock units awarded to the non-employee Board members under the Corporation's Long-Term Incentive Plan. The restricted stock units vest in full upon the non-employee director's continuation in board service through the day immediately preceding the date of the following annual stockholder meeting. The units will vest in full, and the underlying shares will become immediately issuable should such non-employee director cease Board service by reason of death or permanent disability prior to such vesting date.

(2) Includes shares of the Corporation's common stock underlying deferred stock awards which will be issued in one or more installments following the individual's cessation of Board service.

(3) The 113,196 shares of the Corporation's common stock are issuable pursuant to deferred stock awards. The shares will be issued in accordance with the applicable issuance schedule in effect for those shares.

(4) The shares of the Corporation's common stock issuable pursuant to these restricted stock unit awards are subject to various performance-vesting and service-vesting schedule requirements. The shares that actually vest under those awards will be issued in accordance with the applicable issuance schedule in effect for those shares.

For further information concerning such restricted stock unit and deferred stock awards, please see the following sections of this proxy statement: "Compensation of Directors" and "Executive Compensation and Related Information-Summary Compensation Table and Grants of Plan-Based Awards."

## EXECUTIVE COMPENSATION AND RELATED INFORMATION

### Compensation Discussion and Analysis

The Executive Compensation Committee (the "Committee") of the Board of Directors is responsible for reviewing and approving the compensation payable to our officers and other key employees. This Compensation Discussion and Analysis discusses the principles underlying policies and decisions relating to named executive officer compensation for the 2017 fiscal year. Our "named executive officers" for 2017 are listed below:

Name	Title
Eric W. Thornburg	President and Chief Executive Officer of SJW Group (since November 6, 2017)
W. Richard Roth	Former President and Chief Executive Officer of SJW Group (until November 5, 2017) and Former Chief Executive Emeritus of SJW Group (until December 31, 2017)
Andrew R. Gere	President and Chief Operating Officer of San Jose Water Company ("SJWC")
Palle L. Jensen	Executive Vice President of SJWC
James P. Lynch	Chief Financial Officer and Treasurer of SJW Group
Suzy Papazian	General Counsel and Corporate Secretary of SJW Group

### Company Performance Highlights

The following charts highlight our performance on key financial metrics over each of the last five years:

### Executive Compensation Highlights

We believe that compensation should motivate our executives to contribute to the Corporation's long-term growth. In fiscal year 2017, we continued our strong commitment to pay for performance by aligning a significant portion of executive compensation with performance. Our compensation program for the named executive officers consisted primarily of base salary, a cash incentive program ("STI") and an equity incentive program ("LTI") in the form of performance-based and service-based restricted stock units ("RSU").

The STI and LTI are driven by metrics that align with the Corporation's business, short-term strategic operating goals and long-term growth strategy. For the 2017 fiscal year, the STI corporate performance goals were tied to capital additions, water quality compliance and several key operational goals measuring the successful operation of the business. For the performance-based RSUs, the goals included total shareholder return, return on equity and earnings per share.

Mr. Roth served as our President and Chief Executive Officer ("CEO") until November 5, 2017 and as our Chief Executive Emeritus until December 31, 2017. His 2017 target pay mix was based on his 2014 amended employment agreement which is described on page 34 of this proxy statement. As indicated in the chart below, his 2017 performance-based and long-term incentives constituted 52 percent of his annual total target direct compensation; this allocation is generally consistent with the average for our peer group as set forth below.

Mr. Thornburg has been our President and CEO since November 6, 2017. His 2017 and 2018 target pay mix were negotiated under his employment agreement which is described on page 66 of this proxy statement. Since Mr. Thornburg joined the Corporation towards the end of the 2017 fiscal year, he was not granted performance-based equity or performance-based cash awards for the 2017 fiscal year. As indicated in the chart below, the 2018 performance-based and long-term incentives for Mr. Thornburg constituted 61 percent of his annual total target direct compensation (not including the special sign-on cash bonus paid in 2018); this allocation is generally consistent with the average for our peer group as set forth below.

As indicated by the chart below, the 2017 performance-based and long-term incentives for our other named executive officers constituted 37 percent of the officer's annual total target direct compensation; this allocation is generally consistent with the average for our peer group as set forth below.

For further information regarding our cash and equity incentive compensation programs, see the sections entitled "Annual Cash Incentive Compensation" and "Equity Compensation" appearing later in this "Compensation Discussion Analysis" section.



Compensation Program Changes for 2017

The Committee annually reviews our compensation programs and strives to enhance the connection between company performance, stockholder interests and executive compensation. The Committee had undertaken a comprehensive review of our compensation philosophy, policies and practices and had made significant changes to our 2015 executive compensation programs that we continued in 2017 to better align with our strategic objectives, respond to changes in the marketplace and to take into consideration feedback received from stockholders and stockholder advisory groups, specifically:

Changes to the Executive Compensation Programs Effective for 2017

Assessed the peer group used to benchmark executive compensation

Rationale for Change

Ensure peer group best represents the market for executive talent among similar size, publicly-traded regulated utility companies

Increased the portion of the equity awards that are tied to performance-based vesting from 30% to 50% for the other executive officers (subject to clawback)

Increase performance-based component of the other executive officers' total compensation (and include clawback provisions in the performance-based equity awards)

Introduced multi-year financial performance goals for a portion of the equity awards for the other executive officers

Include long-term performance based equity awards for the other executive officers

Conducted annual review of company performance metrics

Eliminate any overlap of performance metrics in our annual cash incentive and long-term incentive plans

Adjusted the target annual cash incentive opportunities for the other executive officers

Ensure more consistent executive officer pay mix (target annual cash incentive opportunity of 25% of salary for each of the executive officers)

Increased the weighting on company financial and operational goals in the annual cash incentive plan from 50% to 75% for the other executive officers

Increase alignment of the other executive officers with CEO cash incentive compensation

In negotiating the employment agreement with Mr. Thornburg, we took into account updated data regarding market practices, and additional feedback we had received from stockholders and stockholder advisory groups. In particular, we made changes to our compensation programs applied to Mr. Thornburg as outlined in the table below. The principal terms of the employment agreement are summarized in the section entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" that appears later in this proxy statement.

Additional Changes to the Executive Compensation Programs for the CEO	Rational for Change
Amended the Executive Severance Plan so the tax gross-up provisions do not apply to the newly appointed CEO	The CEO will not receive any tax gross-up under the Executive Severance Plan
Increased the 2018 target annual cash incentive compensation from 25% to 50% of base salary for the CEO	Increase performance-based component of the CEO's total compensation and ensure that pay mix better reflects market data
CEO 2018 annual cash incentive compensation weighting changed from 100% based on company performance to 75% based on company performance and 25% based on individual performance based on key strategic goals	Increase alignment of CEO cash incentive compensation with the other executive officers, consistent with market practice
Tied 70% of the CEO's 2018 equity awards to performance goals	Significant portion of the CEO equity awards subject to performance goals

#### Executive Compensation Governance Highlights

Our compensation practices keep the best interests of our stockholders in mind. This means we adhere to certain best practices while avoiding certain other less favorable pay practices as summarized below:

- A significant portion of our named executive officer's compensation is at risk, using a combination of financial, operational and market-based performance metrics that correlate to stockholder value;
- We use a combination of short-term and long-term incentives to ensure a strong connection between our performance and the actual compensation delivered;
- 35 percent of the equity awards granted to Mr. Roth in 2014 in connection with his amended employment agreement were subject to vesting based on attainment of financial performance goals over a three-year performance period (which ended on December 31, 2017);
- 70 percent of the equity awards granted to Mr. Thornburg in 2018 pursuant to the terms of his employment agreement are subject to vesting based on attainment of financial and market-based performance goals over a three-year performance period;
- 20 percent of the 2017 equity awards granted to our other named executive officers are subject to vesting based on multi-year financial performance goals and 30 percent of the 2017 equity awards are subject to short-term financial performance goals;
- We retain an independent compensation consultant to advise the Committee;
- We regularly evaluate our peer group and pay positioning;
- Our performance-based equity awards are subject to clawback;
- We prohibit hedging and or pledging of our common stock;
- We do not pay dividends on unearned equity awards or unearned performance-based equity awards unless and until the awards vest;
- We do not provide tax gross-ups for any imputed income in connection with perquisites;
- The change-in-control protections in the Executive Severance Plan are double trigger;

We maintain executive stock ownership guidelines that require our executives to hold stock equal to a specified multiple of base salary. The ownership levels are two times base salary for our CEO and one times base salary for our other executive officers; and

We annually assess whether our compensation programs have risks that are reasonably likely to have a material adverse effect on the Corporation.

#### Impact of 2017 "Say-on-Pay" Vote and "Say-on-Pay" Frequency Vote

We held our last "say-on-pay" vote in 2017 and approximately 96.5 percent of the votes cast on such proposal were in favor of the compensation of the named executive officers. In 2017, our stockholders voted in favor of holding a "say-on-pay" vote once every year. Therefore, based on the voting preference of our stockholders, the frequency of future "say-on-pay" votes will be annual.

The Committee will continue to take into account future stockholder advisory votes on executive compensation and other relevant market developments affecting executive officer compensation in order to determine whether any subsequent changes to our programs and policies are warranted to reflect stockholder concerns or to address market developments.

#### Compensation Objectives and Philosophy

The Committee seeks to maintain an overarching pay-for-performance compensation philosophy through the use of compensation programs for the Corporation's executive officers that are designed to attain the following objectives:

- Recruit, motivate and retain executives capable of meeting the Corporation's strategic objectives;
- Provide incentives to achieve superior executive performance and successful operation and financial results for the Corporation; and
- Align the interests of executives with the long-term interests of stockholders.

The Committee seeks to achieve these objectives by:

- Establishing a compensation structure that is both market competitive and internally fair;
- Linking a substantial portion of compensation to the Corporation's operational and financial performance and the individual's contribution to that performance;
- Maintaining a compensation structure that is designed to provide below-target compensation for underachievement and upward leverage for exceptional performance; and
- Providing long-term equity-based incentives and encouraging direct stock ownership by executive officers.

The Committee is not authorized to delegate any of its authority with respect to executive officer compensation, other than with respect to routine administrative functions. However, the Committee may from time to time consult with other independent Board members regarding executive compensation matters and is authorized to hire independent compensation consultants and other professionals to assist in the design, formulation, analysis and implementation of compensation programs for the Corporation's executive officers and other key employees.

#### Setting Executive Compensation for 2017

The principal factors that the Committee considered when setting the 2017 fiscal year compensation levels for the named executive officers were as follows:

- Competitive benchmarking;
- Long-term retention;
- Management's recommendations;
- Advice from the Committee's independent compensation consultant and other compensation advisors;
- Results of the last "say-on-pay" proposal;

- Feedback from stockholders and stockholder advisory groups;
- Comparison of the Corporation's performance against certain operational and qualitative goals identified in our strategic plan;
- Individual performance as assessed by the Committee, with input from the CEO as to the named executive officers other than himself;
- The cost of living and cost of labor in the San Francisco Bay Area; and
- Tenure, future potential and internal pay equity.

Major compensation decisions for each fiscal year, including base salary adjustments, the determination of target annual incentive cash compensation opportunities and the determination of the size of long-term equity incentive awards, are generally made by the Committee during the last quarter of the prior year or during the first quarter of the current year.

Benchmarking: The Committee made a number of decisions regarding 2017 fiscal year compensation for the named executive officers (other than for Messrs. Roth and Thornburg) on the basis of the executive compensation benchmarking report prepared by Mercer (US), Inc. ("Mercer") in October 2016. The report benchmarked the compensation paid by the peer group (as described below) to their executive officers. The compensation data was based on 2016 proxy disclosures aged forward for compensation planning purposes, reflecting the historic nature of the collected data.

In determining compensation for Mr. Thornburg, the Committee used compensation benchmarking reports prepared by Mercer and by Pearl Meyer in September 2017. The compensation data in these reports was based on 2017 proxy disclosures for the revised peer group as described below.

Peer Group: Based on recommendations from Mercer in October 2016, the peer group approved by the Committee for 2017 executive compensation was the same as for 2016. The peer group is comprised of companies that are U.S. publicly traded utility companies of similar size and companies that are identified externally as the Corporation's peers. The Committee believed that all of the peer companies continued to represent primary competitors for executive talent and investment capital. The peer group was comprised of the following companies:

Peer Group

American States Water	American Water Works	Artesian Resources	Aqua America
California Water Service Group	Chesapeake Utilities	Connecticut Water Service	El Paso Electric
Empire District Electric	Gas Natural	MGE Energy	Middlesex Water
Northwest Natural Gas	South Jersey Industries	Unitil	York Water

In 2017, Mercer assessed the peer group for ongoing appropriateness. Based on recommendations from Mercer, the Committee approved changes to the peer group to be used for Mr. Thornburg's 2017 compensation and for all the executive officers' 2018 compensation. The following changes were made to the peer group: (i) Empire District Electric Company was removed since it was acquired in 2017, and (ii) American Water Works Company, Inc. and Gas Natural, Inc. were removed and Avista Corp. and PNM Resources Inc. were added in light of their company sizes.

Target Pay Positioning: For the 2017 fiscal year, the Committee targeted total annual direct compensation between the median and the 75<sup>th</sup> percentile of the peer group in light of the highly competitive San Francisco Bay Area talent market and the higher cost of living and cost of labor for the Corporation as compared to its peers. Individual positioning relative to market data also gives consideration to tenure, performance, potential and internal equity. In 2017, in response to feedback from stockholder advisory groups, the Committee reviewed the target pay positioning policy described above. Mercer provided the Committee with an analysis of the cost of living and cost of labor for peer companies based on their corporate headquarters location, with the cost of labor focused on positions with compensation levels in a similar range to the Corporation's executive officers. Based on the findings of this analysis, the Committee decided to continue to target compensation for executive officers between the median and the 75<sup>th</sup> percentile, subject to additional considerations of tenure, potential and internal equity.

The table below shows the market positioning of the executive officer target total direct compensation relative to the peer group based on data as was provided by Mercer to the Committee. For Mr. Thornburg, this reflects fiscal 2018 target compensation as compared to the market data prepared by Mercer in September 2017 incorporating the revised peer group discussed above. For all other executive officers, this reflects fiscal 2017 target compensation as compared to the peer group market data as prepared by Mercer in October 2016.

Name	Title	Percentile Level of Total Target Direct Compensation for 2017 Fiscal Year
Eric W. Thornburg	President and Chief Executive Officer	48th (1)
W. Richard Roth	Former President, Chief Executive Officer and Chief Executive Emeritus	56th (2)
Andrew R. Gere	President and Chief Operating Officer of SJWC	81st
Palle L. Jensen	Executive Vice President of SJWC	67th
James P. Lynch	Chief Financial Officer and Treasurer	66th
Suzy Papazian	General Counsel and Corporate Secretary	49th

(1) This reflects positioning of Mr. Thornburg's 2018 target compensation, excluding the sign-on cash bonus paid in 2018 and the special equity award granted in November 2017.

(2) For purposes of such calculation, the grant-date fair values of equity awards provided to Mr. Roth under the amended employment agreement were annualized over the respective vesting periods.

Role of External Advisors: The Committee engaged Mercer, a global human resource consulting firm with extensive expertise and experience providing executive compensation consulting services, to serve as the Committee's independent compensation consultant. Mercer provided the following services:

- Advised the Committee in selecting a peer group to be used for benchmarking compensation;
- Conducted a competitive review of officer compensation levels and practices relative to the peer group;
- Advised the Committee in determining the appropriate base salary, annual incentive and equity compensation terms for the named executive officers, including Mr. Thornburg, and other officers;
- Advised the Committee regarding short and long-term incentive compensation design changes; and
- Confirmed the competitiveness of director compensation relative to the peer group.

Representatives of Mercer attended certain Committee meetings and provided guidance and expertise on competitive pay practices and plan designs consistent with our key objectives.

The Committee also engaged Pearl Meyer, a leading executive compensation advisor, to assist in connection with the negotiation of Mr. Thornburg's employment agreement and his compensation package.

The Committee determined that Pearl Meyer and Mercer were each independent and that their work did not raise any conflict of interest. The Committee made such determinations primarily on the basis of the six factors for assessing independence and identifying potential conflicts of interest that are set forth in Rule 10C-1(b)(4) under the Securities Exchange Act of 1934. The Committee will apply the same factors, together with any factors identified by the New York Stock Exchange and any other factors the Committee may deem relevant under the circumstances, in determining whether any other persons from whom the Committee seeks advice relating to executive compensation matters is independent or whether any potential conflicts exist.

Role of Management: Mr. Roth provided the Committee with recommendations regarding 2017 fiscal year compensation levels for each of the named executive officers other than himself. Such recommendations included base salary adjustments, target annual incentive cash compensation opportunities and payout levels, and the size of long-term incentive awards. Messrs. Roth and Thornburg each provided the Committee with their assessment of the individual performance of each of the other named executive officers during 2017.



### CEO Employment Agreements

As indicated above, Mr. Roth served as the President and CEO of the Corporation until November 5, 2017 and as the Chief Executive Emeritus of the Corporation until December 31, 2017. Mr. Thornburg has been serving as the President and CEO of the Corporation since November 6, 2017.

**Employment Agreement with Mr. Roth:** In July 2014, the Committee negotiated a new compensation package with Mr. Roth and amended his employment agreement. The primary objective of the amended agreement was to retain Mr. Roth's services and his leadership and direction in the achievement of the Corporation's strategic business objectives through the end of the 2017 fiscal year. Therefore, the new compensation package utilized a multi-year equity award structure in lieu of a series of annual grants, and a combination of performance-vesting requirements and service-vesting requirements on the equity awards that were intended to enhance stockholder value, promote the retention of his services, and provide a competitively positioned annualized total direct compensation package over the extended contract term. The Corporation entered into a Transition Agreement with Mr. Roth in September 2017 setting forth the services to be provided by Mr. Roth during his remaining employment period (from November 6, 2017 until December 31, 2017). Mr. Roth continued to receive the same base salary, benefits, and compensation during the transition period as those set forth in his existing employment agreement.

In accordance with the terms of his employment agreement, Mr. Roth's annual base salary for the 2017 was increased by four percent to \$767,936 and his target annual incentive cash compensation remained at 25 percent of his base salary.

**Employment Agreement with Mr. Thornburg:** In September 2017, the Committee negotiated an employment agreement and compensation package with Mr. Thornburg. The primary objective of the employment agreement was to retain Mr. Thornburg's services and his leadership and direction in the achievement of the Corporation's strategic business objectives in light of Mr. Roth's upcoming retirement. Therefore, the compensation package utilizes a multi-year equity award structure, and a combination of performance-vesting requirements and service-vesting requirements on the equity awards that are intended to enhance stockholder value, promote the retention of his services, and provide a competitively positioned annualized total direct compensation package.

The principal terms of the employment agreement are summarized in the section entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" that appears later in this proxy statement. However, for purposes of this discussion, it is important to note the following key points regarding the employment agreement:

• Mr. Thornburg's annual base salary for the 2017 and 2018 calendar years is \$700,000.

• Mr. Thornburg's target annual incentive cash compensation is 50 percent of his base salary starting with the 2018 fiscal year.

• Mr. Thornburg received a sign-on cash bonus in the amount of \$310,000 in the first quarter of 2018. This bonus was intended in part to offset the 2017 cash incentive award forfeited by Mr. Thornburg in light of his move to the Corporation.

• 70 percent of Mr. Thornburg's target equity awards are in the form of performance-based RSUs which are based on a three-year performance period.

• Mr. Thornburg is eligible to receive enhanced severance benefits under the Executive Severance Plan (but not a tax gross-up) and enhanced retirement benefits under the Cash Balance Executive Supplemental Retirement Plan.

• Mr. Thornburg is entitled to certain severance benefits (under certain circumstances where he is not eligible for benefits under the Executive Severance Plan).

The target total direct compensation package for Mr. Thornburg for 2018, excluding the sign-on cash bonus paid in 2018 and the special equity award granted in November 2017, is at approximately the 48th percentile of the 2018 peer group.

• Mr. Thornburg's compensation is subject to clawback in accordance with applicable laws and regulations.

The Committee believes that Mr. Thornburg's employment package is competitive with the market and is aligned with the Corporation's pay for performance principles.



### Components of Compensation

For the 2017 fiscal year, the principal components of the Corporation's executive compensation program were as follows:

- Base salary;
- Annual short-term cash incentives;
- Long-term equity incentive awards; and
- Retirement benefit accruals.

In setting the 2017 compensation of the executive officers (other than the CEOs), the Committee intended to: (i) provide a consistent mix of fixed (salary) and variable (STI) cash compensation by defining the target STI as 25 percent of salary for each executive officer, and (ii) provide a LTI grant value calculated as a consistent percentage (31 percent) of base salary resulting in a consistent target pay mix for such executive officers. However, there is no policy for the allocation of compensation between cash and non-cash (equity) components or between short-term and long-term components, and there are no pre-established ratios between the CEO's compensation and that of the other named executive officers. The Committee determines the total direct compensation of each named executive officer based on its review of competitive market data for his or her position and its subjective analysis of that individual's performance and contribution to the Corporation's financial performance. The Committee may also take into account internal pay equity considerations based on the individual's relative duties and responsibilities within the organization. The named executive officers are also provided with market competitive benefits and perquisites and are entitled to certain severance benefits in the event their employment terminates under certain defined circumstances, as more fully set forth below in this section and in the section entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" that appears later in this proxy statement.

#### Base Salary

It is the Committee's objective to set a competitive annual rate of base salary for each executive officer. The Committee believes that such competitive base salaries are necessary to attract and retain top quality executives, since it is common practice for public companies to provide their executive officers with an annual component of compensation that provides a level of economic security and continuity from year to year, without substantial adjustments to reflect the Corporation's performance.

**CEO Base Salary:** Pursuant to Mr. Roth's amended employment agreement, his base salary for calendar year 2017 was set at \$767,936 which represented a four percent increase over his base salary for calendar year 2016. The Committee believed that this salary appropriately reflects the tenure, experience and performance of Mr. Roth within the context of the overall compensation philosophy.

Pursuant to Mr. Thornburg's employment agreement, his base salary for calendar years 2017 and 2018 was set at \$700,000. The Committee believes that this salary similarly appropriately reflects the performance and experience of Mr. Thornburg within the context of the overall compensation philosophy.

Base Salary of the Other Named Executive Officers: In setting the 2017 fiscal year base salaries for the other named executive officers, the Committee considered each executive officer's tenure and responsibilities with the Corporation, competitive market data for his or her position, the high cost of living in the San Francisco Bay Area, internal pay equity considerations, and the other components of the officer's total direct compensation for the year. The Committee approved market-based salary adjustments and merit-based increases that ranged from 4.4 to 22.7 percent increases for the below-listed named executive officers. Accordingly, the base salary levels in effect for the 2016 and 2017 fiscal years for each named executive officer and the applicable percentage increases for the 2017 fiscal year are as follows:

Name	Title	2016 Salary	2017 Salary	% Increase	
Eric W. Thornburg	President and Chief Executive Officer	N/A	\$700,000	N/A	(1)
W. Richard Roth	Former President, Chief Executive Officer and Chief Executive Emeritus	\$738,400	\$767,936	4.0	%(2)
Andrew R. Gere	President and Chief Operating Officer of SJWC	\$365,000	\$448,000	22.7	%(3)
Palle L. Jensen	Executive Vice President of SJWC	\$344,000	\$378,000	9.9	%(4)
James P. Lynch	Chief Financial Officer and Treasurer	\$410,000	\$428,000	4.4	%
Suzy Papazian	General Counsel and Corporate Secretary	N/A	\$362,000	N/A	(1)

(1) Mr. Thornburg and Ms. Papazian were not named executive officers prior to the 2017 fiscal year.

(2) Mr. Roth's 2017 salary was set forth under his amended employment agreement.

(3) Mr. Gere's 2017 salary was increased to be internally equitable.

(4) Mr. Jensen's 2017 salary was increased in an effort to bring his total compensation in line with the competitive market.

#### Annual Cash Incentive Compensation

As part of their total compensation package, the Corporation's executive officers have the opportunity to earn an annual cash incentive award. The cash incentive awards are designed to reward superior corporate and executive performance while reinforcing the Corporation's short-term strategic operating goals. The potential cash incentive awards for the executive officers for the 2017 fiscal year were tied to the Corporation's attainment of the following performance goals: (i) capital additions; (ii) water quality compliance; and (iii) several key operational goals. The operational goals represent a mix of quantitative goals covering key business objectives used to manage the business that are critical to achieving and maintaining superior performance in the public utilities industry. The operational goals are critical to measuring the successful operation of the business. All financial and non-financial goals are quantitative goals set by the Committee at the start of the fiscal year. The potential cash incentive awards for the named executive officers other than the CEOs were also tied to individual performance goals established by the Committee.

Each year, the Committee establishes target annual incentive cash compensation for each named executive officer (tied to either a percentage of base salary or a specific dollar amount). The total target annual cash incentive compensation opportunities for 2017 were adjusted to ensure more consistent executive officer pay mix (target annual cash incentive opportunity of 25 percent of salary for all executive officers). The target annual cash incentive compensation levels in effect for the 2016 and 2017 fiscal years for each named executive officer and the applicable percentage increases for the 2017 fiscal year are as follows:

Name	Title	Annual Incentive Cash Compensation		
		2016 Target (\$)	2017 Target (\$)	% Increase
Eric W. Thornburg	President and Chief Executive Officer	N/A	N/A	N/A (1)
W. Richard Roth	Former President, Chief Executive Officer and Chief Executive Emeritus	\$184,600	\$191,984	4.0 % (2)
Andrew R. Gere	President and Chief Operating Officer of SJWC	\$90,000	\$112,000	24.4 % (3)
Palle L. Jensen	Executive Vice President of SJWC	\$106,000	\$95,000	(10.4)% (4)
James P. Lynch	Chief Financial Officer and Treasurer	\$100,000	\$107,000	7.0 % (3)
Suzy Papazian	General Counsel and Corporate Secretary	N/A	\$91,000	N/A (1)

(1) Mr. Thornburg and Ms. Papazian were not a named executive officer prior to the 2017 fiscal year. Mr. Thornburg is not eligible to receive incentive cash compensation for 2017.

(2) Mr. Roth's target annual cash incentive compensation was set at 25% of his base salary, the same percentage as for 2016, in accordance with the terms of his employment agreement. The increase in target annual cash incentive compensation for 2017 is due to the 4% increase in Mr. Roth's base salary for 2017.

(3) Messrs. Gere's and Lynch's 2017 target annual cash incentive compensation were increased to be equal to 25% of their respective 2017 salaries to ensure a more consistent executive officer pay mix.

(4) Mr. Jensen's target annual cash incentive compensation was decreased in 2017 to be equal to 25% of his 2017 salary.

The potential payout for each such annual cash incentive compensation award can range from 0 to 150 percent of target for Mr. Roth based on the Corporation's performance against the pre-established performance goals, and from 0 to 200 percent of target for the other named executive officers, based on the Corporation's performance against the pre-established performance goals and the Committee's assessment of the officer's performance for such year.

CEO's Annual Cash Incentive Compensation for the 2017 Fiscal Year: Mr. Thornburg was not eligible to receive incentive cash compensation for the 2017 fiscal year. He received a sign-on bonus in the amount of \$310,000 in February 2018 in accordance with the terms of his employment agreement.

The actual dollar amount of Mr. Roth's annual cash incentive compensation for the 2017 fiscal year was tied to the level at which the Corporation attained the corporate performance goals established by the Committee for that year and ranged as follows:

Level of Performance	Below Threshold Performance	Threshold Performance	Target Performance	Maximum Performance
Payout	—	\$95,992 (12.5% of base salary)	\$191,984 (25% of base salary)	\$287,976 (37.5% of base salary)

The actual 2017 annual cash incentive compensation award approved for Mr. Roth was \$279,977, or 145.8 percent of his 2017 target annual cash incentive compensation as described further below.

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The performance goals set by the Committee for the 2017 fiscal year, together with the portion of Mr. Roth's target annual cash incentive compensation allocated to each goal and the amount of annual cash incentive compensation earned for each goal, were as set forth below. Each performance goal was attained at the maximum goal except for Workers Compensation Experience Modification Rate which was attained between the threshold and target level.

Performance Criteria	Goals and Minimum and Maximum Thresholds	Allocation of Target Amount (\$)(5)	2017 Actual Award (\$)
			\$95,992.5
San Jose Water Company 2017 Capital Additions (1)	Target Goal: \$121,000,000 Minimum Threshold: \$107,600,000 Maximum Goal: \$134,500,000 or more	\$ 63,995	Represents 150% of \$63,995
San Jose Water Company Water Quality Compliance (2)	Target Goal: No citations from the California Division of Drinking Water for failure to meet Primary Drinking Water Standards Minimum Threshold: N/A Maximum Goal: No citations from the California Division of Drinking Water for failure to meet Primary Drinking Water Standards and Secondary Maximum Contaminant criteria	\$ 63,995	Represents 150% of \$63,995
San Jose Water Company Key Operational Goals: (3)			\$15,999
– No Material Environmental Violations (4)	Target Goal: No violations with fines of \$25,000/\$100,000 or above Minimum Threshold: No violations with fines of \$50,000/\$200,000 or above Maximum Goal: No violations with fines of \$10,000/\$40,000 or above	\$ 10,666	Represents 150% of \$10,666
	Maximum Goal:		\$15,999
– Abandoned Call Rate (Based on % of calls received)	Target Goal: 5% or less Minimum Threshold: 7% or less Maximum Goal: 3% or less	\$ 10,666	Represents 150% of \$10,666
			\$15,999
– Level One Emergency Response Time (% of responses in 30 minutes or less)	Target Goal: at least 80% Minimum Threshold: at least 70% Maximum Goal: at least 90%	\$ 10,666	Represents 150% of \$10,666
			\$15,999
– Distribution System Integrity (Main Leaks per 100 Mi.)	Target Goal: 12 or less Minimum Threshold: 16 or less Maximum Goal: 8 or less	\$ 10,666	Represents 150% of \$10,666
			\$15,999
–	Target Goal: at least 90%	\$ 10,665	\$15,997.5

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Code 3 Emergency Repair Response Time (% responses in 60 minutes or less)	Minimum Threshold: at least 80% Maximum Goal: 100%		Represents 150% of \$10,665 \$7,998.5
– Workers Compensation Experience Modification Rate	Target Goal: 1.0 or less Minimum Threshold: 1.1 or less Maximum Goal: 0.9 or less	\$ 10,665	Represents 75% of \$10,665 \$279,977
	Total 2017 Actual Cash Incentive Compensation Award		

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- "San Jose Water Capital Additions" means San Jose Water Company's capital expenditures made in 2017,
- (1) including expenditures for improvements to the Montevina Treatment Plant and the cost to retire facilities and excluding expenditures made in connection with IRS bonus depreciation infrastructure reinvestments. Target is achieved if San Jose Water Company does not receive a citation during the performance period for violating health-related drinking water standards and treatment techniques specified in the U.S. National Primary Drinking Water Regulations and California Code of Regulations Title 22, Chapter 15. The goal does not take into account additional parameters regulated by other states, nor does it include violations of monitoring requirements.
  - (2) Maximum Performance will be achieved if the company does not receive a citation during the performance period for violating health-related drinking water standards and treatment techniques and secondary maximum contaminant criteria. The secondary contaminant criteria are associated with the aesthetic quality of drinking water and do not pose a threat to public health at regulated levels. San Jose Water Company annually establishes quantitative key operational goals that are designed to align management's operating objectives with the primary goals of the company's Strategic Plan. Operational goals are established by the Committee at the start of each fiscal year in terms of specific benchmarks that measure San Jose
  - (3) Water Company's performance. For the 2017 fiscal year, the operational goals were comprised of 6 key performance indicators as outlined in the table. All results of San Jose Water Company's key operational goals are rounded to the nearest whole number, except for the Worker's Compensation experience modification rate goal. Compliance with each goal is based on year-end results. "No material environmental violations" means no violations resulting in fines in excess of criteria set forth below issued by the state or federal environmental regulators in the performance year in connection with environmental
  - (4) violations that occurred during the performance year or in any of the preceding two years. As set forth in the table above, the criteria established at minimum, target, and maximum levels are no violations in one instance or in the aggregate of \$50,000/\$200,000, \$25,000/\$100,000, and \$10,000/\$40,000, respectively. The actual annual cash incentive compensation attributable to each performance goal could have ranged from 0 to
  - (5) 150% of the portion of the target annual cash incentive compensation amount allocated to that goal. If the actual level of attainment of any such performance goal was between two of the designated levels, then the annual cash incentive compensation potential with respect to that goal would be interpolated on a straight-line basis.
- 2017 Fiscal Year Cash Incentive Compensation for the Other Named Executive Officers: The actual annual cash incentive compensation amount that any other named executive officer could have earned for the 2017 fiscal year ranged from 0 to 200 percent of his or her target annual cash incentive compensation based on the Corporation's performance and the Committee's assessment of the named executive officer's individual performance for such year. The actual percentage within that range was to be determined as follows: (i) up to 150 percent of the target annual cash incentive compensation could be earned, weighted 75 percent for the Corporation's performance and 25 percent for individual performance; and (ii) an additional 50 percent could be earned for exceptional individual performance. The Corporation's performance was measured in terms of capital additions, water quality compliance and the attainment of certain operational goals, utilizing the same target for each such goal that was in effect for the CEO's 2017 fiscal year cash incentive compensation, as summarized in the table above. However, the annual cash incentive compensation potential for individual performance goals established for each of the other named executive officer (summarized below) was not pre-allocated in distinct dollar segments among those various individual goals, and the attainment of one or more of those goals did not guarantee that a named executive officer would be awarded any specific cash incentive compensation amount. Rather, the portion of actual cash incentive compensation amount payable for the 2017 fiscal year related to the individual goals for each of the other named executive officers was to be determined solely in the Committee's discretion based on its assessment of the named executive officer's individual performance measured against the achievement of specific individual operational goals or completion of specific projects or initiatives.

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The table below summarizes the principal individual goals that the Committee set for the 2017 fiscal year for each of the other named executive officers:

Name	Title	Goals
Andrew R. Gere	President and Chief Operating Officer of SJWC	<ul style="list-style-type: none"> <li>- Develop and execute operational and financial plan/budgets to achieve targeted results</li> <li>- Successfully complete special projects and process improvement initiatives</li> <li>- Coordinate and timely file required regulatory documents to support operating and financial plans</li> <li>- Ensure compliance with water quality and environmental regulations</li> <li>- Maintain effective relationships with key stakeholders</li> <li>- Optimize regulatory functions, proceedings and outcomes</li> <li>- Ensure timely recovery of necessary operating costs and capital investments</li> </ul>
Palle L. Jensen	Executive Vice President of SJWC	<ul style="list-style-type: none"> <li>- Establish/maintain effective regulatory and government relations</li> <li>- Implement customer communications plan and other strategic customer service initiatives</li> <li>- Optimize operating company and corporate cost structures</li> <li>- Develop and execute financial plan/budgets to achieve targeted results</li> </ul>
James P. Lynch	Chief Financial Officer and Treasurer	<ul style="list-style-type: none"> <li>- Develop technology strategic plan for accounting and other financial functions</li> <li>- Execute investor relations and communications plan</li> <li>- Optimize and execute real estate investment strategy</li> <li>- Advise senior management on business, operations, regulatory and human resources initiatives</li> <li>- Ensure corporate strategic initiatives and projects are properly designed and executed</li> </ul>
Suzy Papazian	General Counsel and Corporate Secretary	<ul style="list-style-type: none"> <li>- Enhance risk assessment and compliance process</li> <li>- Conduct and coordinate timely and effective board and committee communications</li> </ul>

In February 2018, the Committee determined, on the basis of the Corporation's performance in relation to the performance criteria listed above for the Corporation and the executive officer's individual performance, that the cash incentive compensation for the 2017 fiscal year should be paid to the above-listed named executive officers in amounts ranging from 137 to 181 percent of target based on (i) reaching 145.8 percent of the target allocated to the Corporation's performance goals, (ii) reaching between 109 and 110 percent of the target allocated to individual performance goals for each of Messrs. Gere, Jensen and Lynch and Ms. Papazian, and (iii) an additional 44 percent of target for Ms. Papazian for exceptional individual performance. The table below sets forth the fiscal year 2017 cash incentive compensation targets and actual cash incentive compensation payout amounts for each of those named executive officers on the basis of the performance criteria listed above:

Name	Title	Incentive Cash Compensation			
		2017 Target (\$)	2017 Target (% Salary)	2017 Actual (\$)	2017 Actual (% Target)
Andrew R. Gere	President and Chief Operating Officer of SJWC	\$ 112,000	25%	\$ 153,001	137%
Palle L. Jensen	Executive Vice President of SJWC	\$ 95,000	25%	\$ 130,156	137%

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James P. Lynch	Chief Financial Officer and Treasurer	\$ 107,000	25%	\$ 146,281	137%
Suzy Papazian	General Counsel and Corporate Secretary	\$ 91,000	25%	\$ 164,782	181%

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## Equity Compensation

A significant portion of each named executive officer's compensation is provided in the form of long-term incentive equity awards under the Corporation's Long-Term Incentive Plan ("LTIP"). Long-term incentive awards are typically made to executive officers in the form of RSUs covering shares of the Corporation's common stock. The Committee believes that RSUs are important to encourage the retention of the executive officers and will help to advance the stock ownership guidelines the Committee has established for the executive officers. RSUs are less dilutive to stockholders than traditional option grants in terms of the number of shares issuable under those RSU awards and provide a more direct correlation between the compensation cost the Corporation must record for financial accounting purposes and the value delivered to the executive officers. In addition, RSUs continue to have value even in periods of declining stock prices and thereby serve as an important retention tool and also provide a less risky equity compensation program than that associated with option grants that only have value to the extent the price of the underlying stock appreciates over the option term.

The RSUs granted to date have vesting schedules that provide a meaningful incentive for the executive officer to remain in the Corporation's service. In addition, a substantial portion of Mr. Roth's equity grants historically and the other named executive officers' equity grants since 2015 have been performance-vesting RSUs in order to link a greater percentage of their compensation to stockholder return. Effective with the equity awards granted to Mr. Roth under his amended employment agreement and the equity awards granted to the other named executive officers since 2015, leveraged RSUs are also used to payout at increasing rates based on the level of attainment of the specified performance goals. None of the RSU awards granted to the named executive officers include dividend equivalent rights.

The Committee has followed a grant practice of tying regular-cycle equity awards to its annual year-end review of individual performance and its assessment of the Corporation's performance for that year. Accordingly, equity awards are typically made to the named executive officers on an annual basis with the service-vesting RSUs granted effective the first business day of the fiscal year and the performance-vesting RSUs generally granted during the first month of the fiscal year.

**2017 Fiscal Year Grants to CEOs:** On January 26, 2017, Mr. Roth was granted an award of RSUs covering 6,639 shares of the Corporation's common stock in accordance with the terms of his amended employment agreement. The RSUs vested based on the attainment of a performance goal based on return on equity ("ROE") measured over the 2017 calendar year period and continued service through December 31, 2017. The ROE goal was 9.26 percent. The Committee set the ROE goal at a challenging level that was consistent with the Corporation's business plan for long-term growth and shareholder return. Based on an ROE of 12.12 percent for the 2017 calendar year, the award vested in full.

On August 4, 2014, Mr. Roth was granted a performance-based RSU award covering 19,917 target shares that vests based on relative total shareholder return measured from August 4, 2014 to December 31, 2017 and a service-based RSU award covering 17,071 shares that vests in equal annual installments over the three-year period measured from January 1, 2015 to December 31, 2017. Based on a shareholder return ranked first relative to the eight water utility peers, his performance-based RSU award vested in 39,834 shares (200 percent of the target number of shares) and he was fully vested in the service-based RSU award on December 31, 2017.

Mr. Thornburg was granted a special grant of RSUs on November 6, 2017 covering 14,552 shares which will vest in three annual equal installments on each of December 31, 2018, December 31, 2019 and December 31, 2020, subject to continued service and accelerated vesting on an involuntary termination or termination by reason of death or disability or termination without good cause or for good reason. This special grant was in recognition of the value of unvested equity awards covering shares of his prior employer that were forfeited by Mr. Thornburg in connection with his termination of employment and his move to the Corporation.

**2017 Fiscal Year Grants to the Other Named Executive Officers:** On January 3, 2017, Messrs. Gere, Jensen, and Lynch and Ms. Papazian were each granted RSUs covering an aggregate number of shares of the Corporation's common stock specified below that vest in three equal installments upon completion of each year of service over the three-year period measured from the grant date.

In addition, on January 24, 2017, Messrs. Gere, Jensen and Lynch and Ms. Papazian were each granted two performance-based RSU awards covering the target number of shares specified below. One of the performance-



based awards vested based on the level of achievement of a performance goal based on ROE measured over the 2017 calendar year period and continued service through December 31, 2017. The ROE goals for the awards at threshold, target and maximum levels were 8.23 percent, 9.26 percent and 10.28 percent, respectively. The corresponding number of shares issuable to an individual under each such ROE performance-based award was 50 percent, 100 percent, and 150 percent of the target number of shares specified for such individual at threshold, target and maximum levels of performance, respectively, and no shares would have been issued if the minimum threshold level of performance had not been attained. The other award was based on earnings per share ("EPS") for the 2019 fiscal year and continued service through December 31, 2019. The Committee believes the EPS goal for the performance-based RSU award is challenging and difficult to achieve, but attainable with significant skill and effort on the part of our executive team. The number of shares issuable under such EPS awards will range between 0 to 150 percent of the target number of shares based on the level of actual attainment of the specified performance goals.

The chart below indicates the number of shares of the Corporation's common stock underlying the RSU awards granted to the named executive officers other than our CEOs in January 2017. No other equity awards were granted to them during the 2017 fiscal year:

Name	Title	Number of Shares subject to Service RSU Award (1)	Target Number of Shares for ROE RSU Award (2)	Target Number of Shares for EPS RSU Award (3)
Andrew R. Gere	President and Chief Operating Officer of SJWC	1,424	922	615
Palle L. Jensen	Executive Vice President of SJWC	1,197	775	517
James P. Lynch	Chief Financial Officer and Treasurer	1,370	887	591
Suzy Papazian	General Counsel and Corporate Secretary	1,152	746	497

(1) The aggregate number of shares underlying the service-based RSUs granted to the named executive officers on January 3, 2017 was determined by dividing a designated dollar amount by \$55.14, the closing selling price of the Corporation's common stock on the January 3, 2017 grant date. The designated dollar amount was \$78,500 for Mr. Gere, \$66,000 for Mr. Jensen, \$75,500 for Mr. Lynch, and \$63,500 for Ms. Papazian.

(2) The target number of shares underlying the ROE performance-based RSUs granted to the named executive officers on January 24, 2017 was determined by dividing a designated dollar amount by \$51.11, the closing selling price of the Corporation's common stock on the January 24, 2017 grant date. The designated dollar amount was \$47,100 for Mr. Gere, \$39,600 for Mr. Jensen, \$45,300 for Mr. Lynch, and \$38,100 for Ms. Papazian. Based on an ROE of 12.12 percent for calendar year 2017, Messrs. Gere, Jensen and Lynch and Ms. Papazian vested in 1,383, 1,162, 1,330 and 1,119 shares of common stock, respectively, under the ROE awards.

(3) The target number of shares underlying the EPS performance-based RSUs granted to the named executive officers on January 24, 2017 was determined by dividing a designated dollar amount by \$51.11, the closing selling price of the Corporation's common stock on the January 24, 2017 grant date. The designated dollar amount was \$31,400 for Mr. Gere, \$26,400 for Mr. Jensen, \$30,200 for Mr. Lynch, and \$25,400 for Ms. Papazian.

#### Executive Benefits and Perquisites

The named executive officers are provided with certain market competitive benefits and perquisites. It is the Committee's belief that such benefits are necessary for the Corporation to remain competitive and to attract and retain top caliber executive officers, since such benefits are commonly provided by peer group companies.

**Retirement Benefits:** Executive officers are eligible to receive retirement benefits under San Jose Water Company's Retirement Plan, a tax-qualified defined benefit plan covering a broad spectrum of the company's employees.

Executive officers hired before March 31, 2008 are eligible to receive additional retirement benefits



under the Executive Supplemental Retirement Plan ("SERP"), and executive officers hired on or after March 31, 2008 are eligible to receive additional retirement benefits under the Cash Balance Executive Supplemental Retirement Plan ("Cash Balance SERP"). Both of those plans are non-qualified plans in which only senior officers and other designated members of management may participate, and such individuals remain general creditors of San Jose Water Company with respect to their accrued benefits under those plans until the benefits are paid. A description of the plans and the benefits payable to each named executive officer upon retirement is set forth in the Pension Benefits table and the accompanying narrative that appears later in this proxy statement.

The pension benefits payable to Messrs. Roth, Gere and Jensen and Ms. Papazian under the SERP increase in correlation with increases in their compensation levels and years of service. However, the present value of each executive officer's accrued pension benefit under the SERP will not only reflect such increases, but will also fluctuate from year to year based on the mortality tables and the interest rate used to discount anticipated future payments so that when interest rates decrease for example, the present value associated with the underlying benefit may increase. Messrs. Lynch and Thornburg commenced employment with the Corporation after March 31, 2008 and accordingly participate in the Cash Balance SERP. Under that plan, each participant will receive compensation credits and interest credits on a quarterly basis to the book account maintained for him or her under the plan. The amount of the compensation credit each quarter will be tied to his or her compensation for that quarter and his or her years of credited service, and the percentage of compensation to be credited on such quarterly basis will increase as the participant's years of credited service increase. For Mr. Thornburg, (i) the percentage of compensation credited to his Cash Balance SERP account each quarter until the quarter he turns 65 will be at 39 percent of his quarterly compensation in lieu of the lower percentage levels in effect for other participants, (ii) the special sign-on bonus specified in his employment agreement will be included in his compensation for the plan quarter in which it is paid, and (iii) he will vest in his accrued benefit under such plan once he turns 65 instead of the regular 10-year vesting schedule in effect for the other participants. For Mr. Lynch, the percentage of compensation credited to his Cash Balance SERP account for the first 20 years of credited service will be at 15 percent of his quarterly compensation in lieu of the lower percentage levels in effect for other participants, and he vested in his accrued benefit under such plan after three years of service. As of December 31, 2017, Mr. Thornburg had not vested in his accrued benefit under such plan.

For further information concerning the SERP and the Cash Balance SERP, please see the section entitled "Pension Benefits" that appears later in this proxy statement.

**Broad-Based Employee Benefit Plans:** Executive officers are also eligible to participate in San Jose Water Company's Salary Deferral Plan, a tax-qualified 401(k) defined contribution plan. San Jose Water Company matches up to four percent of each participant's contributions, subject to certain statutory limits. Such plan is open to all employees and officers under the same terms and conditions.

**Elective Deferral:** The named executive officers and certain other highly compensated employees may participate in San Jose Water Company's Special Deferral Election Plan pursuant to which eligible participants may defer up to 50 percent of their base salary and up to 100 percent of their cash incentive compensation. The deferred amounts are credited with a fixed rate of interest, compounded semi-annually and reset at the beginning of each calendar year at the lower of (i) the then current 30-year long-term borrowing cost of funds to San Jose Water Company (or the equivalent thereof), as measured as of the start of such calendar year, or (ii) 120 percent of the long-term Applicable Federal Rate determined as of the start of such calendar year and based on semi-annual compounding. A description of the plan and the amounts deferred thereunder are set forth in the section entitled "Non-Qualified Deferred Compensation," which appears later in this proxy statement.

**Other Benefits and Perquisites:** All administrative employees, including executive officers, are eligible to receive standard health care, disability, life and travel insurance, and professional development benefits. In addition, the Corporation provides certain executives from time to time with (i) vehicles for business use and personal commutes, and (ii) club memberships. The Corporation also purchases season tickets to sporting and cultural events which the CEO and other executive officers and personnel of the Corporation may use for non-business purposes on occasions. Mr. Thornburg is also reimbursed for (i) reasonable relocation expenses in connection with his move to the San Jose area (including temporary housing expenses in the San Jose area for up to 12 months), (ii) medical



insurance and expenses during the period he was not eligible to participate in the Corporation's health plans, and (iii) effective January 1, 2018, reasonable business related personal expenses approved by the Chair of the Committee of up to \$40,000 per calendar year. In connection with his retirement as our CEO, Mr. Roth received a retirement gift and the Corporation transferred to him the company vehicle he was using per the terms of his CEO Transition Agreement.

The Corporation does not provide tax gross-ups for any imputed income in connection with providing those particular benefits and perquisites.

#### Risk Assessment

The Committee, with the input and assistance of the Corporation's Human Resources Department, reviewed the various compensation programs maintained by the Corporation and its subsidiaries to determine whether any of those programs, including those maintained for the named executive officers, encouraged excess risk taking that would create a material risk to the Corporation's economic viability. Based on that review and the fact that the Corporation operates in a heavily-regulated environment, the Committee concluded it was not reasonably likely that any of the Corporation's compensation programs, including the executive officer compensation programs, would have a material adverse effect upon the Corporation. For further information concerning the overall compensation risk assessment process, please see the section to this proxy statement entitled "Executive Compensation and Related Information - Risk Assessment of Compensation Policies and Practices," which appears later in this proxy statement.

#### Executive Severance Plan and Severance Programs

**Executive Severance Plan:** The Corporation maintains an Executive Severance Plan under which Mr. Thornburg and the other named executive officers will become entitled to certain severance benefits on a so-called double trigger basis in the event their employment were to terminate under certain defined circumstances in connection with a change in control of the Corporation. Accordingly, such benefits would be triggered in connection with such a change in control only if the executive officer's employment is terminated by the Corporation other than for good cause or such executive officer resigns in connection with (i) a significantly adverse change in the nature or the scope of his or her authority or overall working environment, (ii) the assignment of duties materially inconsistent with his or her present duties, responsibilities or status, (iii) a reduction in the sum of his or her base salary and target annual incentive cash compensation, or (iv) a relocation of his or her principal place of employment by 55 miles or more. The Executive Severance Plan is designed to serve two primary purposes: (i) encourage the executive officers to remain in the Corporation's employ in the event of an actual or potential change in control transaction; and (ii) align the interests of the Corporation's executive officers with those of the stockholders by enabling the executive officers to consider transactions that are in the best interests of the stockholders and provide opportunities for the creation of substantial stockholder value without undue concern over whether those transactions may jeopardize their employment or their existing compensation arrangements.

The Executive Severance Plan also allows the Corporation to maintain a standard set of severance benefits for new and existing executive officers and limit the instances where one-off arrangements will be negotiated with individual executive officers.

Based on the foregoing considerations and the many years of service that most of the executive officers have rendered to the Corporation, the Committee believes that the benefits provided under the Executive Severance Plan, including any tax gross-up payment to cover the parachute payment taxes the executive officers (except for Mr. Thornburg) may incur under the federal tax laws with respect to one or more severance benefits provided under the plan, have been set at a fair and reasonable level and appropriately balance the respective interests of the various stakeholders.

For further information regarding the Executive Severance Plan and the severance benefits provided thereunder, please see the section entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" that appears later in this proxy statement.

Severance Benefits for Messrs. Thornburg, Roth and Lynch: Pursuant to the terms of his employment Agreement, Mr. Thornburg will become entitled to severance benefits should his employment terminate under certain defined circumstances in the absence of a change in control. Pursuant to the terms of his original employment agreement, Mr. Roth would have been entitled to severance benefits in the event his employment terminated before December 31, 2017 under certain defined circumstances in the absence of a change in control; he did not receive any severance payments in connection with his termination of employment on December 31, 2017. Mr. Lynch will, as part of his negotiated compensation package with the Corporation, become entitled to severance benefits should his employment terminate under certain defined circumstances in the absence of a change of control. The Committee believes that such protections are typical for chief executive officers and chief financial officers in the peer group companies. For further information concerning Messrs. Thornburg's, Roth's and Lynch's potential severance benefits, see the section entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" that appears later in this proxy statement.

#### Executive Officer Security Ownership Guidelines

In 2006, the Committee established a policy requiring named executive officers to achieve specific security ownership guidelines within five years. The Committee believes that such a policy is consistent with its philosophy of encouraging executive officer stock ownership and will serve to further align the interests of the executive officers with those of stockholders. Pursuant to the policy, executive officers are expected to own shares of the Corporation's common stock with an aggregate value equal to two times the annual base salary for the CEO and one times the annual base salary for the other named executive officers. Shares of the Corporation's common stock owned outright, shares underlying RSUs, and shares underlying deferred stock units, including deferred shares resulting from dividend equivalent rights, all count as shares owned for purposes of the guideline. Until the guideline is met, each executive is required to hold any shares of the Corporation's common stock issued upon the vesting of RSUs (net of any shares withheld or sold to cover statutory withholding taxes and other applicable taxes). Mr. Thornburg has until November 6, 2022 to comply with this policy. As of December 29, 2017, all the other named executive officers had complied with the policy. The following table shows each named executive officer's stock ownership as of December 29, 2017:

Name	Title	Security Ownership (\$)(1)	Security Ownership Guideline (\$)(2)
Eric W. Thornburg	President and Chief Executive Officer	\$928,854	\$1,400,000
W. Richard Roth	Former Chief Executive Officer, President and Chief Executive Emeritus	\$17,800,208	\$767,936
Andrew R. Gere	President and Chief Operating Officer of SJWC	\$1,027,982	\$448,000
Palle L. Jensen	Executive Vice President of SJWC	\$762,896	\$378,000
James P. Lynch	Chief Financial Officer and Treasurer	\$1,486,026	\$428,000
Suzy Papazian	General Counsel and Corporate Secretary	\$739,151	\$362,000

(1) This amount is calculated by multiplying (i) the sum of the shares of the Corporation's common stock actually owned, the shares underlying RSUs and shares underlying deferred stock units, including deferred shares resulting from dividend equivalent rights, by (ii) \$63.83, the closing selling price of the common stock on December 29, 2017.

(2) This amount is equal to two times the base salary in effect for Mr. Thornburg for the 2017 fiscal year and one times the base salary in effect for the other named executive officers for such year.

#### Policy Governing Hedging and Pledging of Common Stock

The Corporation has adopted policies that preclude the executive officers and certain employees and other individuals, including family members residing in the same household, from engaging in hedging or monetization transactions in the Corporation's common stock such as put and call options and short sales and from pledging the Corporation's common stock or holding such stock in margin accounts. Accordingly, the executive officers bear the full risk of economic loss, like any other stockholder, with respect to their equity holdings, whether in the form of actual shares of the Corporation's common stock or RSUs that will convert into such shares following the satisfaction of the applicable vesting requirements.

#### IRC Section 162(m) Compliance

For years prior to 2018, Section 162(m) of the Internal Revenue Code generally disallowed a federal income tax deduction for publicly-traded companies such as the Corporation for compensation paid to the CEO and the three other highest paid executive officers (other than the Chief Financial Officer) to the extent that such compensation exceeded one million dollars per officer in any one year and did not otherwise qualify as performance-based compensation. The Corporation's LTIP is structured so that compensation deemed paid to an executive officer in connection with the exercise of stock options should qualify as performance-based compensation that is not subject to the one million dollar limitation. In addition, RSUs with performance-vesting goals tied to one or more of the performance criteria approved by the stockholders under the LTIP may also be structured to qualify as performance-based compensation for Section 162(m) purposes. However, RSUs subject only to service-vesting requirements will not qualify as such performance-based compensation. Other awards made under the LTIP may or may not so qualify.

The exemption for qualified performance-based compensation has been repealed and the class of affected executives has been expanded effective for taxable years beginning after December 31, 2017 such that compensation paid to our covered executive officers in excess of one million dollars will not be deductible unless it qualified for transition relief applicable to certain arrangements in place as of November 2, 2017. Because of the uncertainties as to the scope and application of the transition relief, no assurances can be given that compensation intended to satisfy the requirements for exemption under Section 162(m) will in fact be fully deductible.

## Summary Compensation Table

The following table provides certain summary information concerning the compensation earned for services rendered in all capacities to the Corporation and its subsidiaries for the fiscal years ended December 31, 2015, December 31, 2016, and December 31, 2017 by each of the two individuals who served as the Corporation's Chief Executive Officer during 2017, the Corporation's Chief Financial Officer, and the Corporation's other three most highly compensated executive officers whose total compensation for the 2017 fiscal year was in excess of \$100,000 and who were serving as executive officers at the end of the 2017 fiscal year. No executive officers who would have otherwise been includable in such table on the basis of total compensation for the 2017 fiscal year have been excluded by reason of their termination of employment or change in executive status during that year. The listed individuals are herein referred to as the "named executive officers."

Name and Principal Position (1)	Year	Salary (\$)(2)	Bonus (\$)(2)(3)	Stock Awards (\$)(4)	Non-Equity Incentive Plan Compensation (\$)(2)(5)	Change in Pension Value (\$)	All Other Compen- sation (\$)(8)	Total (\$)
Eric W. Thornburg President and Chief Executive Officer of SJW Group	2017	\$80,769	\$—	\$863,079	\$—	\$41,045 (6)	\$35,120	\$1,020,013
W. Richard Roth Former Chief Executive Officer, President and Chief Executive Emeritus of SJW Group	2017	\$767,936	\$—	\$333,543	\$279,977	\$535,773 (6)	\$53,356	\$1,970,585
	2016	\$738,400	\$—	\$195,585	\$235,365	\$329,818 (7)	\$18,978	\$1,518,146
	2015	\$710,000	\$—	\$228,116	\$230,927	\$380,200 (7)	\$19,883	\$1,569,126
Andrew R. Gere President and Chief Operating Officer of San Jose Water Company	2017	\$448,000	\$30,500	\$151,073	\$122,501	\$901,230 (6)	\$17,007	\$1,670,311
	2016	\$354,212	\$47,500	\$112,280	\$57,353	\$491,113 (7)	\$17,051	\$1,079,509
	2015	\$271,969	\$32,500	\$47,146	\$38,591	\$127,955 (7)	\$18,346	\$536,507
Palle L. Jensen Executive Vice President of San Jose Water Company	2017	\$378,000	\$26,250	\$126,992	\$103,906	\$871,934 (6)	\$12,652	\$1,519,734
	2016	\$344,000	\$82,000	\$112,280	\$67,549	\$478,750 (7)	\$12,431	\$1,097,010
	2015	\$330,000	\$76,700	\$106,825	\$68,177	\$399,781 (7)	\$11,924	\$993,407
James P. Lynch Chief Financial Officer and Treasurer of SJW Group	2017	\$428,000	\$29,250	\$145,310	\$117,031	\$106,420 (6)	\$22,699	\$848,710
	2016	\$410,000	\$102,500	\$119,830	\$63,725	\$108,048 (7)	\$23,052	\$827,155
	2015	\$403,000	\$66,250	\$124,291	\$54,670	\$91,884 (7)	\$23,594	\$763,689
Suzy Papazian General Counsel and Corporate Secretary of SJW Group	2017	\$362,000	\$65,250	\$122,197	\$99,532	\$371,072 (6)	\$15,522	\$1,035,573

Mr. Thornburg joined the Corporation on November 6, 2017. Ms. Papazian was not a named executive officer (1) prior to the 2017 fiscal year; in accordance with SEC rules, disclosure of her compensation is limited to the 2017 fiscal year.

Includes amounts deferred under (i) San Jose Water Company's Special Deferral Election Plan, a non-qualified (2) deferred compensation plan for officers and other select management personnel and (ii) San Jose Water Company's Salary Deferral Plan, a qualified deferred compensation plan under section 401(k) of the Internal Revenue Code.

Represents the portion of the annual cash incentive compensation paid at the discretion of the Committee based on (3) a subjective assessment of individual performance goals. The amount of the cash incentive compensation payable based on attainment of the corporate performance goals is reported in the Non-Equity



Incentive Compensation table. Mr. Thornburg was not eligible to receive incentive cash compensation for 2017.

The dollar amount reported in the Stock Awards column is equal to the aggregate grant-date fair value of the time-based and performance-based restricted stock unit awards made during each reported fiscal year, calculated in accordance with FASB ASC Topic 718, without taking into account any estimated forfeitures related to service-vesting conditions. The assumptions used in the calculation of the FASB ASC Topic 718 grant-date fair value of each such award are set forth in Note 11 to the Corporation's consolidated financial statements included in its annual report on Form 10-K for the 2017 fiscal year. For time-based restricted stock unit awards, the grant date (4) fair value was determined using the closing share price of the Corporation's common stock on the date of grant, as appropriately discounted to reflect the lack of dividend equivalent rights. For the performance-based restricted stock unit awards, the total grant-date fair value is calculated using the probable outcome of the attainment of the respective pre-established performance objectives as of the grant date at 100% of target, as appropriately discounted to reflect the lack of dividend equivalent rights. The grant-date fair values of the 2017 performance-based EPS and ROE restricted stock unit awards at target and assuming maximum attainment of the performance goal are as follows:

	Grant Date Fair Value at Target Attainment	Grant Date Fair Value at Maximum Attainment
Eric W. Thornburg	\$ —	\$ —
W. Richard Roth	\$ 333,543	\$ 333,543
Andrew R. Gere	\$ 76,185	\$ 114,278
Palle L. Jensen	\$ 64,042	\$ 96,063
James P. Lynch	\$ 73,262	\$ 109,893
Suzy Papazian	\$ 61,613	\$ 92,420

For further information concerning the time-based and performance-based restricted stock unit awards, see the section below entitled "Grants of Plan-Based Awards." Mr. Roth is credited with shares of deferred stock, and a number of those deferred shares include dividend equivalent rights. The phantom dividends that accumulate each year on those deferred shares pursuant to such dividend equivalent rights are converted into additional deferred shares. However, since the dividend equivalent rights were factored into the original grant-date fair value of Mr. Roth's deferred shares, no further amounts are reported in this column with respect to the additional deferred shares attributable to the phantom dividends that accumulated during the fiscal year as a result of those dividend equivalent rights. The phantom dividends for the 2017 fiscal year were converted on January 2, 2018 into an additional 2,141 deferred shares for Mr. Roth. Such deferred shares had a fair market value of \$136,660 on December 31, 2017 based on the \$63.83 closing selling price of the Corporation's common stock on December 29, 2017, the last trading day in the 2017 fiscal year.

(5) Represents the portion of the annual cash incentive compensation based on the level of attainment of corporate performance goals.

(6) Consists solely of the change in the actuarial present value of each named executive officer's accrued pension benefits recorded for the 2017 fiscal year. The present value increased for each of Messrs. Thornburg, Roth, Gere, Jensen, and Lynch and Ms. Papazian above the present value at the close of fiscal year 2016. The present value for each of the accrued pension benefit fluctuates from year-to-year based on additional years of service, changes in compensation and increased age. In addition, such fluctuations may also occur due to the interest rate used to discount anticipated future payments so that when interest rates decrease for example, the present value associated with the underlying benefit may increase. The table below indicates the actuarial present value of the pension benefits accrued as of the close of the 2017 and 2016 fiscal years, respectively, by each named executive officer. For the 2017 fiscal year calculations, the discount rates applied were 3.52% for the Retirement Plan and 3.44% for the Executive Supplemental Retirement Plan ("SERP") and Cash Balance Executive Supplemental Retirement Plan ("Cash Balance SERP"). For the 2016 fiscal year calculations the discount rates applied were 4.04% for the Retirement Plan and 3.84% for the SERP and Cash Balance SERP. The mortality rate tables used for the 2017

fiscal year are described as follows: the RP-2014 Mortality Table basis adjusted to 2006, published by The Society of Actuaries, with projection scale MP-2017 Mortality Improvement Scale and for the 2016 fiscal year was the RP-2014 Mortality Table basis adjusted to 2006,

published by The Society of Actuaries, with projection scale MP-2016 Mortality Improvement Scale. Messrs. Thornburg and Lynch's Cash Balance SERP benefit is based on a contribution rate of 39% and 15%, respectively, of their quarterly compensation (as defined in the plan), offset by a portion of their accrued benefit under the Retirement Plan.

Actuarial Present Value of Retirement Benefits	Thornburg	Roth	Gere	Jensen	Lynch	Papazian
Accrued as of the close of the 2017 fiscal year	\$ 41,045	\$8,248,798	\$2,589,932	\$4,035,500	\$675,157	\$1,027,621
Accrued as of the close of the 2016 fiscal year	\$ —	\$7,713,025	\$1,688,702	\$3,163,566	\$568,737	\$656,549
Change in Pension Value	\$ 41,045	\$535,773	\$901,230	\$871,934	\$106,420	\$371,072

Consists solely of the change in the actuarial present value of each named executive officer's accrued pension (7) benefits recorded for each of the 2016 and 2015 fiscal years. For further information concerning the pension benefits, see the section below entitled "Pension Benefits."

Consists of the following benefits: (i) club memberships for Messrs. Roth, Gere and Lynch; (ii) personal use of company vehicle for all named executive officers; (iii) 401(k) employer match made on such individual's behalf for all named executive officers other than Mr. Thornburg; (iv) relocation expenses including temporary housing, moving expenses and travel paid to Mr. Thornburg in connection with his commencement of employment with the (8) Corporation; (v) attorney and other professional fees paid to Mr. Thornburg in connection with negotiation of his employment agreement; (vi) medical insurance and expenses during the period Mr. Thornburg was not eligible to participate in the Corporation's health plans; (vii) retirement gift to Mr. Roth; and (viii) transfer of company vehicle to Mr. Roth in connection with his Transition Agreement.

For the Year Ended December 31, 2017

Description	Thornburg	Roth	Gere	Jensen	Lynch	Papazian
Club Memberships	\$ —	\$2,813	\$62	\$—	\$8,562	\$—
Personal Use of Company Vehicle	\$ 204	\$7,344	\$6,145	\$1,852	\$3,337	\$4,722
401(k) Employer Match	\$ —	\$10,800	\$10,800	\$10,800	\$10,800	\$10,800
Relocation Expenses including Housing, Moving & Travel Expenses	\$ 8,816	\$—	\$—	\$—	\$—	\$—
Attorney & Other Professional Fees	\$ 23,270	\$—	\$—	\$—	\$—	\$—
Medical Insurance & Expenses	\$ 2,830	\$—	\$—	\$—	\$—	\$—
Retirement Gift	\$ —	\$1,495	\$—	\$—	\$—	\$—
Vehicle	\$ —	\$30,904	\$—	\$—	\$—	\$—
Total	\$ 35,120	\$53,356	\$17,007	\$12,652	\$22,699	\$15,522

## Grants of Plan-Based Awards

The following table provides certain summary information concerning each grant of an award made to a named executive officer in the 2017 fiscal year under a compensation plan:

Name	Grant Date	Date of Pre-Authorization	Potential Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	Grant Date Value (3)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Eric W. Thornburg	11/6/2017	9/26/2017	—	—	—	—	—	—	14,552 (4)	\$863,079
W. Richard Roth	—	—	\$95,992	\$191,984	\$287,976	—	—	—	—	—
	1/24/2017	—	—	—	—	—	6,639 (5)	—	—	\$333,543
Andrew R. Gere	—	—	\$42,000	\$84,000	\$126,000	—	—	—	—	—
	1/3/2017	10/25/2016	—	—	—	—	—	—	1,424 (6)	\$74,888
	1/24/2017	—	—	—	—	461	922 (7)	1,383 (7)	—	\$46,321
	1/24/2017	—	—	—	—	307	615 (8)	922 (8)	—	\$29,864
Palle L. Jensen	—	—	\$35,625	\$71,250	\$106,875	—	—	—	—	—
	1/3/2017	10/25/2016	—	—	—	—	—	—	1,197 (6)	\$62,950
	1/24/2017	—	—	—	—	387	775 (7)	1,162 (7)	—	\$38,936
	1/24/2017	—	—	—	—	258	517 (8)	775 (8)	—	\$25,106
James P. Lynch	—	—	\$40,125	\$80,250	\$120,375	—	—	—	—	—
	1/3/2017	10/25/2016	—	—	—	—	—	—	1,370 (6)	\$72,048
	1/24/2017	—	—	—	—	443	887 (7)	1,330 (7)	—	\$44,563
	1/24/2017	—	—	—	—	295	591 (8)	886 (8)	—	\$28,699
Suzy Papazian	—	—	\$34,125	\$68,250	\$102,375	—	—	—	—	—
	1/3/2017	10/25/2016	—	—	—	—	—	—	1,152 (6)	\$60,584
	1/24/2017	—	—	—	—	373	746 (7)	1,119 (7)	—	\$37,479
	1/24/2017	—	—	—	—	248	497 (8)	745 (8)	—	\$24,134

Reflects potential payouts under the annual cash incentive compensation program tied to attainment of corporate performance goals; the entire cash incentive compensation for Mr. Roth was tied to the attainment of these goals; a portion of the cash incentive compensation for the other named executive officers was also tied to attainment of individual performance and is not included in this column with the actual amount paid based on individual performance reported in the Bonus column in the Summary Compensation Table. Each potential level of payout based on the corporate performance goals was tied to the level at which San Jose Water Company attained the performance goals for the 2017 fiscal year established by the Executive Compensation Committee. The goals were (1) tied to a capital additions objective, water quality compliance and designated operational goals based on key water industry objectives. The capital additions objective was attained at the maximum level, the water quality compliance goal was attained at the maximum level and the operational goals were attained between the threshold and maximum levels, resulting in an actual cash incentive compensation to Mr. Roth in the dollar amount of \$279,977 or 145.8% of his target cash incentive compensation for the year and \$122,501, \$103,906, \$117,031, and \$99,532 for Messrs. Gere, Jensen, Lynch and Ms. Papazian, respectively, representing 145.8% of their target allocated to the corporate goals. These amounts are reported in the Non-Equity Incentive Compensation column in the Summary Compensation Table.

Reflects grants of restricted stock units under the LTIP as more fully described in the footnotes below. The (2) restricted stock units do not include dividend equivalent rights. A portion of the vested shares which become issuable under the units will be withheld by the Corporation to cover the applicable withholding taxes.

The grant-date value is calculated in accordance with FASB ASC Topic 718, and accordingly determined on the basis of the closing selling price per share of the Corporation's common stock on the applicable grant date, as  
 (3) appropriately discounted to reflect the lack of dividend equivalent rights. For the performance-based restricted stock unit awards, the total grant-date fair value is calculated using on the probable outcome of the attainment of the pre-established performance objective as of the grant date at 100% of target. The reported grant-date value does not take into account any estimated forfeitures relating to service-vesting conditions.

On November 6, 2017, Mr. Thornburg was granted service-based restricted stock units covering 14,552 shares of the Corporation's common stock. Each restricted unit entitles Mr. Thornburg to receive one share of the Corporation's common stock on the applicable vesting date of that unit. The restricted stock units vest in a series of three successive equal annual installments on each of December 31, 2018, December 31, 2019 and December 31,  
 (4) 2020 subject to continued employment through the vesting date. The units will vest in full, and the underlying shares will become immediately issuable, on an accelerated basis if (i) Mr. Thornburg's service terminates by reason of death or disability or (ii) he is involuntarily terminated other than for good cause, or resigns for good reason. Immediate vesting will also occur in the event there is a change in control of the Corporation in which the units are not assumed or otherwise continued in effect.

On January 24, 2017, Mr. Roth was granted performance-based restricted stock units covering 6,639 shares of the Corporation's common stock in accordance with the terms of his amended employment agreement. The restricted stock units vest based on the attainment of a performance goal based on return on equity ("ROE") measured over  
 (5) the 2017 calendar year period and continued service through December 31, 2017. The ROE goal was 9.26% and no shares would have been issued if such ROE goal was not attained. Based on an ROE of 12.12% for the 2017 calendar year, 6,639 shares of the Corporation's common stock were issued to Mr. Roth on February 28, 2018 (a portion of which were withheld to cover applicable withholding taxes).

On January 3, 2017, Messrs. Gere, Jensen, Lynch and Ms. Papazian were each awarded service-based restricted stock units covering 1,424, 1,197, 1,370, and 1,152 shares of the Corporation's common stock, respectively. Each restricted unit entitles the officer-recipient to receive one share of the Corporation's common stock on the applicable vesting date of that unit. The restricted stock units vest in a series of three successive equal annual  
 (6) installments upon the officer's completion of each year of service with the Corporation over the three-year period measured from the award date (January 3, 2017). The units will vest in full, and the underlying shares will become immediately issuable, on an accelerated basis if (i) the officer's service terminates by reason of death or disability or (ii) the officer is involuntarily terminated other than for good cause, or resigns for good reason, within 24 months after a change in control. Immediate vesting will also occur in the event there is a change in control of the Corporation in which the units are not assumed or otherwise continued in effect.

On January 24, 2017, Messrs. Gere, Jensen, Lynch and Ms. Papazian were each granted performance based restricted stock units covering the target number of shares specified in the table. Each such performance based award will vest based on the level of achievement of a performance goal based on ROE measured over the 2017  
 (7) calendar year period and continued service through December 31, 2017. The ROE goal for the awards at threshold, target, and maximum levels were 8.23%, 9.26% and 10.28%, respectively. The maximum number of shares issuable to an individual under each such performance-based award was 150% of the target number of shares specified for such individual and no shares would have been issued if the minimum threshold level of performance was not attained. Based on an ROE of 12.12% for the 2017 calendar year, the maximum number of shares were issued to each officer on February 28, 2018 (a portion of which were withheld to cover applicable withholding taxes).

On January 24, 2017, Messrs. Gere, Jensen, Lynch and Ms. Papazian were each granted performance based restricted stock units covering the target number of shares specified in the table. Each such performance based  
 (8) award will vest based on the level of achievement of a performance goal based on the EPS for the 2019 fiscal year and continued service through December 31, 2019. The number of shares issuable under such awards will range between 0 to 150 percent of the target number of shares based on the level of actual attainment of the specified performance goals.

2017 Incentive Cash Compensation Program

In January 2017, the Executive Compensation Committee set the cash incentive compensation potential for the named executive officers for the 2017 fiscal year. The dollar amount of that cash incentive compensation for Mr.

Roth was tied to the level at which San Jose Water Company attained the performance goals for the 2017 fiscal year established by the Executive Compensation Committee. The goals were tied to a stated capital addition objective, water quality compliance and designated operational objectives based on key water industry objectives. At threshold level attainment, Mr. Roth's cash incentive compensation potential was set at \$95,992 (12.5 percent of base salary); for target level attainment, the cash incentive compensation potential was \$191,984 (25 percent of base salary); and at above-target level attainment, the applicable cash incentive compensation potential was \$287,976 (37.5 percent of base salary). The actual cash incentive compensation amount could accordingly vary from 0 to 150 percent of the target amount based on the level at which the various performance goals were attained. The actual cash incentive compensation amount that any other named executive officer could have earned for the 2017 fiscal year ranged from 0 to 200 percent of his or her target amount based on the Corporation's performance and the Committee's assessment of the named executive officer's individual performance for such year. The actual percentage within that range was to be determined as follows: (i) up to 150 percent of the target amount could be earned, weighted 75 percent for the Corporation's performance and 25 percent for individual performance; and (ii) an additional 50 percent could be earned for exceptional individual performance. Mr. Thornburg was not eligible to receive incentive cash compensation for 2017. Further information concerning the cash incentive compensation program established for Mr. Roth and the other named executive officers is set forth in the Compensation Discussion & Analysis that appears earlier in the proxy statement.

#### Risk Assessment of Compensation Policies and Practices

The Executive Compensation Committee, with input and assistance from the Human Resources Department, undertook a substantial review of the various compensation programs, policies and practices maintained by the Corporation and its subsidiaries for the executive officers and other employees throughout the organization to determine whether any of those programs, policies and practices encouraged excess risk taking that would create a material risk to the Corporation's economic viability. As part of that process, the Executive Compensation Committee reviewed a detailed inventory of the Corporation's compensation plans and programs prepared by the Human Resources Department in which the principal features of each plan were summarized, the potential risk factors (if any) associated with each plan were identified and the mitigation factors designed to address those risks were described. Based on that review and the fact that as public utilities the Corporation's wholly-owned subsidiaries, San Jose Water Company and SJWTX, Inc., operate in a heavily-regulated environment, the Executive Compensation Committee concluded it was not reasonably likely that any of the compensation programs, policies and practices of the Corporation or its subsidiaries, whether individually or in the aggregate, would have a material adverse effect upon the Corporation. In reaching such conclusion, the Executive Compensation Committee took into account the following factors, including factors specifically analyzed in terms of the compensation programs, policies and practices for the Corporation's executive officers:

The overall compensation structure is applied uniformly throughout the Corporation and its subsidiaries, with the only major exception relating to the equity component of that compensation structure. Equity compensation (other than through participation in the Corporation's broad-based employee stock purchase plan) has historically been granted only to officers of the Corporation or its subsidiaries and is currently provided in the form of restricted stock units that vest incrementally over their period of continued service or the attainment of specified performance goals over their period of continued service. Neither the Corporation nor its subsidiaries have any material compensation arrangements that are unique to any business unit or that otherwise depart significantly from the general uniformity of the overall compensation structure throughout the organization.

For most of the employee base, compensation is primarily in the form of base salary. Certain employees, other than the officers, are also eligible to receive cash incentive compensation with target levels tied to a fixed dollar amount generally ranging from \$6,500 to \$10,000 for the 2017 fiscal year. For such employees, the cash incentive compensation component is tied to both financial and non-financial metrics and individual performance, and the maximum cash incentive compensation that can be earned is capped between 150 to 200 percent of the target cash incentive compensation.

Under the cash incentive compensation program, the target amount for the named executive officers is 25 percent of base salary for Mr. Roth and the other executive officers for the 2017 fiscal year, with a maximum cash incentive compensation potential set at 150 percent of the target amount for Mr. Roth and 200 percent of the target amount for

the other executive officers. One hundred percent of Mr. Roth's cash

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incentive compensation for the 2017 fiscal year is tied to performance goals that are intended to sustain stockholder value, such as capital additions, water quality compliance and the attainment of certain operational goals critical to the successful operation of the business, with such cash incentive compensation potential allocated equally among these three sets of goals. For the other named executive officers, they may earn up to 150 percent of their target amount for the 2017 fiscal year weighted as follows: (i) 75 percent tied to the same performance goals as Mr. Roth (also allocated in the same manner); and (ii) 25 percent tied to a subjective assessment of pre-specified individual goals but such amount is not pre-allocated in distinct dollar segments among the various individual goals. The other named executive officers may earn up to an additional 50 percent of their target amount for exceptional individual performance. We believe this structure based on a number of different performance measures mitigates any tendency for an executive to focus exclusively on the specific financial metrics.

Mr. Thornburg was not eligible to receive any award under the cash incentive program for the 2017 fiscal year. He received a special sign-on bonus in the amount of \$310,000 in the first quarter of 2018 which was intended in part to offset the bonus he forfeited upon termination of his employment with his former employer.

Accordingly, the overall compensation structure is not overly weighted toward short-term incentives, and by utilizing multiple performance criteria and imposing meaningful caps on the potential pay-outs under each of the short-term cash incentive programs, the Corporation has taken reasonable steps to protect against the potential of disproportionately large short-term incentives that might encourage excessive risk taking. In addition, the Corporation has an internal business risk assessment structure that identifies the major risks to the business of the Corporation and its subsidiaries and implements techniques and processes to control and mitigate those risks. Accordingly, to the extent any of the performance metrics established for the short-term incentive programs might otherwise contribute to any potential risks identified for the business, there are already procedures in place to control and limit those risks. Each of the named executive officers receives equity compensation in the form of restricted stock unit awards that derive their value from the market price of the Corporation's common stock, and the value of those awards increase as the price of the common stock appreciates and stockholder value is thereby created. Accordingly, the equity component is structured to encourage long-term growth and appreciation in the value of the Corporation's business and stock price.

The Corporation has transitioned from stock option grants to restricted stock unit awards. This transition has mitigated the potential to encourage risk taking in the short-term due to the fact that stock options have value only if the price of the underlying shares increases and have no limit on the amount that can be realized from such potential appreciation. Restricted stock units, on the other hand, should reduce the incentive for excessive risk taking because they provide varying levels of compensation as the market price of the Corporation's common stock fluctuates over time. In addition, the service-based restricted stock unit awards vest over a period of years and this vesting element encourages the recipients of those awards to focus on sustaining the Corporation's long-term performance. Because such awards are made annually, the officers always have unvested awards outstanding that could decrease significantly in value if the business of the Corporation and its subsidiaries is not managed for the long term.

In connection with the negotiation of his compensation package in 2014, Mr. Roth was granted performance-based restricted stock units in August 2014 tied to the attainment of relative total stockholder return measured over a 41-month period. The payout under this award was capped at 200 percent of the target number of shares subject to the award. The relative nature of the performance goal, the cap on the payout and the multi-year vesting period minimize any potential risk.

Mr. Roth and the other named executive officers also received performance-based restricted stock units in January 2015, April 2015, January 2016 and January 2017 tied to the attainment of return on equity and continued service over the 2015, 2016 and 2017 fiscal years, respectively. The performance goal under each award is based on the target approved by the Board and that we believe is challenging but attainable without taking excessive risk. The limited number of shares subject to the awards (ranging from 501 to 6,639 shares) and the capped payout (at 100 percent for Mr. Roth and 150 percent for the other named executive officers) together with vesting schedules that overlap with other awards reduce the motivation to take risks in any one year.

Mr. Thornburg was granted service-based restricted stock units upon his commencement of employment and in January 2018 which vest over a period of three years of service. In addition, he received performance-based restricted stock units in 2018 that will vest over three-year performance periods. He will also be eligible to receive awards annually. Accordingly, he will hold unvested awards that could decrease significantly in value if the business of the Corporation and its subsidiaries is not managed for the long term and minimizes any motivation to take risks. Pursuant to the terms of their respective employment agreements, Mr. Roth's and Mr. Thornburg's compensation is subject to recoupment as required under applicable law and regulations. In addition, any shares, cash or other property issued to the other named executive officers pursuant to their performance-based restricted stock unit awards is subject to recoupment as required under applicable laws and regulations.

The Corporation maintains a tax-qualified retirement plan on an employee-wide basis. The plan is divided into two components: a traditional defined benefit pension formula for employees who commenced employment prior to March 31, 2008 and a cash-balance pension formula for employees who commence employment on or after that date. The retirement benefit formula under such plan is based on cash compensation levels and years of credited service and, for the cash balance component, the applicable quarterly contribution rate. More detailed information concerning the benefit accrual formulas for the two components is set forth in the "Pension Benefits" section that appears later in this proxy statement. The federal tax laws impose a maximum dollar limitation on the annual retirement benefit that can be accrued under such plan and also impose certain funding obligations on the Corporation with respect to the benefits participants accrue under the plan. The Corporation periodically reviews the funding status of the plan to determine whether there would be any material risk posed by those funding obligations in relation to the current assets of the plan or its projected future contribution levels and to consider appropriate action to mitigate any identifiable risks through potential changes in plan structure or investment strategy.

The Corporation also maintains an Executive Supplemental Retirement Plan for certain officers and other selected executives that supplement their retirement benefits under the tax-qualified plan. The benefit formula is also tied to cash compensation levels and years of service, and the maximum annual retirement benefit that can be accrued under such plan is limited to a maximum benefit equal to 60 percent of the participant's average annual compensation (determined on the basis of his or her three highest consecutive years of compensation measured in terms of salary and annual cash incentive compensation) less the annual retirement benefit accrued under the tax-qualified plan. Officers, such as Messrs. Lynch, and Thornburg, and other selected individuals who commence employment on or after March 31, 2008 do not participate in the Executive Supplement Retirement Plan and are instead eligible for participation in the Cash Balance Executive Supplemental Retirement Plan. Unlike the qualified retirement plan benefits, participants in these two supplemental retirement plans are only general creditors of the Corporation who would lose substantially all of their accrued benefits under the supplemental plans were the Corporation to become insolvent.

The Corporation has also instituted stock ownership guidelines which require the named executive officers to maintain a substantial ownership interest in the Corporation. By requiring that a meaningful amount of their personal wealth be tied to long-term holdings in the Corporation's common stock, the Corporation has further aligned their interests with those of the stockholders and mitigated the risk of excessive risk taking.

Finally, the Corporation has adopted policies that preclude certain employees and other individuals, including officers and family members residing in the same household, from engaging in hedging or monetization transactions in the Corporation's stock such as put and call options and from pledging the Corporation's stock or holding such stock in margin accounts. Accordingly, the executive officers bear the full risk of economic loss, like any other stockholder, with respect to their equity holdings, whether in the form of actual shares of the Corporation's common stock or restricted stock units that will convert into such shares following the satisfaction of the applicable vesting requirements.

For the foregoing reasons, the Executive Compensation Committee concluded that it was not reasonably likely that the overall employee compensation structure of the Corporation and its subsidiaries, when analyzed either in

terms of its organization-wide application or its specific application to various major business units, would have any material adverse effect upon the Corporation.

Outstanding Equity Awards at Fiscal Year-End

The following table provides certain summary information concerning outstanding equity awards held by the named executive officers as of December 31, 2017:

Name	Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Value of Unearned Shares, Units or Rights That Have Not Vested (\$)(2)
	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)		
Eric W. Thornburg	14,552	(1) \$928,854	—	\$ —
W. Richard Roth	—	\$ —	—	\$ —
Andrew R. Gere	208	(3) \$13,277	615	(4) \$39,255
	167	(5) \$10,660		
	1,906	(6) \$121,660		
	1,424	(7) \$90,894		
Palle L. Jensen	800	(3) \$51,064	517	(4) \$33,000
	1,906	(6) \$121,660		
	1,197	(7) \$76,405		
James P. Lynch	930	(3) \$59,362	591	(4) \$37,724
	2,032	(6) \$129,703		
	1,370	(7) \$87,447		
Suzy Papazian	260	(3) \$16,596	497	(4) \$31,724
	1,588	(6) \$101,362		
	1,152	(7) \$73,532		

Represents restricted stock units granted on November 6, 2017 and covering 14,552 shares. The underlying shares (1) vest and become issuable in three successive equal annual installments on each of December 31, 2018, December 31, 2019, and December 31, 2020. As of December 31, 2017, all of the units were unvested.

(2) The reported market value of the shares underlying the unvested units is based on the \$63.83 closing selling price of the common stock on December 29, 2017, the last trading day in the 2017 fiscal year.

Represents restricted stock units granted on January 2, 2015 and covering: 623 shares for Mr. Gere; 2,397 shares for Mr. Jensen; 2,789 shares for Mr. Lynch; and 779 shares for Ms. Papazian. The underlying shares vest and (3) become issuable in three successive equal annual installments over the three-year period of service measured from the date of grant. As of December 31, 2017, one third of the units were unvested.

(4) Represents performance-vesting restricted stock units granted on January 24, 2017, covering a target number of shares: 615 for Mr. Gere; 517 for Mr. Jensen; 591 for Mr. Lynch; and 497 for Ms. Papazian which vest based on

the EPS for the 2019 fiscal year and continued service through December 31, 2019. The number of shares issuable under such awards will range between 0 to 150 percent of the target number of shares based on the level of actual attainment of the specified performance goals. The reported market value of the shares underlying those unvested units assumes attainment at 100% of target.

(5) Represents restricted stock units granted on April 29, 2015 and covering 501 shares. The underlying shares vest and become issuable in three successive equal annual installments over the three-year period of service measured from the date of grant. As of December 31, 2017, one third of the units were unvested.

(6) Represents restricted stock units granted on January 4, 2016 and covering: 2,858 shares for Mr. Gere; 2,858 shares for Mr. Jensen; 3,048 shares for Mr. Lynch; and 2,381 shares for Ms. Papazian. The underlying shares

vest and become issuable in three successive equal annual installments over the three-year period of service measured from the date of grant. As of December 31, 2017, two thirds of the units were unvested.

(7) Represents restricted stock units granted on January 3, 2017 and covering: 1,424 shares for Mr. Gere; 1,197 shares for Mr. Jensen; 1,370 shares for Mr. Lynch; and 1,152 shares for Ms. Papazian. The underlying shares vest and become issuable in three successive equal annual installments over the three-year period of service measured from the date of grant. As of December 31, 2017, all of the units were unvested.

#### Option Exercises and Stock Vested

The following table sets forth, for each of the named executive officers, the number and value of shares of the Corporation's common stock subject to each deferred restricted stock or restricted stock unit award that vested during the year ended December 31, 2017. No option or stock appreciation rights were exercised by the named executive officers during the 2017 fiscal year, and none of such officers held any option or stock appreciation rights as of December 31, 2017.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Eric W. Thornburg	—	\$ —
W. Richard Roth	2,141 (1)	\$ 136,660
	3,217	\$ 180,088
	5,691	\$ 363,257
	6,639 (3)	\$ 423,767
Andrew R. Gere	39,834(4)	\$ 2,542,604
	230	\$ 12,875
	208	\$ 11,644
	167	\$ 8,156
	952	\$ 52,646
Palle L. Jensen	1,383 (5)	\$ 88,277
	1,264	\$ 70,759
	799	\$ 44,728
	952	\$ 52,646
James P. Lynch	1,162 (5)	\$ 74,170
	1,264	\$ 70,759
	930	\$ 52,061
	1,016	\$ 56,185
Suzy Papazian	1,330 (5)	\$ 84,894
	230	\$ 12,875
	260	\$ 14,555
	793	\$ 43,853
	1,119 (5)	\$ 71,426

(1) Represents the phantom cash dividends which accumulated during the 2017 fiscal year on the shares of the Corporation's common stock underlying deferred restricted stock awards which were converted on January 2, 2018 into additional deferred shares based on the average of the per share market prices of the common stock on each date actual dividends were paid on such common stock during the 2017 fiscal year.

(2) The value realized is determined by multiplying (i) the market price of the common stock on the applicable vesting date by (ii) the number of shares which vested on such date. For the phantom cash dividends which



were converted into additional deferred shares on January 2, 2018, the value realized is determined by multiplying (i) the \$63.83 closing selling price of the common stock on December 29, 2017, the last trading day in the 2017 fiscal year, by (ii) the number of those additional deferred shares.

(3) Represents shares subject to an award of restricted stock units under the Corporation's Long-Term Incentive Plan covering 6,639 shares of the Corporation's Common Stock granted to Mr. Roth on January 24, 2017. The restricted stock units vested based on the attainment of a performance goal based on return on equity ("ROE") measured over the 2017 calendar year period and continued service through December 31, 2017. The ROE goal was 9.26%. Based on an ROE of 12.12% for the 2017 calendar year and Mr. Roth's continued service through December 31, 2017, all vesting conditions were met on December 31, 2017 and such award was certified on February 26, 2018.

(4) Represents shares issued to Mr. Roth in connection with the vesting of a performance-based restricted stock units granted on August 4, 2014, covering 19,917 target shares of the Corporation's common stock. The award vested based on the relative total shareholder return over the period measured from August 4, 2014 to December 31, 2017 (the "TSR Performance Period") and Mr. Roth's continued service with the Corporation through the end of the TSR Performance Period. The number of shares issuable under the award ranged from 0% to 200% of the target number of shares based on the Corporation's total shareholder return ranking relative to eight water utility peer companies. Based on a total shareholder return ranked first relative to the peer companies and Mr. Roth's service with the Corporation through the end of the TSR Performance Period, Mr. Roth vested in 39,834 shares of common stock or 200% of the target number of shares under such award. Such award was certified on February 26, 2018.

(5) Represents awards of restricted stock units under the Corporation's Long-Term Incentive Plan covering 922, 775, 887, and 746 target shares of the Corporation's Common Stock, respectively, granted to each of Messrs. Gere, Jensen, and Lynch and Ms. Papazian on January 24, 2017. The restricted stock units vested based on the level of achievement of a performance goal based on ROE measured over the 2017 calendar year period and continued service through December 31, 2017. The ROE goal for the awards at threshold, target, and maximum levels were 8.23%, 9.26%, 10.28%, respectively. Based on a ROE of 12.12% for calendar year 2017 and each officer's continued service through December 31, 2017, all vesting conditions were met at maximum level on December 31, 2017 and such awards were certified on February 26, 2018. Messrs. Gere, Jensen, Lynch and Ms. Papazian therefore vested in 1,383, 1,162, 1,330 and 1,119 shares of common stock, respectively, under such awards.

#### Pension Benefits

The Corporation maintains three defined benefit plans: San Jose Water Company's Retirement Plan, a tax-qualified pension plan (the "Retirement Plan"); the Executive Supplemental Retirement Plan, a non-qualified supplemental pension plan (the "SERP"); and the Cash Balance Executive Supplemental Retirement Plan, a non-qualified pension plan for certain individuals who commence employment with San Jose Water Company on or after March 31, 2008 (the "Cash Balance SERP").

The following table sets forth as of December 31, 2017, for each plan that provides for payments or other benefits in connection with the retirement of each of the named executive officers, the number of years of service credited to the named executive officer under the plan, the actuarial present value of the named executive officer's accumulated benefit under each applicable plan, and the dollar amount of any payments and benefits paid to the named executive officer during the Corporation's last completed fiscal year.

Name	Plan Name	Number of Years Credited Service (#) (1)	Present Value of Accumulated Benefit (\$) (1)	Payments During Last Fiscal Year (\$)
Eric W. Thornburg	San Jose Water Company Retirement Plan	—	\$ 5,227	—
	San Jose Water Company Cash Balance Executive Supplemental Retirement Plan	—	\$ 35,818	—
W. Richard Roth	San Jose Water Company Retirement Plan	28	\$ 1,881,708	—
	San Jose Water Company Executive Supplemental Retirement Plan	28	\$ 6,367,090	—
Andrew R. Gere	San Jose Water Company Retirement Plan	22	\$ 1,073,017	—
	San Jose Water Company Executive Supplemental Retirement Plan	22	\$ 1,516,915	—
Palle L. Jensen	San Jose Water Company Retirement Plan	23	\$ 1,799,048	—
	San Jose Water Company Executive Supplemental Retirement Plan	23	\$ 2,236,452	—
James P. Lynch	San Jose Water Company Retirement Plan	7	\$ 126,693	—
	San Jose Water Company Cash Balance Executive Supplemental Retirement Plan	7	\$ 548,464	—
Suzy Papazian	San Jose Water Company Retirement Plan	13	\$ 494,359	—
	San Jose Water Company Executive Supplemental Retirement Plan	13	\$ 533,262	—

(1) The number of years of credited service has been rounded to the nearest whole number. The present value of accumulated benefits is based on the actual period of service credited.

The pension benefits payable to the executive officers increase in correlation with increases in salary and years of service. The present value of the accrued pension benefit will also fluctuate from year-to-year based on the age of the participant and the interest rate used to discount anticipated future payments so that when interest rates decrease for example, the present value associated with the underlying benefit may increase.

The actuarial and economic assumptions used above to value the pension plan benefits include the RP-2014 Mortality Table basis adjusted to 2006 published by The Society of Actuaries, with projection scale MP-2017 Mortality Improvement Scale, a 3.52 percent discount rate for San Jose Water Company's Retirement Plan and a 3.44 percent discount rate for the SERP and Cash Balance SERP (for 2016 a discount rate of 4.04 percent was used for the Retirement Plan and a discount rate of 3.84 percent was used for the SERP and Cash Balance SERP and the RP-2014 Mortality Table basis adjusted to 2006, published by The Society of Actuaries, with projection scale MP-2016 Mortality Improvement Scale was used for such plans). There is no assumption for pre-retirement mortality or cessation of service, and retirement is assumed to occur at the earliest age at which each named executive officer can receive the pension benefits without actuarial reductions. For further information concerning such actuarial assumptions, please see Note 10 to the Corporation's consolidated financial statements included in its annual report on Form 10-K for the 2017 fiscal year.



### Retirement Plan Benefit

Benefit accruals under Retirement Plan differ depending on whether an employee first commenced status as an employee (i) before March 31, 2008 or (ii) on or after March 31, 2008. All the named executive officers, except for James P. Lynch and Eric W. Thornburg, commenced service before March 31, 2008.

The monthly retirement benefit under the Retirement Plan payable at age 65 (the plan's normal retirement age) to each named executive officer who commenced employee status before March 31, 2008 will be equal to 1.6 percent of his average monthly compensation (as determined in the manner indicated below) for each year of service completed after January 1, 1978. However, the Retirement Plan provides a minimum benefit to each participant with at least 30 years of service equal to 50 percent of his or her average monthly compensation, less 50 percent of his or her monthly old-age insurance benefit under Section 202 of the Social Security Act. For participants with less than 30 years of service, the minimum benefit described in the preceding sentence will be reduced  $\frac{1}{30}$  for each year by which their years of service are less than 30 years (adjusted to give credit for partial years of service).

For participants who commenced employee status before March 31, 2008, the Retirement Plan also contains a special benefit calculation when their combined age and service equals or exceeds 75. The combined age and years of service for each named executive officer, except for Mr. Gere and Ms. Papazian, who commenced employee status before March 31, 2008 equals or exceeds 75. Accordingly, the special benefit for each of those named executive officers who commenced employee status before March 31, 2008 and completed at least 30 years of service will be equal to 60 percent of his or her average monthly compensation, less 50 percent of his or her monthly old-age insurance benefit under Section 202 of the Social Security Act. For those named executive officers with less than 30 years of service, the special benefit described in the preceding sentence will be reduced  $\frac{1}{30}$  for each year by which their years of service are less than 30 years (adjusted to give credit for partial years of service).

For purposes of the applicable benefit calculation under the Retirement Plan, (i) a participant's average monthly compensation will be determined on the basis of his or her three highest years of compensation (whether or not consecutive) prior to attainment of age 65 (or earlier retirement or termination) and will generally be based upon the amount reported on his or her Form W-2 for federal income tax purposes for each year included in such calculation, plus amounts deferred under the 401(k) plan and certain other limited deferrals, and (ii) the annual compensation taken into account for benefit accrual purposes for each such year may not exceed the annual compensation limit for that year determined in accordance with the Internal Revenue Code. No lump sum payment of accumulated retirement benefits is provided under the Retirement Plan for employees who first commenced status as an employee before March 31, 2008, except that a lump sum distribution may become payable to the surviving beneficiary of a deceased participant under certain circumstances. In-service distributions are allowed for: (i) a participant who has attained age 70  $\frac{1}{2}$ ; and (ii) a participant who commenced status as an employee before March 31, 2008 if such participant has attained age 65 and his or her age and years of service equal at least 100; provided, if such a participant was not employed by the Company on December 31, 2013 and is subsequently re-hired on or after January 1, 2014, he or she will not be entitled to an in-service distribution.

The retirement benefits accrued by employees who first commence service on or after March 31, 2008, including Messrs. Lynch and Thornburg, are determined under the cash balance portion of the Retirement Plan and will be based upon the compensation credits and interest credits made to a hypothetical bookkeeping account established for each such participant. Compensation credits will be made on behalf of each participant each plan quarter in which the participant is an eligible employee with at least one hour of service for that quarter. The amount of the compensation credit for that quarter will be based on the compensation paid to the participant for that quarter and his or her years of credited service, as determined in accordance with the following schedule:

Years of Credited Service	Percent of Compensation
Less than 5	5 %
5 but less than 10	6 %
10 but less than 15	7 %
15 but less than 20	9 %
20 or more	11 %



For purposes of determining the amount of each participant's compensation credit, (i) compensation is generally based upon the amount that would otherwise be reported on the participant's Form W-2 for federal income tax purposes during the quarter, plus amounts deferred for that quarter under the 401(k) plan and certain other limited deferrals and (ii) the annual compensation taken into account may not exceed the annual compensation limit determined in accordance with the Internal Revenue Code.

Interest credits are also generally made on behalf of each participant each plan quarter. The amount of each interest credit is determined by multiplying the balance of the participant's account as of the last day of that plan quarter by the lesser of: (i) the greater of one quarter of (a) the minimum three and a quarter percent annual interest rate or (b) the annual yield on 30-year Treasury bonds, determined as of the month of October preceding the first day of the plan year; and (ii) one quarter of the six percent maximum annual interest rate.

Benefits accrued under the Retirement Plan may be paid as (i) a fixed monthly pension for life, (ii) a reduced monthly benefit payable for life but with a minimum payment period of 10 years for the participant or his or her designated beneficiary or (iii) a reduced joint and survivor annuity for the participant and his or her surviving spouse. For participants who commence employee status on or after March 31, 2008, the accrued benefits may be paid in a lump sum, or pursuant to any of the forms described above, following attainment of the applicable age and service requirements.

Mr. Jensen is currently eligible to receive early retirement benefits under the Retirement Plan in the event of retirement. Mr. Gere and Ms. Papazian are not currently eligible to receive early retirement benefits. Messrs. Lynch and Thornburg joined the Corporation after March 30, 2008 and participate in the cash balance portion of the Retirement Plan which does not provide early retirement benefits.

#### SERP Benefit

The SERP provides participants with a monthly pension benefit that supplements the pension they earn under the Retirement Plan. Each officer of the Corporation who commenced employee status before March 31, 2008 is eligible for participation under the SERP. Eligible employees selected for SERP participation by the Executive Compensation Committee of the SJW Group Board of Directors (the "Committee") will become a participant on the first day of the first calendar month next following his or her selection date or such later date as the Committee may specify. All of the named executive officers other than Messrs. Lynch and Thornburg participate in the SERP.

The SERP is designed to supplement the retirement income by providing an additional monthly pension in excess of the pension benefit under the Retirement Plan. Effective as of January 1, 2010, the dollar amount of that monthly pension for each participant credited with an hour of service on or after January 1, 2010 is determined on the basis of the following normal retirement benefit payable as a single-life annuity commencing at age 65: 2.2 percent of final average monthly compensation multiplied by the years of service, up to a total monthly retirement benefit not to exceed 60 percent of final average monthly compensation (as determined in the manner indicated below), less the monthly retirement benefit payable to such individual under the Retirement Plan as a single-life annuity commencing at normal retirement age. Accordingly, the maximum retirement benefit is limited to 60 percent of final average compensation, less a participant's normal retirement benefit under the Retirement Plan.

For purposes of such calculation, participants receive credit for partial years of service, and each participant's final average monthly compensation will be his or her average monthly compensation for the consecutive 36-month period within his or her last 10 years of service with the Corporation for which such average monthly compensation is the highest. A participant's average monthly compensation is calculated on the basis of his or her earned salary for that month and the amount of the annual cash incentive compensation that is actually paid to him or her during that month or that would have been paid at that time in the absence of a deferral election.

The SERP benefit will commence following the later of (i) the participant's separation from service with the Corporation or (ii) his or her attainment of age 55, unless the participant makes a timely election of a later attained age. SERP benefits which commence prior to the participant's attainment of age 65 will be subject to actuarial reduction for the early commencement date, except under prescribed circumstances. No lump sum benefit distributions are provided under the SERP.

SERP participants may, for purposes of their benefit calculations, receive special age and service credits under the Executive Severance Plan should their employment terminate under certain circumstances following a change of



control. See the discussion of the Executive Severance Plan in the section below entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" for further information.

The accrued SERP retirement benefit for Messrs. Jensen and Gere and Ms. Papazian will not be reduced for early commencement if such commencement occurs on or after their attainment of (i) age 60 or (ii) a combined age and years of service equal to 85. In computing Mr. Roth's final average compensation, his annual cash incentive compensation for each year beginning on or after January 1, 2003 is equal to the greater of his actual cash incentive compensation or his target cash incentive compensation for such year.

A participant will vest in his or her SERP benefit upon completion of 10 years of service or in the event the participant becomes entitled to a severance benefit under the Executive Severance Plan by reason of a qualifying termination. As of December 31, 2017, each of the named executive officers who participates in the SERP is vested in his or her SERP benefit.