

QUEST DIAGNOSTICS INC  
Form DEF 14A  
April 04, 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  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement  
 [ ] CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (as permitted by Rule 14a-6(e)(2))  
 [X] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Section 240.14a-12

## Quest Diagnostics Incorporated

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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1) Amount previously paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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Notice of 2018 Annual Meeting

and

Proxy Statement

April 4, 2018

## Action from Insight

### VISION

Empowering **better health**  
with **diagnostic insights**

**Accelerate** growth

**Drive** operational excellence

- Grow General Diagnostics
- Enhance the Quest customer experience
- Expand Advanced Diagnostics
- Deliver Invigorate operational efficiencies
- Extend Diagnostic Services

### 2 - POINT STRATEGY

**Promote** a healthier world

**Build** value

**Create** an inspiring workplace

### GOALS

#### HOW WE OPERATE

##### **Our principles**

- Focus on diagnostic information services

##### **Our behaviors**

- Agile

##### **Our values**

- Quality

- Strengthen organizational capabilities
- Customer Focused
- Integrity

- Deliver disciplined capital deployment
- Transparent
- Innovation

- United as One Team • Accountability

- Performance Oriented • Collaboration

- Leadership

**Notice of 2018 Annual Meeting of Stockholders**  
**Quest Diagnostics Incorporated**  
**500 Plaza Drive**  
**Secaucus, New Jersey**  
**May 15, 2018, 10:30 a.m. local time**

April 4, 2018

Dear Fellow Stockholder:

It is our pleasure to invite you to attend Quest Diagnostics' 2018 Annual Meeting of Stockholders. At the meeting, stockholders will vote:

- to elect ten directors;
- to approve the executive officer compensation disclosed in the Company's 2018 proxy statement (advisory resolution);
- to ratify the appointment of our independent registered public accounting firm for 2018; and
- to amend our Certificate of Incorporation to permit stockholders holding 20% or more of our common stock to cause the Company to call special meetings of stockholders
- on a stockholder proposal regarding the right to call special meetings of stockholders.

Stockholders also will transact any other business as may properly come before the meeting or any adjournment or postponement thereof.

Attendance at the meeting is limited to stockholders at the close of business on March 16, 2018, or their duly appointed proxy holder.

We enclose our proxy statement, our Annual Report and a proxy card; distribution of these materials is scheduled to begin on April 4, 2018. *Your vote is very important.* Whether or not you plan to attend the meeting, we urge you to submit your proxy. Most stockholders may submit a proxy via mail, telephone or the Internet. Instructions on how to

submit your proxy are included with your proxy card and these proxy materials. Please submit your proxy promptly.

Thank you for your continued support of Quest Diagnostics.

Sincerely,

Stephen H. Rusckowski  
*Chairman of the Board, President  
and Chief Executive Officer*

Daniel C. Stanzione, Ph.D.  
*Lead Independent Director*

**PROXY SUMMARY**

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

**Annual Meeting of Stockholders**

Time and Date	10:30 a.m., May 15, 2018	Record date	March 16, 2018
Place	Quest Diagnostics Incorporated Voting 500 Plaza Drive Secaucus, NJ 07094	Record date stockholders only;	one vote per share

**Meeting Agenda**

	<b><u>Our Board's Recommendation</u></b>	<b><u>For More Detail, See Page</u></b>
1. Elect ten directors	FOR EACH DIRECTOR NOMINEE	1
2. Approve the executive officer compensation disclosed in our 2018 proxy statement (advisory resolution)	FOR	18
3. Ratify the appointment of our independent registered public accounting firm for 2018	FOR	48
4. Amending our Certificate of Incorporation to permit stockholders holding 20% or more of our common stock to cause the Company to call special meetings of stockholders	FOR	51
5. Stockholder proposal regarding the right to call special meetings of stockholders	AGAINST	51

**Board Proposals**

Advisory Resolution to Approve Executive Officer Compensation. We are asking our stockholders to approve, on an advisory basis, the compensation of our named executive officers disclosed in our 2018 proxy statement.

Ratify the Appointment of Independent Registered Public Accounting Firm for 2018. We are asking our stockholders to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2018.



Amend the Certificate of Incorporation to Permit Stockholders Holding 20% or More of our Common Stock to Cause the Company to Call Special Meetings of Stockholders. Currently, stockholders holding 25% or more of our common stock have the ability to cause the Company to call special meetings of stockholders. We are asking our stockholders to approve an amendment to our Certificate of Incorporation to permit stockholders holding 20% or more of our common stock to cause the Company to call special meetings of stockholders.

## **2019 Annual Meeting of Stockholders**

Stockholder proposals submitted pursuant to SEC Rule 14a-8 must be received by the Company by December 5, 2018.

Notice of stockholder proposals outside of SEC Rule 14a-8, including nominations (other than proxy access nominations) for the Board of Directors (the "Board"), must be received by the Company no earlier than January 15, 2019 and no later than February 14, 2019.

- Notice of proxy access director nominations must be received by the Company no earlier than November 5, 2018 and no later than December 5, 2018.

i2018 Proxy Statement

**Board Nominees**

The following table provides summary information about our director nominees.

**AFC** Audit & Finance Committee    **FE** Financial Expert  
**CC** Compensation Committee    **GC** Governance Committee  
**EX** Executive Committee    **QSC** Quality, Safety & Compliance Committee

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Occupation</u>	<u>Experience/Qualification</u>	<u>Committee Memberships</u>	<u>Other Public Company Boards</u>
Jenne K. Britell, Ph.D.	75	2005	Non-Executive Chair, United Rentals, Inc.	<ul style="list-style-type: none"> <li>• Finance</li> <li>• Executive</li> <li>• Advisory</li> <li>• Capital Markets</li> <li>• International</li> <li>• Strategic Planning</li> </ul>	AFC/FE QSC	<ul style="list-style-type: none"> <li>• United Rentals, Inc.</li> </ul>
Vicky B. Gregg	63	2014	Retired CEO, Blue Cross and Blue Shield of Tennessee	<ul style="list-style-type: none"> <li>• Executive</li> <li>• Advisory</li> <li>• Strategic Planning</li> <li>• Healthcare</li> <li>• General Management</li> </ul>	CC QSC	<ul style="list-style-type: none"> <li>• Acadia Healthcare Company</li> </ul>
Jeffrey M. Leiden, M.D., Ph.D.	62	2014	Chairman, President and CEO, Vertex Pharmaceuticals Incorporated	<ul style="list-style-type: none"> <li>• Executive</li> <li>• Advisory</li> <li>• Strategic Planning</li> <li>• Healthcare</li> <li>• General Management</li> </ul>	CC QSC	<ul style="list-style-type: none"> <li>• Vertex Pharm. Incorporated</li> </ul>
Timothy L. Main	60	2014	Chairman, Jabil Circuit, Inc.	<ul style="list-style-type: none"> <li>• Executive</li> <li>• International</li> <li>• Operations</li> <li>• Corporate Governance</li> <li>• General Management</li> </ul>	AFC GC	<ul style="list-style-type: none"> <li>• Jabil Circuit, Inc.</li> </ul>
Gary M. Pfeiffer	68	2004	Retired Senior Vice President and Chief	<ul style="list-style-type: none"> <li>• Accounting</li> <li>• Executive</li> <li>• Finance</li> </ul>	AFC/FE (Chair) GC EX	<ul style="list-style-type: none"> <li>• Internap Corporation</li> </ul>

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Timothy M. Ring	60	2011	Financial Officer, E.I. du Pont de Nemours and Company  Retired Chairman and CEO, C. R. Bard, Inc.	<ul style="list-style-type: none"> <li>•International</li> <li>•Strategic Planning</li> <li>•Executive</li> <li>•International</li> <li>•Strategic Planning</li> <li>•Operations</li> <li>•Healthcare</li> <li>•General Management</li> </ul>	<ul style="list-style-type: none"> <li>CC (Chair)</li> <li>GC</li> </ul>	<ul style="list-style-type: none"> <li>• Becton, Dickinson and Company</li> </ul>
Stephen H. Rusckowski	60	2012	Chairman, President and CEO, Quest Diagnostics Incorporated	<ul style="list-style-type: none"> <li>•Executive</li> <li>•International</li> <li>•Healthcare</li> <li>•Strategic Planning</li> <li>•Operations</li> <li>•General Management</li> </ul>	<ul style="list-style-type: none"> <li>EX</li> </ul>	<ul style="list-style-type: none"> <li>• Xerox Corporation</li> </ul>
Daniel C. Stanzione, Ph.D.	72	1997	President Emeritus,  Bell Laboratories	<ul style="list-style-type: none"> <li>•Executive</li> <li>•General Management</li> <li>•Strategic Planning</li> </ul>	<ul style="list-style-type: none"> <li>AFC</li> <li>GC (Chair)</li> <li>EX (Chair)</li> </ul>	<ul style="list-style-type: none"> <li>• Internap Corporation</li> </ul>
Helen I. Torley, M.B. Ch.B., M.R.C.P.	55	New	President and CEO,  Nominee Halozyme Therapeutics, Inc.	<ul style="list-style-type: none"> <li>•Executive</li> <li>•General Management</li> <li>•Healthcare</li> <li>•International</li> <li>•Operations</li> <li>•Strategic Planning</li> </ul>		<ul style="list-style-type: none"> <li>• Halozyme Therapeutics, Inc.</li> </ul>
Gail R. Wilensky, Ph.D.	74	1997	Senior Fellow,  Project Hope	<ul style="list-style-type: none"> <li>•Healthcare</li> <li>•Government</li> <li>•Strategic Planning</li> </ul>	<ul style="list-style-type: none"> <li>CC</li> <li>GC</li> <li>QSC (Chair)</li> </ul>	<ul style="list-style-type: none"> <li>• United Healthcare Corporation</li> </ul>

**Executive Compensation Highlights**

<b><u>Type</u></b>	<b><u>Form</u></b>	<b><u>Terms</u></b>
Equity	•Performance Shares	•40% of total equity award •Performance metrics for 2017-2019 •performance cycle: revenue growth, 50%; •average return on invested capital, 50% •Vest after 3-year performance period
	•Stock Options	•40% of total equity award •Vest ratably over three years from the grant date
	•Restricted Share Units	•20% of total equity award •Vest 25% on each of the first and second anniversaries of the grant date and 50% on the third anniversary of the grant date
Cash	•Salary •Annual Incentive Compensation	•Reviewed and approved annually •Based on quantitative and qualitative goals with formula amount subject to negative discretion
Retirement	•401(k) Plan •Supplemental Deferred Compensation Plan	•Company matching contributions •Company matching contributions

Our Board is firmly committed to pay for performance. The table above outlines the main components of our compensation program for executive officers in 2017. The objective of our program is to attract and retain talented executives who have the skills and experience required to help us achieve our strategic objectives and advance the long-term interests of our stockholders. The compensation opportunity for our named executive officers is directly tied to corporate performance, including both financial and non-financial results, and individual performance.

The 2017 annual incentive payout for our named executive officers, including Mr. Rusckowski, on our annual cash incentives under the Senior Management Incentive Plan (“SMIP”) was 97% of target. Payout on performance share awards for the 3-year performance period ended December 31, 2017 was 111% of target. The following table summarizes annual incentive plan and performance share payouts for the two most recent performance periods for our named executive officers.

<b><u>Incentive Program</u></b>	<b><u>Annual Incentive Payout (% of target)</u></b>	<b><u>Performance Share Payout for 3-year performance period (% of target)</u></b>
Performance period ended December 31, 2017	97	111
Performance period ended December 31, 2016	94	93

Our Compensation Discussion and Analysis, which includes a discussion of our program's "Best Practices," begins on page 19. The 2017 compensation of our named executive officers is set forth in tables beginning at page 37.

### ***2017 Business Performance Highlights***

#### **2-Point Strategy**

In 2017, we continued to make progress executing our business strategy. The Company improved on financial and operating metrics and exceeded several key financial targets. Our Compensation Discussion and Analysis, beginning on page 19, discusses our 2017 business performance.

The following highlights 2017 progress on our 2-point strategy.

*Accelerate Growth.* We grew revenues by 2.6% as compared to 0.3% in the prior year; we grew revenues 2.9% on an equivalent basis (see Annex A for reconciliations of adjusted measures to measures reported under accounting principles generally accepted in the United States). In 2017, we forged several new strategic relationships, including with Wal-Mart Stores, Inc., Cleveland Clinic, McKesson Specialty Health, U.S. Oncology Network and Texas •Oncology. We continued to expand our pipeline of hospitals and independent delivery networks interested in working with us, and we implemented new professional laboratory services relationships with Montefiore Health System, a premier academic health system in the New York City area, and PeaceHealth Laboratories, in three Pacific Northwest states. We also made progress executing our strategy to be the provider of choice for consumers, including launching a partnership with Wal-Mart Stores to expand access to basic health care services,

and advancing several other consumer-centric initiatives, such as significantly increasing in 2017 the number of Safeway locations where we offer services.

*Drive Operational Excellence.* We continued to make strong progress driving operational excellence and improving our quality, efficiency and customer experience. We improved performance on key medical quality and customer service measures as we became more efficient. Through our Invigorate cost excellence program, we exceeded our goal of delivering \$1.3 billion in run-rate savings exiting 2017, compared to 2011, and will continue to pursue opportunities to achieve additional cost savings.

### 3 Operating Principles

The following are highlights on our three operating principles: strengthening the organization, focusing on diagnostic information services, and delivering disciplined capital deployment.

*Strengthen organizational capabilities.* In 2017, we continued the Quest Management System, which provides a foundation for day-to-day management to support our efforts to build a high-performance culture. In addition, our entire organization continued participation in our Everyday Excellence program, which includes guiding principles to support a superior customer experience, to inspire our employees to be their best every day, with every person and with every customer interaction. We also (i) continued our Leading Quest Academy, which is designed to strengthen our more senior employee leaders through a highly experiential leadership development program focused on creating a high-performance culture and sharpening the capabilities needed to lead our organization, (ii) offer our Leading Quest Supervisor Academy for our supervisor-level employees and (iii) started a new leadership training program for our manager-level employees. In 2017, we also, once again, improved the engagement levels of our employees.

*Remain focused on diagnostic information services.* We maintained a sharp focus on providing diagnostic information services in 2017, having completed in 2016 our efforts to refocus on these services.

*Deliver disciplined capital deployment.* We returned a majority of our free cash flow to stockholders through dividends and repurchases of our common stock. We reinvested in our business through \$252 million in capital expenditures and completed several acquisitions, including the outreach laboratory testing business of PeaceHealth Laboratories, Med Fusion and Clearpoint Diagnostics Laboratories, Shiel Medical Laboratory, certain assets of California Laboratory Associates, and Cleveland HeartLab, Inc. In January 2017, we announced a \$1.0 billion increase in repurchase authority under our common stock repurchase program. In February 2018, we announced the seventh increase in our quarterly common stock dividend since 2011, increasing the dividend by over 11%, from \$0.45 per common share to \$0.50 per common share.

**QUEST DIAGNOSTICS INCORPORATED**

**PROXY STATEMENT**

**500 Plaza Drive, Secaucus, New Jersey 07094**

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**Annex A Reconciliation of Non-GAAP and GAAP Information**

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2018 Proxy Statement



## INFORMATION ABOUT OUR CORPORATE GOVERNANCE

### Proposal No. 1—Election of Directors

Our Board currently has nine directors. All directors are elected annually for a one-year term beginning on the date of the annual meeting. Each director holds office until his or her successor has been elected and qualified or the director's earlier resignation, death or removal.

After considering the recommendation of the Governance Committee, the Board nominated the nominees below to serve as directors. Each nominee, other than Dr. Helen I. Torley, currently is a director of the Company whose term expires at the 2018 annual meeting. The Board nominated Dr. Torley for election for the first time at the annual meeting. The Governance Committee considered several candidates as potential director candidates; Dr. Torley was recommended as a candidate to Mr. Rusckowski by a third party unrelated to the Company. After the directors interviewed Dr. Torley, the Governance Committee unanimously recommended to the Board that Dr. Torley be nominated to be a director. The Board has authorized increasing its size from nine to ten members upon her election as a director. The biography of each nominee contains information regarding the person's service as a director of the Company, business experience, other director positions and the experience, qualifications, attributes and skills that led the Board to conclude as of the date of this proxy statement that the person should serve as a director of the Company. The Board believes that each nominee possesses the qualities and experience that nominees should possess in accordance with the Company's Corporate Governance Guidelines, which set forth the Board's philosophy regarding Board composition and identify key qualifications and other considerations (the relevant portion of the Company's Corporate Governance Guidelines is set forth below under the heading "Board Nomination Process" beginning on page 7). Each nominee has consented to serve if elected.

#### Jenne K. Britell, Ph.D.

Non-Executive Chair United Rentals, Inc.	Dr. Britell is the non-executive chair of United Rentals, Inc. Dr. Britell is a member of the Council on Foreign Relations, and a director of the U.S. Russia Foundation for Entrepreneurship and the Rule of Law. From 2010 to 2015, Dr. Britell was Senior Managing Director at Brock Capital Group, advising companies and investors regarding strategy, acquisitions and asset deployment, including in connection with financial services. From 2001 to 2009, she was the Chairman and Chief Executive Officer of Structured Ventures, Inc., which advised domestic and foreign companies on financial services products and strategy. From 1996 to 2000, she was a senior officer of GE Capital, serving as President of GE Capital Global Commercial & Mortgage Banking and Executive Vice President of GE Capital Global Consumer Finance from 1999 to 2000 and serving as President and Chief Executive Officer of GE Capital Central and Eastern Europe from 1998 to mid-1999. Dr. Britell served as a director of Crown Holdings, Inc. from 2000 to 2017 and West Pharmaceuticals Corporation from 2005 to 2008.
Age: 75	
Director since: 2005	

#### Qualifications, Skills and Expertise

Dr. Britell has extensive executive and advisory experience, including in corporate governance, corporate finance, capital markets, international business and strategic planning, with multinational corporations operating in complex, regulated industries.

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**Vicky B. Gregg**

Ms. Gregg retired as Chief Executive Officer of Blue Cross Blue Shield of Tennessee in 2012. Prior to becoming CEO in 2003, Ms. Gregg served in a number of other leadership roles, including President and Chief Operating Officer. Before that, she held a series of senior roles at Humana Health Plans. Ms. Gregg served as a member of the U.S. National Institutes of Health Commission on Systemic Interoperability.

Retired She currently serves on the boards of Acadia Healthcare Company, Inc. and the Electric Power Board of  
CEO Chattanooga. Previously, Ms. Gregg served on several national boards, including TeamHealth Holdings, Inc. (2013-2017), First Horizon National Corporation (2011-2015), America’s Health Insurance Plans (Chair 2010-2011), the BlueCross BlueShield Association, the National Institute for Healthcare  
Blue Cross and Blue Management (Chair 2012), and the Healthcare Leadership Council.  
Shield of  
Tennessee

**Qualifications, Skills and Expertise**

Age: 63

Director since: 2014 Ms. Gregg has extensive executive and advisory experience, including in general management and strategic planning, with a range of health care organizations, and extensive experience with healthcare issues and the operation of the U.S. healthcare system, including as a practicing nurse.

**Jeffrey M. Leiden, M.D., Ph.D.**

Dr. Leiden has been Chairman, President and CEO of Vertex Pharmaceuticals Incorporated since 2011. He has served as a member of Vertex’s board of directors since 2009. Prior to joining Vertex in 2011, Dr. Leiden was a Managing Director at Clarus Ventures, a life sciences venture capital firm he joined in 2006. From 2000 to 2006, he served as President and Chief Operating Officer and Chief Scientific Officer at Abbott Laboratories, where he had responsibility for managing all aspects of Abbott’s global pharmaceutical business. Previously, Dr. Leiden held several academic and hospital appointments, including as Chief of Cardiology at the University of Chicago, the Elkan R. Blout Professor of Biological Sciences at the Harvard School of Public Health and Professor of Medicine at Harvard Medical School. He has extensive consulting experience in the pharmaceutical and medical device areas. Dr. Leiden served as a director of Abbott Laboratories from 2001 to 2006, Shire Pharmaceuticals plc from 2007 to 2011 and Millennium Pharmaceuticals, Inc. from 2008 to 2009. He is a fellow of the American Academy of Arts and Sciences, and an elected member of the Institute of Medicine of the National Academy of Sciences.

Chairman, President and CEO  
Vertex Pharmaceuticals Incorporated

Age: 62

Director since: 2014

**Qualifications, Skills and Expertise**

Dr. Leiden has extensive executive and advisory experience, including in general management and strategic planning, with a range of health care organizations, and extensive experience with healthcare issues and the operation of the U.S. healthcare system, including as a practicing

physician.

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**Timothy L. Main**

Chairman  
Jabil  
Circuit, Inc.

Mr. Main is Chairman of the Board of Directors of Jabil Circuit, Inc., an electronic product solutions company providing comprehensive electronics design, manufacturing and management services to global electronics and technology companies. Mr. Main was Chief Executive Officer of Jabil from 2000 until 2013. As CEO, Mr. Main led Jabil's growth strategy, increasing annual revenues nearly five-fold to reach \$17 billion in 2012, and expanding in Asia and other emerging markets.

**Qualifications, Skills and Expertise**

Age: 60

Director  
since: 2014

Mr. Main has extensive executive experience, including in international, operations, corporate governance and general management in a complex industry.

**Gary M. Pfeiffer**

Retired  
Senior  
Vice  
President  
and CFO

Mr. Pfeiffer retired in 2006 as the Senior Vice President and Chief Financial Officer of E.I. du Pont de Nemours and Company. He joined DuPont in 1974, where he held positions of increasing responsibility in finance and international operations, as well as in various DuPont divisions. Mr. Pfeiffer served as Secretary of Finance for the state of Delaware from January through June 2009. Mr. Pfeiffer is a director of InterNAP Corporation, and served as a director of TerraVia Holdings, Inc. from 2014 to 2017 and Talbots, Inc. from 2005 to 2012. He served as the non-executive Chair of the Board of Directors of Christiana Care Health System, a regional hospital system located in Delaware, from 2012 to 2016.

E.I. du Pont  
de Nemours  
and Company

**Qualifications, Skills and Expertise**

Age: 68

Director  
since: 2004

Mr. Pfeiffer has extensive executive experience, including in corporate finance, accounting, international operations, and strategic planning, with a multinational corporation operating in complex industries.

**Timothy M. Ring**

Retired  
Chairman  
and CEO

Mr. Ring retired in 2017 as Chairman and Chief Executive Officer of C. R. Bard, Inc., positions in which he had served since 2003. He is a director of Becton, Dickinson and Company, and was director of C. R. Bard, Inc. from 2003 to 2017 and CIT Group Inc. from 2005 to 2009. Mr. Ring is a Trustee of the New Jersey Health Foundation.

C. R. Bard,  
Inc.

**Qualifications, Skills and Expertise**

Age: 60

Director  
since: 2011

Mr. Ring has extensive executive experience, including in strategic planning and international operations, with a multinational corporation operating in the healthcare industry.

**Stephen H. Rusckowski**

Chairman,  
President and  
CEO  
Quest  
Diagnostics  
Incorporated

Mr. Rusckowski has been President and Chief Executive Officer of Quest Diagnostics since May 2012 and Chairman of the Board since January 2017. From November 2006 to May 2012, Mr. Rusckowski was the Chief Executive Officer of Philips Healthcare, the largest unit of Royal Philips Electronics, and a member of the Board of Management of Royal Philips Electronics and its Executive Committee. He joined Philips when it acquired Agilent's Healthcare Solutions Group in 2001, and was the CEO of Philips Imaging Systems business group before assuming his role as CEO of Philips Healthcare. Mr. Rusckowski served as the Chairman of the American Clinical Laboratory Association from March 2014 to March 2017. He is a director of Xerox Corporation and was a director of Covidien plc from December 2013 to January 2015.

**Qualifications, Skills and Expertise**

Age: 60

Director  
since: 2012

Mr. Rusckowski has extensive executive experience, including in strategic planning and international operations, with multinational corporations operating in the healthcare industry. Mr. Rusckowski's employment agreement with the Company provides for him to be nominated for election to the Board.

**Daniel C. Stanzione, Ph.D.**

President  
Emeritus  
Bell

Dr. Stanzione retired from Lucent Technologies Incorporated in 2000 and is President Emeritus of Bell Laboratories and an independent consultant. Dr. Stanzione began his career in 1972 with Bell Laboratories, where he led the teams working on the first microprocessors and digital signal processors. He was appointed President of Network Systems, Lucent's largest business unit, in 1996 and was appointed Chief Operating Officer of Lucent in 1997. Dr. Stanzione is a director of InterNAP Corporation, where he serves as non-executive chairman. Dr. Stanzione served as a director of Avaya

Laboratories Inc. from 2000 until 2007. He has been Lead Independent Director since January 1, 2017 and served as Chairman from May 1, 2012 until January 1, 2017.

Age: 72

**Qualifications, Skills and Expertise**

Director  
since: 1997

Dr. Stanzione has extensive executive experience, including in general management and strategic planning, with multinational corporations operating in complex industries.

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**Helen I.  
Torley,  
M.B.  
Ch.B.,  
M.R.C.P**

President and CEO of Halozyme Therapeutics, Inc. Dr. Torley has, since 2014, been President and Chief Executive Officer of Halozyme Therapeutics, Inc., a biotechnology company focused on developing and commercializing novel cancer therapies that target the tumor microenvironment. Prior to joining Halozyme, Dr. Torley served as Executive Vice President and Chief Commercial Officer for Onyx Pharmaceuticals from August 2011 to December 2013, where she was responsible for the development of Onyx's commercial capabilities in the United States, Europe and Asia Pacific regions. Prior to Onyx, Dr. Torley spent 10 years in management positions at Amgen Inc., most recently serving as Vice President and General Manager of the US Nephrology business unit from 2003 to 2009 and the U.S. Bone Health business unit from 2009 to 2011. Prior to 2003, she held various senior management positions at Bristol-Myers Squibb and Sandoz/Novartis, and was in medical practice as a senior registrar in rheumatology at the Royal Infirmary in Glasgow, Scotland. Dr. Torley is a director of Halozyme Therapeutics, Inc., and she served as a director of Relypsa, Inc. from 2015 to 2016. Before joining the industry, Dr. Torley was in medical practice.

Age: 55

**Qualifications, Skills and Expertise**

New Nominee

Dr. Torley has extensive executive experience, including in general management, strategic planning and commercial operations, with multinational corporations operating in the healthcare industry.

**Gail R. Wilensky, Ph.D.**

Senior Fellow Project Hope Dr. Wilensky is a Senior Fellow at Project HOPE, an international non-profit health foundation, which she joined in 1993. From 2008 through 2009, Dr. Wilensky served as President of the Defense Health Board, an advisory board in the Department of Defense. From 1997 to 2001, she was the chair of the Medicare Payment Advisory Commission. From 1995 to 1997, she chaired the Physician Payment Review Commission. In 1992 and 1993, Dr. Wilensky served as a deputy assistant to the President of the United States for policy development relating to health and welfare issues. From 1990 to 1992, she was the administrator of the Health Care Financing Administration where she directed the Medicare and Medicaid programs. Dr. Wilensky is a director of UnitedHealthcare Corporation. She served as a director of Manor Care Inc. from 1998 until 2009, Gentiva Health Services, Inc. from 2000 until 2009, Cephalon Inc. from 2002 to 2011 and SRA International, Inc. from 2005 to 2011. Dr. Wilensky also served as a Commissioner of the World Health Organization's Commission on the Social Determinants of Health and as the Non-Department Co-Chair of the Defense Department's Task Force on the Future of Military Health Care.

Age: 74

Director since: 1997

**Qualifications, Skills and Expertise**



Dr. Wilensky has extensive experience, including in strategic planning, as a senior advisor to the U.S. government and private enterprises regarding healthcare issues and the operation of the U.S. healthcare system.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH NOMINEE. PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR EACH NOMINEE UNLESS OTHERWISE INSTRUCTED.**

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## **Governance Practices**

The Board believes that good corporate governance, which is designed to protect and enhance shareholder value, is important. The Board has adopted Corporate Governance Guidelines to enhance its own effectiveness and to demonstrate its commitment to strong corporate governance for the Company. The Board reviews these Guidelines no less frequently than annually for possible revision, including in response to changing regulatory requirements, evolving practices and the concerns of our stockholders. The Company also has adopted a Code of Ethics applicable to all directors, officers and employees. The Corporate Governance Guidelines and Code of Ethics are published on our corporate governance website at [www.QuestDiagnostics.com](http://www.QuestDiagnostics.com).

The Company has strong corporate governance structures, processes, policies and practices and listens to the concerns of its stockholders. Our Board benefits from knowledgeable, independent directors.

### **Corporate Governance Highlights**

#### **Board Practice**

Commitment to board refreshment - 4 new directors since 2014, each with significant CEO experience

9 of 10 director nominees are independent

Annual election of entire board

Majority voting standard for director elections

Annual assessment of Board and Committee structure and performance

Lead Independent Director with clearly defined role and robust responsibilities

Regular executive sessions for independent directors only, presided over by Lead Independent Director

Independent directors receive a majority of their annual compensation in equity to further align their interests with our stockholders' interests

Committees assignments are chosen with view to continuity and diversity

Reviews annually of succession planning and development of management personnel

#### **Shareholder Matters**

Adopted proxy access right for stockholders

Adopted stockholder right to call a special meeting of stockholders

No "poison pill" stockholders rights plan

No supermajority voting requirements

Annual say-on-pay vote

Active shareholder engagement

#### **Procedural Best Practices**

Committees report on their activities to the Board at each Board meeting

Directors are offered the opportunity to attend director education programs conducted by third parties

Public disclosure of corporate political contributions policy and information regarding corporate political expenditures

Board materials provided to directors in advance of meetings to allow preparation for discussion of the items

Board portal enhances the Board's efficiency, access to information, security and communication

Independent directors have unlimited access to officers and employees of the Company

Board and committees have access to independent legal, financial or other advisors

Directors and executive officers prohibited from hedging or pledging Company stock

## **Director Independence**

The Board assesses the independence of each director annually, and of each director nominee, in accordance with the Company's Corporate Governance Guidelines and New York Stock Exchange ("NYSE") listing standards. The independence guidelines in the Corporate Governance Guidelines are consistent with the independence requirements in the NYSE listing standards and include guidelines as to categories of relationships that are considered not material for purposes of director independence.

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All members of the Audit and Finance Committee and the Compensation Committee must be independent under the Company's Corporate Governance Guidelines. Pursuant to the charters of the Audit and Finance Committee and Compensation Committee, respectively, members of these committees also must satisfy separate independence standards based on requirements of the Securities and Exchange Commission ("SEC") and NYSE, respectively.

The Board has determined that a substantial majority (eight of nine) of our directors, as well as our new director nominee Dr. Torley, is independent. Each member, including the chair, of each of the Audit and Finance Committee, the Compensation Committee, the Governance Committee and the Quality, Safety & Compliance Committee qualifies as independent, including under the committee-specific independence requirements discussed above. The Board has determined the following directors to be independent: Dr. Britell, Ms. Gregg, Dr. Leiden, Mr. Main, Mr. Pfeiffer, Mr. Ring, Dr. Stanzione and Dr. Wilensky. Mr. Rusckowski, who is a Company officer, is not independent. In making its determinations as to the independence of the directors and the director nominee, the Board reviewed relationships between the Company and each of them, including ordinary course commercial relationships in the last three years between the Company and each of the entities of which Dr. Leiden, Mr. Main, Mr. Ring or Dr. Torley, respectively, is (or in the case of Mr. Ring, was) an executive officer; these relationships did not exceed a certain amount of that entity's gross revenues in any year.

John B. Ziegler served as a director during part of 2017. During 2017, the Board determined that Mr. Ziegler qualified as independent, including under the committee-specific independence requirements discussed above.

### **Stockholder Access**

Stockholders and any other person may communicate with the Board by sending an email to our Lead Independent Director at [LeadIndependentDirector@QuestDiagnostics.com](mailto:LeadIndependentDirector@QuestDiagnostics.com) or by writing to the full Board or any individual director or any group or committee of directors, c/o Corporate Secretary, 500 Plaza Drive, Secaucus, New Jersey 07094. Communications received at the email address are automatically routed to our Lead Independent Director with a copy to our General Counsel and Corporate Secretary. The Lead Independent Director determines whether any such communication should be distributed to other members of the Board. Communications received by the Corporate Secretary addressed as set forth above, other than communications unrelated to the duties and responsibilities of the Board, are forwarded to the intended directors. Further, our Corporate Governance Guidelines publicly affirm the Board's long-standing approach of being available for discussions with stockholders in appropriate circumstances.

The Audit and Finance Committee established a procedure whereby complaints and concerns with respect to accounting, internal controls and auditing matters may be submitted to the Audit and Finance Committee. All communications received by a director relating to the Company's accounting, internal controls or auditing matters are immediately forwarded to the Chairman of the Audit and Finance Committee and are investigated and responded to in accordance with the procedures established by the Audit and Finance Committee. In addition, the Company has established a hotline (known as CHEQline) pursuant to which employees can anonymously report accounting, internal controls and financial irregularities (as well as compliance concerns on other laws).

Our Corporate Governance Guidelines provide that directors are encouraged and expected to attend the annual stockholders meeting. Nine of our ten directors then in office attended the 2017 annual stockholders meeting.

### **Board Nomination Process**

The Governance Committee is responsible for reviewing with the Board, on an annual basis, the composition of the Board as a whole and whether the Company is being well served by the directors, taking into account each director's independence, skills, experience, availability for service to the Company and other factors the Governance Committee deems appropriate. The Governance Committee is responsible for recommending director nominees to the Board, including re-nomination of persons who are already directors. The Governance Committee does not set specific, minimum qualifications that nominees must meet in order for the Governance Committee to recommend them to the Board, but rather believes that each nominee should be evaluated based on his or her own merits, taking into account the Company's needs and the composition of the Board. Recommendations are made by the Governance Committee in accordance with the Company's Corporate Governance Guidelines, which set forth the Board's philosophy regarding Board composition and identify key qualifications and other considerations. The Governance Committee believes that the Board should be comprised of individuals whose backgrounds and experience complement those of other Board members, and also considers whether a prospective nominee promotes a diversity of talent, skill, expertise, background, perspective and experience, including with respect to age, gender, ethnicity, place of residence and specialized experience. The Governance Committee does not assign specific weights to particular criteria and nominees are not required to possess any particular attribute. The key qualifications and other considerations set forth in the Company's Corporate Governance Guidelines are set forth below.

**Key Qualifications and Other Considerations for Directors**

- Reputation for highest ethical standards and integrity consistent with Quest Diagnostics’ values of Quality, Integrity, Innovation, Accountability, Collaboration and Leadership
  - Independence
  - Prior experience as a director or executive officer of a public company
  - Number of current board positions and other time commitments
  - Overall range of skills, experience and seniority represented by the Board as a whole
- Relevant experience such as:
    - Chief Executive Officer or Chief Operating Officer (or similar responsibilities), current or past;
    - Demonstrated expertise in business function(s) such as sales, operations, finance, strategy, legal or human resources; or
    - Medical practitioner and/or science and health thought leader

In recruiting and selecting a Board candidate, as a supplement to the key qualifications and other considerations for director candidates outlined in the Corporate Governance Guidelines, the Governance Committee considers other important skills and professional experiences to determine whether a candidate has skills and experience well-suited for the expected needs of the Board, including whether the skills and experience complement those of the other Board members or nominees. The table below includes, for each director nominee, an illustrative, non-exhaustive listing of supplemental skills and experiences that the Board considered most relevant when nominating that nominee. Although a check mark indicates that the Board relied upon the specific skill or experience in making its decision, the absence of a check mark does not mean the nominee does not possess the specific skill or experience. The biographies beginning on page 1 provide more information on each nominee’s skills and experience.

Britell Gregg Leiden Main Pfeiffer Ring Rusckowski Stanzione Torley Wilensky

**Skills and Experience**

Accounting					ü					
Advisory	ü	ü	ü							
Capital Markets	ü									
Corporate Governance	ü				ü					
Executive	ü	ü	ü	ü	ü	ü	ü	ü	ü	
Finance	ü				ü					
General Management		ü	ü	ü		ü	ü	ü	ü	
Government										ü

Healthcare		ü	ü		ü	ü		ü	ü
International	ü			ü	ü	ü	ü	ü	
Operations				ü		ü	ü	ü	
Strategic Planning	ü	ü	ü		ü	ü	ü	ü	ü

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The Governance Committee regularly reviews the Board's composition to ensure that we continue to have the right mix of skills, diversity, background and tenure reflected on the Board. Our Board's membership represents a balanced approach to director tenure, allowing the Board to benefit from the experience of longer-serving directors as well as the fresh perspectives of newer directors. The tenure (assuming Dr. Torley's election) and gender diversity composition of the director nominees is shown below:

### **Tenure Gender Diversity**

The Governance Committee considers suggestions from many sources, including stockholders, regarding possible candidates for director. Stockholders may recommend candidates for consideration as director by sending an email to our Lead Independent Director at [LeadIndependentDirector@QuestDiagnostics.com](mailto:LeadIndependentDirector@QuestDiagnostics.com) or writing to the full Board or any independent Board member, c/o Corporate Secretary, 500 Plaza Drive, Secaucus, New Jersey 07094. The recommendation should contain the proposed nominee's name, biographical information and relationship to the stockholder. The Governance Committee evaluates stockholder recommendations for director candidates in the same manner as other director candidate recommendations. Stockholders may also nominate director candidates. See "Frequently Asked Questions" beginning on page 54 for information regarding the process and deadline for stockholders to submit director nominations for the 2019 annual meeting.

When the Board identifies a need to add a new Board member, the Governance Committee identifies candidates by seeking input from Board members and considering recommendations for nominees submitted by other sources, including stockholders. The Governance Committee also from time to time hires third-party search firms to assist in identifying and evaluating candidates for nomination. After the Governance Committee ranks the candidates, the Lead Independent Director, the Chairman of the Board, President and Chief Executive Officer and other Board members interview the candidates selected by the Governance Committee. Members of senior management also may interview candidates. After the interview process, the Governance Committee reassesses the candidates and then makes its recommendation for director candidates to the Board, which determines which candidates are nominated for election by the stockholders or elected by the Board.

### **Board Committees**

During 2017, the Board held 5 meetings. In order to fulfil its responsibilities, the Board has delegated certain authority to its committees. There are five standing committees. In 2017, each director nominee attended at least 75% of the meetings of the Board and the Board committees on which he or she served. Any director may attend meetings of any committee of which the director is not a member.

For each year, a schedule of Board meetings is established before the year begins. Committee meetings are generally scheduled for the day before, or the day of, meetings of the full Board, except that meetings of the Executive Committee are scheduled only when needed. The Board and each committee also hold such additional meetings as the Board or committee, respectively, determines necessary or appropriate.



Set forth below is a brief description of each committee and its function, its membership and the number of meetings it held during 2017. The Board will consider committee appointments for Dr. Torley following her election to the Board. Additional information about the committees can be found in their charters, which are available on our corporate governance website at [www.QuestDiagnostics.com](http://www.QuestDiagnostics.com).

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## Audit and Finance Committee

Number of 2017 This committee:  
Meetings: 9

• Monitors the quality and integrity of the financial statements and financial reporting procedures of Gary M. Pfeiffer the Company.  
(Chair)

Jenne K. Britell

• Oversees management's accounting for the Company's financial results and reviews the timeliness and adequacy of the reporting of those results and related judgments.  
Timothy L. Main

Daniel C. Stanzione

• Oversees the internal audit function and makes inquiry into the audits of the Company's books performed internally and by the outside independent registered public accounting firm.

John B. Ziegler\*

• Has primary oversight responsibility for the Company's enterprise risk management program.

*\* Ceased service upon*

*retirement in May 2017*

• Appoints the independent registered public accounting firm, monitors its qualifications, independence and performance, approves its compensation and pre-approves the services it performs.

• Reviews with the Company's independent registered public accounting firm, and informs the Board of, any significant accounting matters, including critical accounting policies and judgments.

• Advises and makes recommendations with regard to certain financing transactions and other significant financial policies and actions.

• Establishes procedures for the receipt, retention and treatment of complaints relating to accounting and internal accounting controls, and for the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters.

• Reviews and reports to the Board on the Company's management of its financial resources.

- Annually reviews its own performance.

The Board has determined that each of Dr. Britell and Mr. Pfeiffer qualifies as an “audit committee financial expert” as defined by the SEC. For descriptions of the experience of Dr. Britell and Mr. Pfeiffer, see “Proposal No. 1—Election of Directors” beginning on page 1.

## Compensation Committee

Number of 2017 This committee:

Meetings: 4

Timothy M. Ring (Chair) • Reports to the Board with respect to the performance of the Chief Executive Officer and reviews and approves the compensation of the Chief Executive Officer based on the directors' evaluation of the Chief Executive Officer and the Company's financial performance, competitive compensation data and other factors.

Vicky B. Gregg

Jeffrey M. Leiden

• Oversees the performance of the Company's other senior management team members and annually reviews and approves their annual base salary, annual incentive compensation and long-term incentive compensation.

Gail R. Wilensky

• Annually reviews the compensation arrangements for the Company's senior management team members to assess whether they encourage risk taking that is reasonably likely to have a material adverse effect on the Company.

• Annually reviews and recommends to the Board the compensation of the Company's non-employee directors.

• Administers, or makes recommendations to the Board regarding, the equity-based, incentive compensation and retirement plans, policies and programs of the Company. The Committee may delegate the administration of plans, policies and programs as appropriate, including to executive officers of the Company and to the Company's Human Resources department.

• Supports the Board in the senior management succession planning process.

• Reviews and approves, for senior management team members, employment agreements, severance benefits and other special benefits.

• Annually reviews its own performance.

For more information regarding the Company's processes and procedures for executive compensation, including regarding the role of executive officers and compensation consultants in connection with determining or recommending executive and director compensation, see "Compensation Discussion and Analysis" beginning on page 19.

## Executive Committee

Number of 2017  
Meetings: 0

Daniel C. Stanzione (Chair) This committee may act for the Board, except with respect to certain major corporate matters, such as mergers, election of directors, removal of directors or the Chief Executive Officer, amendment of the Company's charter or by-laws, declaration of dividends and matters delegated to other Board committees.

Gary M. Pfeiffer

Stephen H.  
Rusckowski

## Governance Committee

This committee:

- Identifies individuals qualified to become Board members, and reviews and recommends possible candidates for Board membership, taking into account such criteria as independence, diversity, age, skills, occupation and experience in the context of the needs of the Board.

Number of  
2017 Meetings:  
4

- Reviews the structure of the Board, its committee structure and overall size.

- Monitors developments in corporate governance.

Daniel C.  
Stanzione  
(Chair)

- Reviews the Company's Corporate Governance Guidelines and recommends to the Board such changes to the Guidelines, if any, as the Committee may determine.

Timothy L.  
Main

Gary M.  
Pfeiffer

- Recommends to the Board assignments of directors to Board committees.

Timothy M.  
Ring

- Reviews relationships and transactions of directors, executive officers and senior financial officers for possible conflicts of interest.

Gail R.  
Wilensky

- Reviews and approves transactions or proposed transactions in which a related person is likely to have a direct or indirect material interest pursuant to the Company's Statement of Policy and Procedures for the Review and Approval of Related Person Transactions.

- Oversees the Board and each Board committee in their annual self-evaluation.

- Annually reviews its own performance.

## Quality, Safety and Compliance Committee

This committee:

Number of  
2017 Meetings:

- 4
- Reviews the Company's policies, programs and performance relating to billing compliance, environmental health and safety, equal opportunity employment practices, fraud and abuse, corporate political contributions and medical quality assurance.

Gail R.  
Wilensky  
(Chair)

- Reviews the organization, responsibilities, plans, results, budget and staffing of the Company's Compliance Department, and reviews significant reports to management, or summaries thereof, regarding the Company's compliance policies, practices, procedures and programs and management's responses thereto.

Vicky B. Gregg

Jeffrey M.  
Leiden

- Monitors significant external and internal investigations of the Company's business as they relate to possible violations of law by the Company or its directors, officers, employees or agents.

John B.  
Ziegler\*

- Monitors significant regulatory, legislative and legal developments affecting the Company's business.

*\* Ceased  
service upon*

*retirement in  
May 2017*

- Monitors material legal and medical quality matters and compliance with legal and regulatory requirements, and coordinates with the Audit and Finance Committee regarding the same.

- Annually reviews its own performance.

## Board Leadership Structure

At Quest Diagnostics, we recognize the importance of good corporate governance and value the leadership and input of the independent members of our Board of Directors. Effective January 1, 2017, Stephen H. Rusckowski, our President and Chief Executive Officer, serves as Chairman of the Board of Directors, and Dr. Daniel C. Stanzione, Ph.D. serves as Lead Independent Director. The Board of Directors currently believes that having our President and CEO serve as Chairman as well as having a Lead Independent Director helps the administration and organization of the Board and facilitates the effective conduct of its duties, including the activities of the independent directors. The Board has revised its leadership structure from time to time and retains the flexibility to revise its leadership structure if, in the exercise of its fiduciary duty, the Board believes that such revision is appropriate.

Our Lead Independent Director has a robust set of responsibilities, set forth in our Corporate Governance Guidelines. The principal responsibilities of the Lead Independent Director include:

participate with the Chairman of the Board and CEO in the preparation of the agendas for Board meetings, and have the authority to call meetings of the non-management directors;

- serve as a member of the Board's Executive Committee;
- coordinate providing timely feedback from the directors to the Chairman of the Board;

preside over all executive sessions of the non-management directors and all Board meetings in the absence of the Chairman of the Board;

take a leading role in the process of evaluating the Board, and lead the non-management directors in the annual evaluation of the performance of the President and CEO;

- interview candidates for the Board;
- serve as the principal contact for stockholder communications with the non-management directors; and

monitor, and if appropriate discuss with the other non-management directors, communications received from stockholders and others.

We also have other mechanisms in place to promote the appropriate level of independence and oversight in Board decisions. See "Corporate Governance Highlights" on page 6.



## **Board Role in Risk Oversight**

The Board plays an active role in overseeing the Company's key risks and has considered its role in risk oversight in determining the current Board leadership structure. The Company's management is responsible for managing the risks, which it does through a committee of senior managers that leads the Company's enterprise risk management program; the program is discussed in the Company's Annual Report on Form 10-K. The program is designed to identify and address the Company's key risks from time to time, including without limitation medical quality, cybersecurity and business continuity. The Board has delegated to its Audit and Finance Committee primary responsibility for overseeing that program. The Audit and Finance Committee receives periodic updates regarding the program. In addition, the Board's Quality, Safety and Compliance Committee reviews the adequacy and effectiveness of policies and programs to ensure the Company's compliance with laws and regulations applicable to its business (other than compliance with securities and accounting laws and regulations, which the Audit and Finance Committee oversees), and its medical quality program, and regularly receives reports regarding these topics. In addition, the Compensation Committee annually reviews the compensation arrangements for the Company's senior management team members to assess whether they encourage risk taking that is reasonably likely to have a material adverse effect on the Company. Each of these committees regularly updates the Board regarding its activities. In addition, each year the full Board of Directors reviews the enterprise risk management program.

## **Related Person Transactions**

The Company has a written policy pursuant to which it evaluates proposed transactions involving a related person and the Company in which the amount involved exceeds \$120,000. A related person is any director or executive officer of the Company, any immediate family member of a director or executive officer, or any person who owns 5% or more of the Company's outstanding common stock. The office of the General Counsel is primarily responsible for the administration of the policy and for determining, based on the facts and circumstances, whether the Company or a related person has a

direct or indirect material interest in the transaction. Certain transactions are defined not to be related person transactions under the policy.

The Governance Committee reviews any proposed transaction in which a related person has a direct or indirect material interest, except for any compensation arrangements involving an immediate family member of a director or an executive officer. In the event that the General Counsel becomes aware of a related person transaction not approved in advance, the General Counsel will arrange for the related person transaction to be reviewed at the next regularly scheduled meeting of the Governance Committee. Any member of the Governance Committee who is a related person with respect to a transaction under review may not participate in any review, consideration or approval of the transaction.

In considering any related person transaction, the Governance Committee determines whether the transaction is fair to the Company. In considering a proposed transaction involving a director or the immediate family member of a director, the Governance Committee also assesses whether the proposed transaction could reasonably be expected to impact the independence of the director under the Company's Corporate Governance Guidelines, the NYSE listing standards or other applicable rules.

Compensation arrangements involving an immediate family member of an executive officer are reviewed and approved by the Chief Executive Officer and the Senior Vice President, Chief Human Resources Officer, unless such person is an immediate family member of the Chief Executive Officer, in which case the compensation arrangement is approved by the Compensation Committee. Compensation arrangements involving an immediate family member of a director are reviewed and approved by the Compensation Committee.

## 2017 Director Compensation Table

*Changes in Director Compensation Program for 2017.* After considering the recommendation of the Compensation Committee, which acted after receiving input from its independent compensation consultant, Pay Governance, and after discussing various alternatives, the Board approved (i) effective in January 2017, the compensation for the Lead Independent Director in the amount of \$40,000, payable in equal quarterly cash installments of \$10,000 and (ii) starting in the fourth quarter of 2017, an additional fee for the chair of the Governance Committee at an annual rate of \$7,500. There were no other changes in the compensation program for directors for 2017.

The following table sets forth the 2017 compensation of our non-employee directors. Mr. Rusckowski, our only employee director during 2017, received no additional compensation for serving as director. None of our non-employee directors receives any consulting or other non-director fees from the Company.

<b><u>Director</u></b>	<b>Fees Earned or</b>	<b>Stock Awards (\$)<sup>(1)(2)</sup></b>	<b>Total (\$)</b>
------------------------	-------------------------------	---	-----------------------

**Paid in  
Cash (\$)**

Jenne K. Britell	116,500	167,965	284,465
Vicky B. Gregg	113,000	167,965	280,965
Jeffrey M. Leiden	113,000	167,965	280,965
Timothy L. Main	117,000	167,965	284,965
Gary M. Pfeiffer	148,500	167,965	316,465
Timothy M. Ring	123,500	167,965	291,465
Daniel C. Stanzione	160,375	167,965	328,340
Gail R. Wilensky	130,500	167,965	298,465
John B. Ziegler	43,688	—	43,688

(1) Represents the aggregate grant date fair values of the awards. Each of our non-employee directors then in office received a single award of 1,573 RSUs. RSUs reported in this column were valued based on the average of the high and low prices of our common stock on the grant date. As of December 31, 2017, each non-employee director held the number of RSUs set forth beside his or her name below.

Dr. Britell	5,740	Mr. Ring	14,715
Ms. Gregg	6,254	Dr. Stanzione	4,921
Dr. Leiden	3,817	Dr. Wilensky	3,817
Mr. Main	3,817	Mr. Ziegler	3,517
Mr. Pfeiffer	15,673		

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No stock options were awarded to our non-employee directors during 2017. As of December 31, 2017, each (2) non-employee director held options to purchase the number of shares of the Company's common stock set forth beside his or her name below.

Dr. Britell	12,222	Mr. Ring	23,755
Ms. Gregg	—	Dr. Stanzione	—
Dr. Leiden	—	Dr. Wilensky	34,333
Mr. Main	2,037	Mr. Ziegler	22,333
Mr. Pfeiffer	—		

**Annual Cash Retainer Fees.** During 2017, our non-employee directors received an annual cash retainer fee of \$96,500, payable in quarterly installments of \$24,125. Directors serving on Board committees also received additional annual retainers for such service, in the following amounts:

Audit and Finance Committee - \$13,000

Compensation Committee - \$9,500

Governance Committee - \$7,500

Quality, Safety and Compliance Committee - \$7,000

Executive Committee - \$1,500

The director who served as chair of our Compensation Committee, and the director who served as chair of our Quality, Safety and Compliance Committee, each received an additional \$10,000 annual fee; the director who served as the Chair of the Audit and Finance Committee received an additional \$30,000 annual fee. Starting in the fourth quarter of 2017, the director who served as Chair of the Governance Committee received an additional fee at a rate of \$7,500 annually. The director who served as Lead Independent Director received an additional \$40,000 annual fee.

**Equity Awards.** Each non-employee director participates in the Company's Long-Term Incentive Plan for Non-Employee Directors (the "Director Plan"). The Director Plan currently authorizes the grant to each non-employee director, on the date of the annual stockholders meeting, of stock options and stock awards covering shares of common stock having an aggregate value on the date of grant not exceeding \$500,000. If a person is appointed or elected as a director other than on the date of the annual stockholders meeting, the Board may grant to such director a prorated equity award, in such proportions as the Board may determine. The Director Plan also permits a one-time grant to a non-employee director of an equity award covering a limited number of shares of common stock of the Company upon initial election to the Board. Annual option grants become exercisable, and annual RSUs generally vest and convert to shares of our common stock, in three equal annual installments, beginning on the first anniversary of the grant date, regardless of whether the non-employee director remains a director. The exercise price of all stock

options issued under the Director Plan is the fair market value of our common stock on the grant date. Options, once vested, will be exercisable through the tenth anniversary of the date of grant even if the director's service on the Board terminates.

For 2017, the Board fixed the value of the annual equity award to non-employee directors at \$168,000 and determined that the award would be delivered entirely in the form of RSUs. The 2017 award was granted effective May 16, 2017, with each non-employee director receiving an award of 1,573 RSUs.

A non-employee director may elect to receive annual retainer fees in stock options or stock awards in lieu of cash. The number of options issued in lieu of cash for the retainer fees is based on the estimated value on the grant date of such options using the Black-Scholes pricing model. The number of shares issued in lieu of cash for the retainer fees is based on the fair market value of the stock on the date that the cash payment would otherwise be made. Options granted in lieu of retainer fees vest immediately.

***Opportunity to Defer Compensation.*** Under the Company's Deferred Compensation Plan for Non-Employee Directors, each non-employee director may elect to defer, until a date specified by the director or until the director's termination of service as a director, the director's cash compensation or any stock grants awarded pursuant to the Director Plan. Cash amounts deferred may be indexed to (i) a cash account under which amounts deferred earn interest, compounded quarterly, at a rate in effect on the first date of each calendar quarter or (ii) the Company's common stock.

***No Changes in Director Compensation Program for 2018.*** After considering the recommendation of the Compensation Committee, which received input from its independent compensation consultant, Pay Governance, the Board determined that no changes would be made in the compensation program for directors for 2018.

**Stock Ownership Information**

We encourage our directors, officers and employees to own our common stock, which aligns their interests with the interests of our stockholders. The Company maintains stock ownership and retention guidelines for its directors and executive officers. The guidelines call for our directors to beneficially own not less than 6,000 shares of our common stock. Until a director satisfies the minimum shareholding requirement, directors are required to maintain 75% of net shares received from vesting of RSUs and from the exercise of options. For purposes of determining whether a director has met the minimum shareholding requirements, we count shares subject to unvested RSUs but not shares subject to stock options. The guidelines for our executive officers are discussed in “Compensation Discussion and Analysis” beginning on page 19.

The following tables show the number of shares of the Company’s common stock beneficially owned by (1) each person who is known to the Company to own beneficially more than 5% of the Company’s common stock, (2) each director of the Company and each nominee, (3) each named executive officer and (4) all directors, nominees and executive officers as a group. Information in the table regarding the Company’s directors, nominees and executive officers is provided as of March 5, 2018.

<u>Name</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Class</u>
BlackRock, Inc. (1)	14,511,392	10.60
The Vanguard Group (2)	14,069,424	10.32
Macquarie Group Limited (3)	6,841,519	5.02

The business address of BlackRock, Inc. is 55 East 52nd Street, New York, New York 10055. The ownership (1) information is based on the information contained on a Schedule 13G filed by BlackRock with the SEC on February 8, 2018.

The business address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355. The ownership (2) information is based on the information contained in the Schedule 13G filed by Vanguard with the SEC on February 12, 2018.

The business address of Macquarie Group Limited is 50 Martin Place, Sydney, New South Wales, Australia. The (3) ownership information is based on the information contained in the Schedule 13G filed by Macquarie with the SEC on February 13, 2018.

<u>Name</u>	<u>Shares<sup>(1)</sup></u>	<u>Shares Subject to</u>	<u>Total<sup>(3)</sup></u>	<u>Shares Underlying</u>
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		<b>Stock Options Exercisable within 60 days<sup>(2)</sup></b>		<b><u>RSUs<sup>(4)</sup></u></b>
<b>Named Executive Officers</b>				
Stephen H. Rusckowski	153,081	912,329	1,065,410	37,988
Mark J. Guinan	47,000	280,840	327,840	11,202
James E. Davis	26,364	183,523	209,887	10,703
Carrie Eglinton Manner	2,492	12,521	15,013	18,783
Catherine T. Doherty	64,274	111,941	176,215	7,502
<b>Directors and Nominees</b>				
Jenne K. Britell	15,776	12,222	27,998	5,755
Vicky B. Gregg	2,323	—	2,323	6,265
Jeffrey M. Leiden	2,183	—	2,183	3,817
Timothy L. Main	10,874	2,037	12,911	3,817
Gary M. Pfeiffer	—	—	—	19,525
Timothy M. Ring	—	23,755	23,755	21,013
Daniel C. Stanzione	29,754	—	29,754	4,921
Helen I. Torley	—	—	—	—
Gail R. Wilensky	21,143	34,333	55,476	3,817
All directors, nominees and executive officers as a group (17 persons)	477,195	1,960,037	2,437,232	176,132

- (1) Each person has sole voting power and sole dispositive power.

Includes shares of common stock which are subject to options issued under the Amended and Restated Employee Long-Term Incentive Plan (the "Employee Plan") or the Director Plan, as applicable, that were exercisable as of, or would become exercisable within 60 days of, March 5, 2018.

Includes shares of common stock which are subject to RSU awards issued under the Employee Plan or the Director Plan, as applicable, and that would convert to common stock within 60 days of March 5, 2018. Each executive officer, director and nominee beneficially owned less than 1% of the shares of common stock outstanding. All directors, nominees and executive officers as a group beneficially owned approximately 1.79% of the shares of common stock outstanding.

Shares of common stock corresponding to RSUs reported in this column are not considered beneficially owned under SEC rules and are not included in the total column in this table. This column also includes phantom stock units held by directors under the Deferred Compensation Plan for Non-Employee Directors.



## INFORMATION REGARDING EXECUTIVE COMPENSATION

### Proposal No. 2—Advisory Resolution to Approve Executive Officer Compensation

Section 14A of the Securities Exchange Act entitles stockholders to vote to approve or not approve, on an advisory (non-binding) basis, our executive officer compensation as disclosed in the Compensation Discussion and Analysis and accompanying compensation tables and narrative. We are asking stockholders to approve the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and related narrative disclosure, is hereby APPROVED.

**Pay for Performance.** As discussed in "Compensation Discussion and Analysis" below, our executive compensation program is designed to pay for performance, to align the interests of our executive officers with the interests of our stockholders and to support the Company's long and short term business goals. Our program reflects many "best practices," and our executive compensation structure and levels in 2017 clearly demonstrate our commitment to aligning pay and performance.

**Advisory Vote.** This vote is advisory. We conduct an advisory vote to approve executive officer compensation annually the next stockholder advisory vote to approve executive compensation will take place at the Company's 2019 annual meeting. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the executive compensation policies and practices described in this proxy statement. The Board and the Compensation Committee value the opinions of the Company's stockholders and will take into account the outcome of the vote, in conjunction with such other factors as the Board and the Compensation Committee consider appropriate, in connection with the Company's executive compensation program.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL. PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR THIS PROPOSAL UNLESS OTHERWISE INSTRUCTED.**

## Compensation Discussion and Analysis

### Executive Summary

#### *Introduction*

The Compensation Committee (the “Committee”) determined 2017 compensation for the Company’s named executive officers after considering, among other things, the Company’s performance, the competitive market for executive talent and the current environment in the healthcare industry, including in diagnostic information services. We believe that our executive compensation structure, compensation opportunity levels, and pay outcomes in 2017 reflect our firm commitment to align pay with performance and the Company’s financial results and also focus management’s attention on implementing our business strategy.

#### *2017 Company Performance*

In 2017, we continued to make progress executing our business strategy and delivering on our commitments. The Company improved on financial and operating metrics and exceeded several key financial targets.

#### **2017 Financial Highlights**

	<b><u>Results</u></b>	<b><u>Change</u></b>
<b><u>Reported:</u></b>		
Net revenues	\$7,709MM	2.6%
Operating income as a percentage of net revenues	15.1%	(190) bps
Diluted earnings per share	\$5.50	22.0%
Cash provided by operations	\$1,175MM	9.9%
<b><u>Adjusted:</u></b>		
Revenue growth on an equivalent basis	N/A	2.9%
Operating income as a percentage of net revenues	16.6%	20 bps
Diluted earnings per share excluding amortization	\$5.67	10.1%

Annex A includes reconciliations of adjusted measures to measures reported under accounting principles generally accepted in the United States.

The following table highlights 2017 progress on our two-point strategy.

**2-Point  
Strategy**  
*Accelerate  
Growth*

**Summary Highlights of 2017 Progress**

- We grew revenues 2.9% on an equivalent basis.

Our clinical franchises continue to deliver new solutions and foster organic growth (e.g., QHerit genetic testing, non-fasting cholesterol testing, expanded Blueprint for Wellness offering, growth of prescription drug monitoring and toxicology and infectious diseases and immunology offerings).

- We forged several new strategic relationships, including with Wal-Mart Stores, Inc., Cleveland Clinic, McKesson Specialty Health, U.S. Oncology Network and Texas Oncology.

We continued to expand our pipeline of hospitals and independent delivery networks interested in working with us, and we implemented new professional laboratory services relationships with Montefiore Health System, a premier academic health system in the New York City area, and PeaceHealth Laboratories, in three Pacific Northwest states.

- We made progress executing our strategy to be the provider of choice for consumers, including launching a partnership with Wal-Mart Stores to expand access to basic health care services, and advancing several other consumer-centric initiatives, such as significantly increasing in 2017 the number of Safeway locations where we offer services.

We are leveraging the power of our information assets by building offerings to support population health with data analytics and extended care services (e.g., our joint venture with Wal-Mart Stores and our Chronic Care Management offering).

**Drive Operational Excellence** We continued to make strong progress driving operational excellence and improving our quality, efficiency and customer experience. We improved performance on key medical quality and customer service measures as we became more efficient.

We completed implementation of our new logistics management system, strengthening and enhancing the efficiency of our courier system.

We have outfitted 60% of our patient service centers with electronic patient check-in, have reduced results-only call volume by nearly 20% compared to 2016 through increased adoption of our digital solutions, and enhanced the functionality of our physician portal, improving the customer experience and reducing cost.

In our Invigorate cost excellence program, we exceeded our goal of delivering \$1.3 billion in run-rate savings exiting 2017, compared to 2011, and plan to continue to pursue opportunities to achieve additional cost savings.

The following table provides 2017 highlights on our three operating principles: strengthening the organization, focusing on diagnostic information services and delivering disciplined capital deployment.

**3 Operating Principles**

**2017 Highlights**

**Strengthen organizational**

We continued to use the Quest Management System, which provides a foundation for day-to-day management to support our efforts to build a high-performance culture.

**capabilities**

Our entire organization continued participation in our Everyday Excellence program, which includes guiding principles to support a superior customer experience, to inspire our employees to be their best every day, with every person and with every customer interaction.

We (i) continued our Leading Quest Academy, which is designed to strengthen our more senior employee leaders through a highly experiential leadership development program focused on creating a high-performance culture and sharpening the capabilities needed to lead our organization, (ii) offer our Leading Quest Supervisor Academy for our supervisor-level employees and (iii) started a new leadership training program for our manager-level employees.

We once again improved the engagement levels of our employees.

**Focus on diagnostic information services**

We maintained a sharp focus on providing diagnostic information services, having completed in 2016 our efforts to refocus on these services.

**Deliver disciplined capital deployment**

We returned a majority of our free cash flow to stockholders, through dividends and repurchases of our common stock.

To aid our efforts to restore growth, we reinvested in our business with \$252 million in capital expenditures and completed several acquisitions, including the outreach laboratory testing business of PeaceHealth Laboratories; Med Fusion and Clearpoint Diagnostics Laboratories; Shiel Medical Laboratory; certain assets of California Laboratory Associates; and Cleveland HeartLab, Inc.

In January 2017, we announced a \$1.0 billion increase in repurchase authority under our common stock repurchase program.

In February 2018, we announced the seventh increase in our quarterly common stock dividend since 2011, increasing the dividend by over 11%, from \$0.45 per common share to \$0.50 per common share.



*Incentive Compensation Outcomes and Alignment with Performance*

The 2017 annual incentive payout for our named executive officers, including Mr. Rusckowski, on our annual cash incentives under the Senior Management Incentive Plan (“SMIP”) was 97% of target. Payout on performance share awards for the three-year performance period ended December 31, 2017 was 111% of target. The following table summarizes annual incentive and performance share payouts for the two most recent performance periods for our named executive officers.

<b><u>Incentive Program</u></b>	<b><u>Annual Incentive Payout (% of target)</u></b>	<b><u>Performance Share Payout for 3-year performance period (% of target)</u></b>
Performance period ended December 31, 2017	97	111
Performance period ended December 31, 2016	94	93

Our total stockholder return for recent periods, relative to relevant publicly traded comparator groups, is set forth below.

	<b><u>1-Year TSR (%) (2017)</u></b>	<b><u>2-Year TSR (%) (2016-17)</u></b>	<b><u>3-Year TSR (%) (2015-17)</u></b>
Quest Diagnostics Incorporated	9.2	44.0	56.0
Compensation Peer Group Median	24.2	33.0	53.9
S&P 500 Index	21.8	36.4	38.3

The returns reflect our improved operating performance and further illustrate our pay for performance alignment. The total stockholder return shown combines stock price appreciation and dividends paid during the relevant performance period, thereby allowing for the effect of divergent dividend policies.

Taken in the aggregate, the results of our annual and long-term incentive programs demonstrate that the Committee sets challenging performance goals and that our named executive officers receive compensation based on the achievement of those goals. Please also see the charts, on pages 28 and 32, respectively, discussing historical payouts for our annual incentive compensation and performance share awards.

*Recent Compensation Actions*

At the Company's 2017 annual meeting of stockholders, approximately 92% of votes cast on the say-on-pay proposal voted in favor of the compensation of our named executive officers, and approximately 84% of votes cast on the say-on-frequency proposal voted in favor of holding the say-on-pay vote annually. After considering these results, the Board determined that the Company will continue to hold an annual advisory say-on-pay vote until the next say-on-frequency vote, which is required to be held at least every six years. In 2017, we continued to monitor market practices and trends and to engage in discussions with our investors with respect to executive pay. In these discussions, investors generally shared positive feedback regarding the Company's structuring of and overall approach to executive pay. The Committee also received advice from its independent compensation consultant and considered management recommendations based on the Company's strategic direction. Insights gained from these efforts, including the feedback from our investors, were evaluated by the Committee, along with the results of the say-on-pay advisory vote, and were taken into account by the Committee in taking action regarding the Company's compensation program in and for 2017.

In order to enhance the strategic linkage between our Invigorate cost excellence program and executive pay for the 2015-17 performance period, the Committee in 2015 had adopted run-rate savings on the Company's Invigorate cost excellence program as a performance share metric, with a 25% weight. The compound annual growth rate ("CAGR") of the Company's revenue and average return on invested capital ("ROIC") were weighted at 40% and 35%, respectively. In 2017, the Committee determined that, because the performance period for the 2017 performance share awards would extend after the conclusion of the Company's course of action related to 2015-17 under our Invigorate cost excellence program, 2017 performance share awards and awards going forward would not contain a measure focused on that program. As a result, for 2017 performance share awards the Committee used the performance measures used for the awards made in 2012 through 2014 and 2016: average ROIC (50% weight) and revenue CAGR (50% weight) over the three-year performance period.

*Strong Foundation*

Our program is designed to align executive compensation with the Company's performance. In recent years the Committee has built a strong foundation for our executive compensation program, and, in addition to the actions noted above, has taken numerous steps to enhance the program's alignment of pay and performance.

In 2012, we enhanced the performance orientation of our equity awards for our executive officers by increasing the portion allocated to performance shares and stock options and decreasing the percentage allocated to restricted share units ("RSUs"). The chart below shows the weighted average of 2017 target compensation for our named executive officers and the mix, unchanged since 2012, of our long-term incentives.

Beginning in 2014, the Committee expanded the pool of recipients of equity awards and, in February 2018, for the fifth consecutive year, the Committee again awarded a significant number of equity awards, consisting solely of RSUs, to about 200 high-performing employees who are not ordinarily eligible for equity awards. These "special recognition awards" are designed to foster an alignment of stockholder interests with a broader group of employees, to incentivize these employees to continue to perform at a high level and to promote a culture of employee ownership. Additionally, a significant number of employees at all levels of the Company own our common stock through our Employee Stock Purchase Plan, under which employees may purchase our common stock at a discount, and our Quest Diagnostics Profit Sharing Plan (the "401(k) Plan").



*Best Practices*

Our program reflects many best practices.

**What We Do**

- Link executive pay with performance
- Maintain a clawback policy that covers both equity and cash incentive awards to current and former executive officers and key employees
- Maintain share ownership and retention guidelines for executives and members of senior management
- Use three-year vesting for equity awards
- Measure performance for performance share awards over a single three-year performance period
- Provide for “double trigger” change-in-control vesting in all new equity awards: awards vest following a change in control only if the employee experiences a qualifying termination of employment
- Equity awards may vest in full only on or after the first anniversary of grant (except for up to 5% of awards)
- Utilize an independent compensation consultant
- Maintain an investor outreach program to incorporate feedback in our compensation programs

**What We Don't Do**

- No excise tax gross-ups upon a change in control
- No supplemental pension benefits for executives
- No single-trigger vesting in connection with a change in control for equity awards
- No hedging or pledging or speculative transactions in our securities by directors and executive officers
- No repricing of equity awards without stockholder approval
- No excessive perquisites
- No payment of dividends or dividend equivalents on performance shares
- No encouraging imprudent risk taking
- No employment agreements for executive officers except our CEO

- Annual “say on pay” vote
- Program designed to maximize tax deductibility for the Company
- Evaluate management succession and leadership development efforts on an ongoing basis

### **Executive Compensation Philosophy**

Our executive compensation program is designed to:

- Support our business strategy and financial objectives;
- Attract and retain talented executives;
- Motivate executives to achieve results that appropriately balance the short-term and the long-term interests of our stockholders, employees and customers;
- Effectively align executive interests with the interests of stockholders;
- Reward corporate and individual performance;
- Mitigate risks to the Company by encouraging prudent decision-making; and
- Provide flexibility and responsiveness to changing business conditions.

The principal components of compensation for our named executive officers are discussed in the following table.

<b>Component</b>	<b>Form</b>	<b>Purpose</b>
Base Salary	Cash (Fixed)	Provides a competitive level of pay that reflects the executive's experience, role and responsibilities
Annual Cash Incentive (SMIP)	Cash (Variable)	Rewards achievement of overall corporate financial and, to a lesser extent, non-financial results for the most recently completed fiscal year
Long-Term Incentives	Equity Awards (Variable)	Provides meaningful incentives for management to execute on longer-term financial and strategic growth goals that drive stockholder value creation and supports the Company's retention strategy

As shown in this chart, the bulk of our senior executives' compensation is performance based and variable in nature (89% for our CEO and an average of 80% for our other NEOs in 2017). The chart reflects 2017 target direct compensation and excludes the value of other benefits and perquisites.

We believe that a balanced compensation program which encourages a long-term focus supports sustained long-term corporate performance. Our long-term awards provide alignment with stockholder interests and help attract and retain critical employee talent. More information regarding the mix of long-term incentives used in our programs is discussed below.

We make very limited use of employment agreements with executive officers. Of our named executive officers, only Mr. Rusckowski, our Chairman, President and Chief Executive Officer, has an employment agreement (the employment agreement is discussed under the heading "Employment Agreement" on page 40). Our other named executive officers are "at will" employees.

### **Executive Share Ownership and Retention Guidelines**

Since 2005 we have maintained senior management retention and ownership guidelines. Our current guidelines are set forth in the following table.

<b><u>Employee</u></b>	<b><u>Minimum Shareholding Requirement (X times base salary)</u></b>
CEO	6X
Other Executive Officers	4X
Other Senior Management	3X or 2X, depending upon position

We determine the number of shares corresponding to these thresholds on April 1 of each year using the average annual price of our common stock during the preceding calendar year and the employee's base salary as of the first business day in April. For purposes of determining whether an employee has met the minimum shareholding requirements, we count shares subject to unvested RSUs but not shares subject to stock options or unvested performance share awards.

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Under the guidelines, an employee's ability to sell shares associated with equity awards is limited until the officer satisfies a minimum ownership position. Our executive officers are required to retain 75% of net shares received from vesting of RSUs and performance shares and from the exercise of stock options, until they achieve their minimum shareholding requirement. As of April 1, 2018, each of our named executive officers holds stock in excess of his or her minimum ownership requirement.

The Committee periodically reviews these guidelines and may adjust them. Under our policy, if a named executive officer satisfies the minimum share ownership requirements in our guidelines, the Committee monitors future equity awards to that person to assure that the interests of the named executive officer and stockholders continue to be significantly aligned and, if warranted, adjusts the minimum share ownership requirements or adds retention requirements.

### **Policies Regarding Hedging and Pledging our Common Stock**

Our directors and executive officers are prohibited from pledging the Company's common stock to secure a loan, and from holding such stock in a margin account. Our directors and executive officers also are prohibited from entering into transactions that result in a financial benefit if our stock price declines, or any hedging transaction involving our stock, including but not limited to the use of any financial derivatives (such as puts, calls and collars), short sales or any similar transactions. In addition, our directors and executive officers, as well as certain other employees, generally may purchase or sell Company securities only during permitted window periods (generally beginning on the business day following the issuance of our quarterly earnings releases and continuing until the end of the second month of the fiscal quarter).

### **Setting Executive Compensation**

The Committee establishes the Company's general compensation philosophy, oversees our executive compensation program and regularly monitors our executive compensation to ensure adherence to our compensation philosophy. The Committee is supported in its work by our Senior Vice President, Chief Human Resources Officer and her staff and the Committee's independent compensation consultant.

Within the framework of the executive compensation programs approved by the Committee, the Chief Executive Officer recommends to the Committee individual compensation for the executive officers, other than himself. These recommendations are based on market data and Company and individual performance. The Chief Executive Officer also recommends incentive compensation measures to align compensation with our corporate objectives. He is present during the portions of Committee meetings in which compensation decisions regarding the named executive officers other than the Chief Executive Officer are reviewed and decided, but the Committee retains the final authority for all such decisions. The Chief Executive Officer does not make any recommendations to the Committee regarding his own compensation and does not participate in portions of Committee meetings when his compensation is reviewed and decided.

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The Committee has retained an independent consultant to assist it in carrying out its responsibilities. The following table provides information regarding the Committee's independent consultant, Pay Governance LLC.

**Independent Consultant — Pay Governance LLC**

- Reports directly to, and is directly accountable to, the Committee, which has sole authority to retain and terminate it, at Company expense
- February 2018: the Committee assessed Pay Governance in accordance with SEC and NYSE rules and determined that it is independent and there are no conflicts of interest

**What They Do**

- Provide analyses and information regarding the three-year realizable pay of the Company's executive officers and the three-year stockholder returns of the peer group
- Advise on the design of our executive compensation programs to ensure the linkage between pay and performance
- Provide related advice and services (e.g., advice regarding compensation peer group)
- Provide analyses and information regarding market practices and trends in executive and director compensation for companies in our peer group
- Periodically participate in private sessions of the Committee (without Company employees present)
- Periodically meet with the Committee's Chairman to discuss compensation matters

**What They Don't Do**

- Provide services to the Company (other than their services to the Committee)
- Have ties to management that could jeopardize their fully independent status

**Competitive Pay Information**

For each named executive officer, the Committee annually reviews performance and approves all elements of compensation, including base salary, annual incentive awards and long-term incentive awards, except for our broad-based employee benefit programs. After the Committee approves the compensation of our named executive officers, the Committee reports the compensation to the full Board.

To assist the Committee with its review, our Human Resources department, in consultation with Pay Governance, annually prepares analyses of each named executive officer's compensation, including tally sheets. The review includes current and prior year compensation information regarding base salary, target and paid annual incentive compensation, deferred compensation activity and balances, aggregate equity grant values, perquisites, and all other compensation, as well as estimates of the amounts payable to each named executive officer upon termination of employment under various circumstances, including in connection with a change in control.

The compensation targets for, and compensation earned by, each named executive officer are analyzed relative to market data for comparable positions in a peer group that consists of the following 16 companies, which generally are in the healthcare services, equipment and distribution industries.

- Agilent Technologies Inc.
- Laboratory Corporation of America Holdings
- Baxter International Inc.
- Owens & Minor, Inc.

- Becton, Dickinson and Company
- Boston Scientific Corporation
- C.R. Bard, Inc.
- DaVita Inc.
- Henry Schein, Inc.
- Hologic, Inc.
- PerkinElmer Inc.
- St. Jude Medical, Inc.
- Stryker Corporation
- Tenet Healthcare Corp
- Varian Medical Systems, Inc.
- Zimmer Holdings, Inc.

Going forward, C.R. Bard and St. Jude Medical will be removed from the peer group as a result of their acquisitions by Becton, Dickinson and Abbott Laboratories, respectively.

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For the named executive officers, the Committee establishes target compensation consistent, to the extent possible, with comparable positions in the peer group. Our practice is to target total direct compensation (including base salary, annual cash incentive targets and long-term incentive awards) at market competitive levels, depending upon the named executive officer's responsibilities, expertise and experience, along with individual and Company performance.

Specific consideration is given to the weighting of fixed and at-risk components of pay relative to the peer group. No single element of compensation is set without considering the total direct compensation of the named executive officers relative to the marketplace, as well as the impact of any change on the other components of our pay model. The economic value of each participant's prior equity awards at the date of grant is considered when setting annual compensation packages. We do not take into account realized or unrealized gains from previous equity awards in setting subsequent total compensation levels.

Based on the 2017 review, the target total direct compensation for Mr. Rusckowski, the Chief Executive Officer, was at the 38<sup>th</sup> percentile of the peer group, while the target total direct compensation for the other named executive officers ranged from the 55<sup>th</sup> percentile to the 80<sup>th</sup> percentile.

## Pay Components

### *Base Salary*

We pay base salary to our executives to provide them a steady source of income for their services to the Company. The Committee annually reviews and approves base salaries for the named executive officers. Consistent with our executive compensation philosophy, base salaries are set at levels competitive with the peer group. The Committee determined 2017 base salary adjustments based on an assessment of each named executive officer's position, performance, scope of responsibility, current salary level and market comparables. 2017 base salary adjustments and base salary rates for each named executive officer are set forth in the following table.

	<b>Increase in Base Salary (%)</b>	<b>2017 Base Salary Rate (\$)</b>
Stephen H. Rusckowski	—	1,100,000
Mark J. Guinan	—	590,000
James E. Davis	—	590,000
Carrie E. Eglinton Manner	N/A	575,000
Catherine T. Doherty	—	575,000

The total base salary paid to each named executive officer in 2017 is reported in the “2017 Summary Compensation Table” beginning on page 37.

### *Annual Cash Incentive Compensation*

#### *Introduction*

Our annual cash incentives reward the achievement of annual performance, including operating and strategic goals (both financial and non-financial). The Committee generally sets performance goals with targets based on the Company’s operating plan and aligned with our two-point business strategy; non-financial goals are objective in nature. We generally pay annual incentives to our executive officers in accordance with the SMIP, which our stockholders approved at our 2003 annual stockholders meeting.

The Committee’s approach to annual incentive compensation generally has been to:

- Tie annual incentive compensation to key operating goals;
- Establish targets that are challenging, yet attainable; and
- Provide for a maximum payout of 200% of target upon achievement of extraordinary performance.

In recent years, the primary focus of the annual incentive plan has been on revenue and profitability. Because the Committee believes that non-financial business objectives also are important, it has incorporated non-financial metrics in the annual plan in recent years.

The following table sets forth, for each of the past five years, the aggregate annual cash incentive payments as compared to target for the named executive officers then in office. The Committee believes that these results demonstrate the rigor of the targets adopted, that targets have been set at reasonable levels and that annual incentive compensation has been sensitive to Company performance. Since 2005, even in years that the Company had strong financial performance, annual incentive compensation payouts never reached 150% of target.

<u>Year</u>	<b>Incentive Payment as Compared to Target (%)</b>
2013	10
2014	95
2015	89
2016	94
2017	97

#### *Annual Incentive Compensation for 2017*

For 2017, we paid annual incentive compensation under the SMIP to all the named executive officers. The Committee determined the incentive target for annual incentive compensation for each named executive officer at the beginning of 2017, after considering the factors discussed above. For 2017, the incentive targets for each of the named executive officers were not changed from 2016 levels, except that the incentive target for Mr. Rusckowski was increased to 135% for 2017 from 130% in 2016.

For each named executive officer, the threshold, target and maximum performance criteria were established with payout opportunities set at one-quarter (25%), one-time (100%), and two-times (200%) target incentive, respectively. Rewards for performance levels between these levels were interpolated. The Committee increased the payout at threshold performance from zero in the previous year to 25% to partially mitigate the steep drop-off in bonus payments for small target misses, and to bring the Company's incentive compensation in line with market competitive practices. All annual cash incentive payments to our named executive officers are subject to the achievement of specific performance goals and, if achieved, are scheduled to be paid on or before March 15th of the year following the completion of the performance year.

The Committee may adjust performance measures based on objective criteria to focus on the operating performance of the Company, to avoid unintended compensation results and to ensure that participants are not inadvertently given incentives to avoid taking actions that are in the long-term interest of the Company and its stockholders.

For 2017, annual cash incentive payouts for the named executive officers were based on performance measured against both financial and non-financial goals. The principal financial goals related to achieving budget targets, including adjusted diluted earnings per share (“EPS”) excluding amortization expense, revenues for existing portfolio and acquired revenue, and adjusted net income. The financial goals were weighted heavily, as compared to non-financial goals, in order to provide the proper incentive for management to generate profitable growth. The non-financial goals related to key elements of the Company’s strategy. For example, medical quality and customer experience goals were included to drive operational excellence, to improve the customer experience and to position the Company for the future. The medical quality goals included measures such as missed specimen pickups and revised reports; the customer experience goals included service quality measures such as patient waiting time, first call resolution and turn-around times. In addition, we believe that employee engagement and voluntary turnover levels are linked to our strategy to accelerate growth and drive operational excellence, and our effort to deliver a superior customer experience. Employee engagement was assessed based on indices built from employee survey questionnaires. The Committee set the weights for each goal based on its relative importance. Each of the named executive officers had the same goals and weightings. The following chart shows the goals, the relative weight allocated to each goal, results and resulting payout factors for 2017.

<b>Weight (%)</b>	<b>Measure/Objective</b>	<b>Threshold</b>	<b>Target</b>	<b>Results</b>	<b>Weighted Payout Factor %</b>
20	Adjusted diluted EPS, excluding amortization expense	\$ 5.23	\$5.50	\$5.46 (1)	17.8
20	Revenue attainment: existing portfolio	\$ 37MM	\$187MM	\$146MM	15.8
20	Revenue attainment: Acquired revenue	\$ 37MM	\$75MM	\$75MM	19.8
20	Adjusted net income	\$ 689MM	\$725MM	\$712MM	14.4
10	Medical quality and customer experience	multiple	multiple	multiple	12.7
5	Employee engagement	69.5	73.2	75.4	8.0
5	Voluntary turnover	15	% 13.5	% 12.4	% 8.7
	Total				97.2

(1) Results are based on 2017 adjusted diluted EPS, excluding amortization of \$5.67, and excluding unbudgeted excess tax benefit related to stock-based compensation expense of \$0.21 per share.

From time to time, the Committee makes adjustments to the Company's results based on objective criteria for purposes of calculating performance under the SMIP. Set forth in the following table are items, identified by the Committee, for which it may make adjustments. As a matter of policy, the Committee seeks to apply these principles consistently from year to year.

#### **Quest Diagnostics Policy: Items for Which the Committee May Make Adjustments**

Gains and losses from the sale of a business	Material legal settlements
Charges related to the impairment of goodwill or intangible assets	Cumulative or one-time effect from accounting changes
Charges related to reorganization and restructuring programs	Effects of changes in tax laws or the rate on deferred tax assets and liabilities
Charges related to the acquisition or integration of a company or business	Items included in or excluded from ordinary income (including significant unusual or infrequently occurring items) or described in Management's Discussion and Analysis of Financial Performance included in the Company's Annual Report on Form 10-K

The Committee may make adjustments based on these items because:

- These items may be outside the control of participants and could create "windfall" benefits or undue penalties (for example, changes in tax laws or accounting standards); and

Impact from these items could distract management from focusing on operating performance by penalizing participants for taking actions in the long-term interest of the Company and its stockholders (for example, a restructuring of operations) that might in the short term negatively impact a performance measure.



In accordance with this policy, the Committee made the adjustments set forth in the table below to the Company's results for fiscal year 2017 for purposes of calculating performance under the SMIP.

Items Adjusted for in 2017 Annual Incentive Calculations

	<u>Diluted</u>	
	<u>EPS</u>	<u>Net Income (\$)</u>
	<u>(\$)</u>	
Diluted EPS, as reported	5.50	
Add back: amortization expense	0.40	
Diluted EPS, excluding amortization expense	5.90	
Net income, as reported		772MM
Charges related to reorganization and restructuring programs	0.53	74MM
(Gain)/loss on sale of business	(0.03 )	(5MM)
Impairment of intangible assets and investments	0.03	4MM
Impact of tax rate changes	(0.77 )	(106MM)
Legal, tax and miscellaneous matters	0.01	2MM
Unbudgeted excess tax benefit related to stock-based compensation	(0.21 )	(29MM)
Total adjustments	(0.44 )	(60MM)
Adjusted financials for incentive purposes	5.46	712MM

The adjustments made by the Committee are the same as those disclosed when reporting our 2017 financial performance, except for the adjustment to eliminate the unbudgeted impact of excess tax benefits related to stock-based compensation. This additional adjustment reflects the impact of excess tax benefits beyond the amount that was assumed in the Company's 2017 operating budget and is intended to remove the benefit to management that otherwise would have resulted from an accounting change due to the adoption of a new standard related to stock-based compensation, in line with the policy set forth above.

Some of the adjustments made by the Committee had the effect of increasing adjusted diluted EPS excluding amortization expense and adjusted net income; others had the effect of decreasing these measures. Had the Committee not made the adjustments shown in the foregoing table, the weighted payout factor for adjusted diluted EPS excluding amortization expense would have been 40% rather than 17.8% and the weighted payout factor for adjusted net income would have been 40% rather than 14.4%.

For 2017, the target incentives and payouts for the named executive officers are summarized in the following table.

	<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>
	<u>Target</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	<u>Incentive</u>	<u>Payment</u>	<u>Payment</u>	<u>Payment</u>
	<u>as a % of</u>	<u>as a % of</u>	<u>as a % of</u>	<u>Payment</u>
	<u>Salary</u>	<u>Target</u>	<u>Salary</u>	<u>(\$)</u>
Mr. Rusckowski	135	97	131	1,443,420
Mr. Guinan	90	97	87	516,132

Mr. Davis	75	97	73	430,110
Ms. Eglinton Manner	75	97	73	420,787
Ms. Doherty	75	97	73	419,175

The following table shows, on a pro forma basis, the payments that would have been made, including as a percentage of target and as a percentage of salary, had the Committee not made the adjustments discussed above (these amounts would replace the numbers under the headings “2017 Actual Payment as a % of Target,” “2017 Actual Payment as a % of Salary” and “2017 Actual Payment” in the table preceding this paragraph).

	<b>2017 Payment as a % of Target (Pro Forma)</b>	<b>2017 Payment as a % of Salary (Pro Forma)</b>	<b>2017 Annual Incentive (\$) (Pro Forma)</b>
Mr. Rusckowski	145	196	2,153,250
Mr. Guinan	145	131	769,950
Mr. Davis	145	109	641,625
Ms. Eglinton Manner	145	109	627,717
Ms. Doherty	145	109	625,312

#### *2017 Conclusion*

Overall, the Committee believes that the annual incentive payments made to our named executive officers for 2017 were consistent with the objectives of our executive compensation program.



**Long-Term Incentive Awards***Introduction*

We design our long-term incentive awards to:

- Align management's compensation opportunities with the interests of our stockholders;
- Provide long-term compensation opportunities consistent with market practice; and
- Incent and reward long-term value creation.

To achieve these objectives, we currently award long-term incentives to our named executive officers annually in the form of equity awards as follows:

<b><u>Component</u></b>	<b><u>Weight (% of Award Value)</u></b>	<b><u>Time Horizon for Value Creation</u></b>	<b><u>Vesting</u></b>	<b><u>Purpose</u></b>
Performance Shares	40	3 years	Performance-based 3-year cliff vesting	<ul style="list-style-type: none"> <li>• Align executives with stockholders</li> <li>• Provide strong links with strategy and operating metrics</li> <li>• Performance-based vesting</li> <li>• Align executives with stockholders</li> </ul>
RSUs	20	3 years	25% after 1 year, 25% after 2 years and remaining 50% after 3 years	<ul style="list-style-type: none"> <li>• Provide retention incentives</li> <li>• Provide incentives to preserve value</li> <li>• Balance long-term incentive package</li> </ul>
Stock Options	40	10 years	In 1/3 <sup>rd</sup> increments annually over 3 years	<ul style="list-style-type: none"> <li>• Align executives with stockholders</li> <li>• Highlight stock price appreciation as a key indicator of success</li> </ul>

The time horizons shown operate in conjunction with, and in addition to, our stock ownership and retention requirements.

In determining the value of the long-term incentive component of each named executive officer's compensation, the Committee considers, without limitation:

- The value of similar incentive awards to executive officers in the peer group;
- The executive's scope of responsibility, experience and market opportunities that may be available to the executive; and
- The performance of the Company and the executive, and the executive's contribution to meeting the Company's objectives.

The Committee is responsible in its use of equity as long-term incentive compensation and regularly monitors the use of equity compensation for executives and the Company as a whole from a competitive standpoint. The Committee believes that our equity awards, which emphasize performance shares and options for our most senior employees, including all of our executive officers, reflect a focus on pay for performance and competitive considerations and support our business strategy. The program also fosters the ownership culture that the Committee seeks to encourage among our employees, including our senior management.

#### *Timing of Equity Awards; Awards Committee*

It has been the Committee's practice to make annual equity grants at a meeting held shortly after we announce our prior year's earnings. It also has been the Committee's practice to make equity grants to new hires and promoted employees, and other grants in special cases, from time to time as appropriate.

The Awards Committee, created by the Board, consists of one director and has authority to grant certain equity awards under the Employee Plan and to make corrections to awards approved by the Compensation Committee, to the extent the Awards Committee determines that corrections are necessary or appropriate to carry out the Compensation Committee's intentions. At this time, the Awards Committee consists of Mr. Rusckowski.

The Awards Committee is authorized to grant the full range of awards that can be issued under the Employee Plan. There are, however, significant limits on awards that the Awards Committee may grant. These include: (i) a prohibition on awards to executive officers; (ii) a prohibition on awards to any individual whose base salary exceeds a threshold amount; (iii) an annual limit on awards granted to any individual; and (iv) an annual limit on aggregate awards granted. In addition, awards granted by the Awards Committee are required to vest over three years, in accordance with a schedule approved by the Board that is consistent with the vesting schedule that applies to equity awards approved by the Compensation Committee. It is expected that the Awards Committee will approve awards from time to time as it determines appropriate, and that the awards will be issued for, among other purposes, new hires, promoted employees, employee retention and special recognition awards, including for high-performing employees who generally are not eligible for annual equity awards. The Awards Committee regularly reports to the Compensation Committee awards granted by, and corrections made by, the Awards Committee. In 2017, 60,038 options, 2,497 performance shares, and 14,805 RSUs were granted by the Awards Committee.

### *Approach to Performance Share Awards*

For each year since 2005, the Committee has included an annual grant of performance shares in the long-term incentive awards to our employees, including our executive officers. Performance shares encourage a long-term view and reinforce the link between financial results and rewards. Our performance shares are generally based on a single three-year performance period and reward financial and operational performance during that period. The value that they provide depends on the level of achievement of predefined performance goals over the multi-year performance period. If minimum performance levels are not achieved, the performance shares are forfeited and provide no value. New performance share awards are made each year, and accordingly participating named executive officers will participate in up to three overlapping performance periods during each year.

For each performance share award, the Committee establishes baselines, target performance levels and the measurement period. When the Committee is determining the payout under the performance measure, it may adjust items in the Company's operating results and baselines based on objective criteria (generally under the same categories identified above in the discussion of annual incentive compensation, and for the same reasons). No performance shares will be earned if a specified minimum performance level is not achieved. For performance above the threshold level, payment will vary with actual performance achieved, up to a maximum payment of 2 times the target level. Determination of the shares payable pursuant to each award is made after the end of the performance period.

The Committee's approach to performance share awards has been to establish targets that are challenging, yet attainable, and to provide that a maximum payout of 200% of target requires extraordinary performance. The following table sets forth the aggregate performance share award payouts over the past five years, as compared to target, for the named executive officers then in office. Since 2005, although in some cases targets have been exceeded, performance share award payouts have never reached 160% of target.

<b><u>Performance Period</u></b>	<b><u>Year Paid</u></b>	<b>Performance Share Payout as Compared to Target (%)</b>
----------------------------------	-------------------------	---

2011 – 13	2014	0
2012 – 14	2015	2
2013 – 15	2016	19
2014 – 16	2017	93
2015 – 17	2018	111

The Committee believes that these results demonstrate the rigor of the targets adopted, that targets have been set at reasonable levels and that performance share award payouts have been sensitive to Company performance.

*Determination of February 2014 Performance Share Awards*

In February 2017, the Committee determined payment for performance share awards made in February 2014. At the time of grant, the Committee established baselines, performance measures, target performance levels and the measurement period. The performance measures were the Company's revenue CAGR (50% weight) and average ROIC (50% weight) during the performance period (calculated in accordance with the plan, subject to adjustment as discussed above). The measurement period was January 1, 2014 to December 31, 2016.

The following table shows the targeted performance levels (awards for performance between these percentiles are interpolated on a straight-line basis).

<b>Performance Shares Earned (as multiple of target <u>number of shares</u>)</b>	<b><u>Average Adjusted ROIC (%)</u></b>	<b><u>Adjusted Revenue CAGR (%)</u></b>
0	8.90	1.90
1	9.50	2.80
2	10.10	3.80

The Committee determined that the Company's adjusted revenue CAGR during the performance period was 2.72%, and that the weighted payout percentage for this metric was 45.8%. The Committee also determined that the Company's average adjusted ROIC during the performance period was 9.47%, and that the weighted payout percentage for this metric was 47.5%. As a result, the number of performance shares earned during the performance period was 93% of target.

The following table shows the 2014 performance shares actually earned by each of the named executive officers.

	<b><u>2014 Performance Shares Earned</u></b>
Mr. Rusckowski	47,934
Mr. Guinan	14,309
Mr. Davis	12,520
Ms. Eglinton-Manner	N/A
Ms. Doherty	12,520

The table below reconciles revenues used for calculating the Company's adjusted revenue CAGR for purposes of the performance share awards with reported revenues for both 2013, which was the baseline year, and 2016. Revenues for incentive purposes were calculated, in accordance with Quest Diagnostics policy, to reflect changes associated with the disposition or wind-down of businesses during the performance period so as to reflect the underlying operating performance.

	<b><u>2013 Baseline Revenues (\$ MM)</u></b>	<b><u>2016 Revenues (\$ MM)</u></b>
Revenues, as reported	7,146	7,515

Clinical Trials revenues <sup>1</sup>	(158 )	(0 )
Celera Products revenues <sup>1</sup>	(33 )	(0 )
Focus Products revenues <sup>1</sup>	<u>(46 )</u>	<u>(26 )</u>
Total adjustments	<u>(237 )</u>	<u>(26 )</u>
Revenues for incentive purposes	6,909	7,489

(1) Business disposed of or wound down during the performance period.

ROIC is defined for purposes of performance share awards as (i) net operating profit after tax (“NOPAT”) divided by (ii) the sum of average total debt and stockholders’ equity (Invested Capital). The table below shows the Company’s adjusted ROIC results for each of the three years during the performance period.

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>3 Year Average</b>
ROIC %	9.25	9.5	9.66	9.47

In accordance with the Company’s policy, in determining the Company’s ROIC for purposes of performance share awards, NOPAT (i.e., net income attributable to the Company excluding interest expense) for each year in the performance period was adjusted to reflect the same adjustments used to calculate net income for purposes of the annual incentive plan for the relevant year. Additionally, adjustments were made to remove the effects of significant transactions not contemplated or completed at the time performance measures were set, as follows: (i) NOPAT was reduced and Invested Capital was adjusted to remove the impact of a significant acquisition in 2014; and (ii) Invested Capital was adjusted to reflect the impact of the 2015 refinancing of the Company’s Senior Notes due 2015, 2016 and 2017. The

Committee made these adjustments based on the same pre-determined objective criteria, and for the same reasons, as described above in connection with the SMIP.

Had the adjustments described above not been made, there would have been no payout under the 2014 performance shares.

### *2017 Equity Awards*

In February 2017, the Committee awarded long-term compensation for 2017 to the named executive officers, resulting in the equity awards shown for them in the “2017 Summary Compensation Table” and the “2017 Grants of Plan-Based Awards Table” beginning on pages 37 and 38, respectively.

In considering the size of the award for each of these named executive officers, the Committee considered the factors described above.

For 2017, the Committee granted equity awards to the more senior equity award recipients, including all of our executive officers, consisting of 40% stock options, 40% performance shares, and 20% RSUs. Less senior participants in the program received equity awards consisting solely of stock options and RSUs. The Committee also approved a significant number of special recognition awards, consisting solely of RSUs, to high-performing employees who generally do not receive equity awards as part of their annual compensation.

We continued to use stock options as a component of our equity awards because they align incentives with stockholder interests by rewarding appreciation in stock price. We believe that stock options are an appropriate incentive to motivate our employees.

In 2017, the Committee determined that, because the performance period for the 2017 performance share awards would extend after the conclusion of the Company’s course of action related to 2015-17 under our Invigorate cost excellence program, 2017 performance share awards and awards going forward would not contain a measure focused on that program. The performance measures for the 2017 performance share awards are: the revenue CAGR (50% weight) and average ROIC (50% weight). The target performance shares subject to the 2017 performance share awards will be earned over a single three-year period ending December 31, 2019 and will be paid out in shares of the Company’s common stock after the end of the performance period to the extent that the performance level is achieved. Determination of the shares payable pursuant to the 2017 performance share award will be made after the end of the performance period.

## **ROIC**

The Committee adopted the use of ROIC, along with revenue CAGR, as the performance share metrics in 2012 and has continued to use these metrics. The key building blocks of our ROIC metric are:

(1) adjusted NOPAT, and

(2) adjusted Invested Capital, defined as average total debt and stockholders' equity.

ROIC is calculated as NOPAT/Invested Capital. In addition to being well supported by our stockholders, use of ROIC:

- Creates an effective balance between the revenue growth component (50% weight) and return (50% weight);
- Holds management accountable for efficient use of capital; and
- Further links executive compensation to value creation.

Since 2012, when we began issuing performance share awards based on average ROIC and on the revenue CAGR over the performance period, it has been the Company's practice to disclose the performance targets for these awards at the conclusion of the performance period, but not at the inception of the performance period. We believe that disclosure of the performance targets at the inception of a single three-year performance cycle could work to our competitive disadvantage. Our targets are linked to our budget and to forecasts and projections that we, like other companies with which we compete, do not routinely disclose publicly or disclose only in general terms. If we were to disclose our specific targets, our competitors would gain an informational advantage that could enable them to anticipate our strategies and take steps to counter them. In this regard, we note that our performance metrics - average ROIC and revenue CAGR - are absolute, not relative to performance of other companies, and different from other measures that may not be as competitively sensitive (e.g., relative total stockholder return). Thus, the Company currently believes that it is in the best



interest of its stockholders to continue its practice of disclosing the performance targets for performance share awards at the conclusion of the performance period, but not at the inception of the performance period.

We also continued to use RSUs as a component of our equity awards in 2017 because they provide retention incentives under diverse scenarios. RSUs also foster an ownership culture, help motivate employees to perform across business cycles and are aligned with stockholder value creation.

### *2018 Actions*

In February 2018, the Committee determined payment for performance share awards made in February 2015. The performance period for those awards ended on December 31, 2017. The performance measures were the Company's revenue CAGR (40% weight), the Company's average ROIC (35% weight) and run-rate savings on the Company's Invigorate cost excellence program (25% weight) (in each case the results associated with each metric are subject to adjustment based on objective criteria as discussed above and calculated in accordance with the plan). The Committee determined that the earnings multiple applicable to these awards during the performance period was 111% of target. Determination of these awards will be discussed in the Compensation Discussion and Analysis included in our 2019 proxy statement.

### *Other*

#### *Benefits*

All employees who satisfy certain service requirements, including the named executive officers, are entitled to participate in the tax-qualified 401(k) Plan. All employees whose base salary exceeds a required threshold level, including the named executive officers, are entitled to participate in the non-qualified Supplemental Deferred Compensation Plan ("SDCP"). In the 401(k) Plan, participants may defer a portion of their eligible cash compensation up to limits established by law. The purposes of the 401(k) Plan and the SDCP are to provide eligible employees an opportunity to save for their retirement and, through Company matching contributions and credits, to provide supplemental retirement income to help us compete in the market for talented employees. For additional information regarding the SDCP, see "2017 Nonqualified Deferred Compensation Table" beginning on page 42.

As part of his or her total compensation package, each named executive officer is eligible to participate in our broad-based employee benefit plans, such as medical, dental, group life insurance and disability plans and the Employee Stock Purchase Plan. Each of these benefits is provided on the same basis as available to other exempt employees. Our benefits are designed to attract and retain talented employees and to provide them with competitive benefits.

*Perquisites*

Perquisites represent a minor component of executive compensation. We provide perquisites that we believe are reasonable and competitive. In 2017, each of Mr. Rusckowski and Ms. Eglinton Manner was entitled to receive tax and financial planning services, within limits. The Company has a security plan approved by the Committee for Mr. Rusckowski; Mr. Rusckowski and his family use Company aircraft for personal travel. Pursuant to an Aircraft Timesharing Agreement approved by the Committee, Mr. Rusckowski will reimburse the Company for its aggregate incremental cost arising out of Mr. Rusckowski's personal use of Company aircraft after the aggregate incremental cost to the Company of Mr. Rusckowski's personal use exceeds \$100,000 in a year. Pursuant to his employment agreement, the Company also reimbursed Mr. Rusckowski for driver and vehicle costs. These perquisites are disclosed in the "2017 Summary Compensation Table" beginning on page 37.

*Severance*

The Company's Executive Officer Severance Plan ("Severance Plan") covers the named executive officers. No named executive officer will receive any severance benefits solely as a result of a change in control. For additional information, see "2017 Potential Payments upon Termination or Change in Control" beginning on page 43. We believe that the severance benefits provided to our named executive officers are consistent with market practice and are appropriate recruiting and retention tools. The named executive officers have agreed to non-competition and non-solicitation covenants for a period following termination of employment.

*Impact of Tax Treatment*

For periods prior to the effective date of the Tax Cuts and Jobs Act of 2017 (“TCJA”), the Internal Revenue Code precludes a public company from taking a tax deduction for annual compensation in excess of \$1 million paid to its chief executive officer and the three most highly paid executive officers other than the chief financial officer; this limitation does not apply to compensation that meets tax code requirements for qualifying performance-based compensation. The TCJA mandates that, for tax periods beginning in 2018, the chief financial officer is no longer excluded from this limitation, and performance-based compensation is no longer exempted. Transition rules under the TCJA are expected to allow certain payments to be deductible based on the pre-Act rules if the payments are made pursuant to binding arrangements in effect as of November 2, 2017.

Annual incentive awards, and certain equity awards, for 2017 were awarded under the SMIP, which specifies a maximum amount that can be awarded to a participant for any year based on the Company’s earnings, i.e., 1% of the Company’s income before taxes and extraordinary gains and losses as reported in its audited consolidated financial statements for the relevant fiscal year, after adjustment for certain items identified in the SMIP. The amount of annual incentive actually awarded for the year, however, is determined by the Committee, applying the compensation framework described above and subject to the condition that the Company may pay less (but not more) than the maximum. For 2017, the Committee certified the maximum amount payable under the SMIP as \$10,950,000 per executive and exercised its discretion to award lesser amounts. The Company’s annual cash bonuses and equity awards generally have been designed to satisfy the requirements for deductible compensation, but the Committee retained the flexibility to pay compensation or grant awards that may not be deductible if the Committee determined it to be consistent with the Company’s objectives for our executive compensation program. The Committee will consider any changes that may be desirable in light of the TCJA taking effect. The portion of Mr. Rusckowski’s base salary over \$1 million is not considered performance-based and is not deductible by the Company for 2017.

**Risk Assessment**

In August 2017, the Committee conducted an annual review of the compensation arrangements for the Company’s employees, including the Company’s executive officers, to assess whether the arrangements, individually or in combination, encourage risk taking that is reasonably likely to have a material adverse effect on the Company. In assessing the risk, the Committee considered plan designs, plan operation, plan controls, oversight and review and competitive norms. In assessing the risk of plans that apply to our executive officers, the Committee also considered the risk guidelines suggested by the Center on Executive Compensation. The Committee concluded that the compensation arrangements for the Company’s employees, including the arrangements for the Company’s executive officers, do not encourage risk taking that is reasonably likely to have a material adverse effect on the Company. Factors supporting this conclusion include the following: (i) by utilizing a variety of performance metrics in our incentive programs, we discourage excessive risk taking by removing the incentive to focus on a single performance goal to the detriment of the Company’s overall performance; (ii) under both the SMIP and our performance shares, payouts are capped at a maximum level, thereby reducing the risk that executives might be motivated to attain excessively high performance in order to maximize payouts; (iii) we maintain a balance between short-term and long-term incentives; (iv) we maintain stock ownership and retention guidelines that are designed to incentivize our management team to focus on the Company’s long-term sustainable growth; and (v) we maintain a clawback policy, discussed in “Clawback Policy” on page 40, designed to prevent misconduct relative to financial reporting.

## **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on its review and discussions with management, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for 2017.

Compensation Committee

Timothy M. Ring, Chair  
Vicky B. Gregg  
Jeffrey M. Leiden  
Gail R. Wilensky

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**2017 Summary Compensation Table**

This table summarizes the compensation for 2017 for each of our named executive officers.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)(1)</u>	<u>Stock Awards (\$)(2)</u>	<u>Option Awards (\$)(3)</u>	<u>Non-Equity Incentive Plan Compensation (\$)(4)</u>	<u>All Other Compensation (\$)(5)</u>	<u>Total (\$)</u>
Stephen H. Rusckowski	2017	1,100,000	4,500,066	2,999,941	1,443,420	304,591	10,348,018
Chairman, President and Chief	2016	1,100,000	4,500,000	3,000,006	1,341,340	311,249	10,252,595
Executive Officer	2015	1,128,846	4,200,097	2,799,906	1,303,140	282,690	9,714,679
Mark J. Guinan	2017	590,000	1,380,023	919,985	516,132	54,258	3,460,398
Executive Vice President and Chief Financial Officer	2016	586,538	1,260,032	839,969	495,156	52,919	3,234,614
	2015	590,385	1,260,065	839,943	471,835	52,933	3,215,161
James E. Davis	2017	590,000	1,320,151	879,852	430,110	50,132	3,270,245
Executive Vice President, General Diagnostics	2016	586,538	1,200,107	799,900	412,630	54,787	3,053,962
	2015	590,385	1,140,072	759,936	393,196	47,284	2,930,873
Carrie Eglinton Manner	2017	577,211	900,090	599,924	420,787	117,523	2,615,535
Senior Vice President Advanced Diagnostics	2016	—	—	—	—	—	—
	2015	—	—	—	—	—	—
Catherine T. Doherty	2017	575,000	900,090	599,924	419,175	37,827	2,532,016
Senior Vice President, Group	2016	575,000	900,080	599,925	404,512	34,586	2,514,103
Executive Clinical Franchises	2015	587,692	1,050,184	699,899	391,403	37,000	2,766,178

(1) Includes amounts deferred by named executive officers into the 401(k) Plan and the SDCP (see “2017 Nonqualified Deferred Compensation Table” beginning on page 42).

(2) Represents the aggregate grant date fair value, based on the average of the high and low prices of our common stock on the grant date, of the performance share awards and RSUs granted. Performance share awards are valued at target. The assumptions made when calculating the amounts in this column are found in footnote 16 to the Consolidated Financial Statements of Quest Diagnostics Incorporated and its Subsidiaries, as filed with the SEC in the Company’s Annual Report on Form 10-K for 2017. If the performance share awards were valued at maximum, the amounts shown in the column would be:

	<u>2015 (\$)</u>	<u>2016 (\$)</u>	<u>2017 (\$)</u>
Rusckowski	7,000,139	7,500,000	7,500,078
Guinan	2,100,084	2,100,053	2,300,038
Davis	1,900,097	2,000,156	2,200,220
Eglinton Manner	—	—	1,500,150
Doherty	1,750,284	1,500,133	1,500,150

Represents the aggregate grant date fair values of the awards. The assumptions made when calculating the amounts (3) in this column are found in footnote 16 to the Consolidated Financial Statements of Quest Diagnostics Incorporated and its Subsidiaries, as filed with the SEC in the Company's Annual Report on Form 10-K for 2017.

Represents payments of non-equity incentive plan compensation under the SMIP in respect of the year earned and includes amounts deferred under the SDCP. See the discussion regarding annual incentive compensation in (4) "Compensation Discussion and Analysis" beginning on page 19 for further information regarding the performance measures.

(5) All other compensation for 2017 consists of the following:

	Rusckowski	Guinan	Davis	Eglinton Manner	Doherty
	(\$)	(\$)	(\$)	(\$)	(\$)
Matching contributions under the 401(k) Plan	13,500	13,500	13,500	—	13,500
Matching credits under SDCP	108,558	40,758	36,632	—	24,327
Tax and financial planning	4,528	—	—	12,729	—
Personal ground transportation	79,004 (a)	—	—	—	—
Use of company aircraft	99,001 (b)	—	—	—	—
Relocation	—	—	—	104,794(c)	—
<b>Totals</b>	<b>304,591</b>	<b>54,258</b>	<b>50,132</b>	<b>117,523</b>	<b>37,827</b>

Includes the following expenses (determined as a percentage of the total use of the vehicle) attributable to Mr.

(a) Rusckowski's personal use of a company vehicle: (i) the vehicle lease cost; (ii) the invoiced expenses of the vehicle's driver, including tolls; and (iii) invoiced vehicle, fuel, insurance, repair and maintenance costs.

The Company has a security plan approved by the Compensation Committee for our Chief Executive Officer; Mr. Rusckowski and his family use Company-provided aircraft for personal travel. The Compensation Committee has adopted a policy regarding such personal use of the corporate aircraft by our Chief Executive Officer. In connection with the policy, Mr. Rusckowski entered into a time sharing agreement with the Company under which he reimburses the Company for its aggregate incremental costs related to his personal use of Company aircraft

(b) above \$100,000. The amount shown in the chart is the incremental cost to the Company of personal use of the corporate aircraft. Incremental costs are based on the variable costs that the Company incurred: operating cost per flight hour, including fuel, lubricants and maintenance; landing and parking fees; crew expenses; and small supplies and catering. Excludes non-variable costs that would have been incurred regardless of whether there was any personal use of the aircraft. Personal use of our aircraft by other employees requires approval by the Chief Executive Officer.

(c) Relocation benefits provided pursuant to the Company's relocation policy for management level employees. The benefits primarily included travel for trips covered by the relocation policy and housing and living expenses.

## 2017 Grants of Plan-Based Awards Table

This table provides information about plan-based awards granted in 2017.

Estimated Future Payouts Under Non-Equity Incentive Plan Awards	Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Stock Awards:	All Other Option Awards:	Exercise	Closi
		Number of Shares of Stock or	Number of Securities Underlying	or Base Price of Option	Mark Price on Gran

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<u>Name</u>	<u>Grant Date</u>	<u>Threshold</u> <u>(\$)(1)</u>	<u>Target</u> <u>(\$)(1)</u>	<u>Maximum</u> <u>(\$)(1)</u>	<u>Threshold</u> <u>(#)(2)</u>	<u>Target</u> <u>(#)(2)</u>	<u>Maximum</u> <u>(#)(2)</u>	<u>Units</u> <u>(#)(3)</u>	<u>Options</u> <u>(#)(4)</u>	<u>Awards</u> <u>(\$/Sh)(5)</u>	<u>Date</u> <u>(\$/Sh)</u>
Rusckowski	2/21/2017	371,250	1,485,000	2,970,000	7,829	31,317	62,634				
	2/21/2017								187,845	95.80	95.80
	2/21/2017							15,659			
Guinan	2/21/2017	132,750	531,000	1,062,000	2,401	9,604	19,208				
	2/21/2017								57,606	95.80	95.80
	2/21/2017							4,802			
Davis	2/21/2017	110,625	442,500	885,000	2,297	9,187	18,374				
	2/21/2017								55,093	95.80	95.80
	2/21/2017							4,594			
Eglinton	2/21/2017	108,227	432,909	865,817	1,566	6,264	12,528				
Manner	2/21/2017								37,565	95.80	95.80
	2/21/2017							3,132			
Doherty	2/21/2017	107,813	431,250	862,500	1,566	6,264	12,528				
	2/21/2017								37,565	95.80	95.80
	2/21/2017							3,132			

Represents the threshold, target, and maximum awards set for the 2017 SMIP. The actual amount of the non-equity (1) plan award paid is included in the “2017 Summary Compensation Table” beginning on page 37 under the column titled “Non-Equity Incentive Plan Compensation.”



- Represents threshold, target, and maximum awards for performance shares granted in 2017; for threshold, assumes that minimum performance required for payout is achieved for a single performance metric. The performance period for the performance shares granted during 2017 ends December 31, 2019. No dividends are payable on performance shares until, and then only to the extent that, the shares are earned and vested following the end of the performance period. For further discussion of the performance metrics see “Compensation Discussion and Analysis” beginning on page 19.
- (2) Represents the number of RSUs granted in 2017.
- (3) Represents the number of options granted in 2017.
- (4) The exercise price is the average of the high and low sales price of the Company’s common stock on the grant date.
- (5) Represents the grant date fair market value of each award as determined pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718, “Compensation—Stock Compensation.”
- (6)

### **Additional Information Regarding 2017 Summary Compensation and Grants of Plan-Based Awards Tables**

Please see “Compensation Discussion and Analysis,” beginning on page 19, for additional information regarding the material terms of targets noted in the 2017 Summary Compensation Table, regarding the amount of salary and bonus in proportion to total compensation and regarding our share ownership and retention guidelines. No named executive officer participates in a Company-sponsored tax-qualified defined benefit plan or non-qualified supplemental defined benefit plan.

**Key Terms of Equity Awards Granted in 2017.** Performance shares, options and RSUs were awarded to the named executive officers in February 2017. Each option generally has a term of ten years, subject to earlier expiration upon termination of employment. Options generally vest ratably over a three-year period, performance shares generally vest on February 28 of the year following the end of the three-year performance period and RSUs generally vest 25%, 25% and 50% on the first, second and third anniversary, respectively, of the grant date. Dividend equivalents are payable on the RSUs in the same amounts, if any, as dividends are paid on the Company’s outstanding shares of common stock. We do not pay dividend equivalents on performance shares. After RSUs and performance shares have vested and settled by the delivery of shares of common stock, those shares receive dividends on the same basis as all other outstanding shares of the Company’s common stock.

In general, any awards of options, RSUs or performance shares that have not vested as of the date of an employee’s termination of employment are cancelled. In the event of termination due to death or disability, however, awards vest in full, and in the event of involuntary termination without cause or as a result of a divestiture the employee will vest in outstanding options and RSUs that would have vested if the employee had remained employed for an additional twelve months and in a pro rata number of performance shares based on the number of months in the performance period that have lapsed at the time of termination. Performance shares that vest in connection with termination of employment remain nevertheless subject to the earn-out requirements based on Company performance during the performance period ending December 31, 2019 and are paid only at the end of the three-year performance period and only to the extent that the performance conditions have been satisfied.

In addition, the awards vest following a “change in control” only if, within two years after the change in control, the named executive officer’s employment is terminated by the Company without “cause” or by the named executive officer for “good reason” (definitions of these terms are provided under “2017 Potential Payments Upon Termination or Change in Control” beginning on page 43), or if the surviving entity in the change in control does not agree to assume the awards or grant substitute awards that present similar economic opportunity. A “change in control” occurs if and when:

(i) any person becomes the beneficial owner of securities of the Company representing 40% or more of the combined voting power of the Company’s then outstanding securities; or

(ii) a majority of the Company’s directors are not “continuing directors;” or

the Company consummates any of the following transactions that are required to be approved by stockholders:  
(iii) (a) a transaction in which the Company ceases to be an independent publicly-owned corporation, (b) the sale or other disposition of all or substantially all of the Company’s assets or (c) a plan of partial or complete liquidation of the Company.

**Clawback Policy.** We maintain an Incentive Compensation Recoupment Policy (commonly known as a “clawback” policy). The recoupment policy covers all of our current and former executive officers, our principal accounting officer and any other employee who receives an equity award under our Employee Plan. Under the policy, incentive compensation (including without limitation cash and equity awards (whether vested or unvested)) is subject to recoupment and recovery by the Company, including after an award has been settled or paid, if a performance measure considered by the Compensation Committee in making the award is adjusted or restated in a manner that would have had the effect of reducing the size of the award when made. In addition, if a covered employee engaged in gross negligence or intentional misconduct that contributed to the award or payment of incentive compensation that is greater than would have been paid or awarded absent the misconduct, we may seek to recover the entire award or payment, or take other remedial and recovery action, as determined by the Compensation Committee. Thus, for example, if supervisory personnel were to engage in gross negligence or intentional misconduct, the policy would apply.

**Employment Agreement.** Mr. Rusckowski entered into an employment letter agreement with the Company on April 9, 2012 in connection with his appointment as President and CEO. On June 11, 2015, the Company and Mr. Rusckowski amended the employment agreement to extend its initial term so that it will expire on December 31, 2018 instead of December 31, 2015; no other terms of the agreement were amended. The employment agreement provides for:

- an annual base salary, subject to annual review by the Board (or a committee thereof);

- participation in the SMIP, with a target amount of 130% of his annual base salary;

- eligibility for annual long-term incentive awards;

- participation in the employee benefit programs generally available to senior executives of the Company, including health insurance, life and disability insurance, the Employee Stock Purchase Plan, a 401(k) plan and a flexible spending plan;

- application of the Company’s share ownership and retention guidelines to Mr. Rusckowski;

- reimbursement for the cost of a personal driver for business purposes (including transportation between Mr. Rusckowski’s personal residence and the Company’s offices); and

Mr. Rusckowski’s participation in the Severance Plan, as a Schedule A participant. In addition, pursuant to his employment agreement Mr. Rusckowski is entitled to treat as a “qualifying termination” under the Severance Plan a termination by him for “good reason” prior to a “change in control,” and his severance in this case will include a pro rata bonus, based on actual performance, for his termination year. See “2017 Potential Payments Upon Termination or Change in Control” beginning on page 43.

Mr. Rusckowski's employment agreement also provides that his performance-based and incentive-based compensation is subject to clawback by the Company pursuant to any Company corporate governance guidelines or policies, each as may be in effect from time to time. In addition, Mr. Rusckowski has entered into the Company's standard restrictive covenant agreement, which includes a covenant to not compete with the Company and not to solicit the Company's employees or customers for a period of one year following the termination of his employment.

Either party may terminate the employment agreement at the end of the term upon six months' notice to the other party. If neither party does so, the term of the agreement will automatically be extended for successive one-year periods until either party provides the other with six months' notice of its intent to terminate the agreement at the end of the then current term.

## Outstanding Equity Awards at 2017 Fiscal Year-End

This table provides information regarding stock option and unvested stock awards held at December 31, 2017.

Name	Grant Date	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(5)</sup>	Equity Incentive Plan Awards: Number of	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(5)</sup>
								Unearned Shares, Units or Other Rights That Have Not Vested (#)	Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(5)</sup>
Rusckowski	5/01/2012	106,840		58.18	5/1/2022				
	2/25/2013	168,490		56.12	2/25/2023				
	2/13/2014	244,565		52.17	2/13/2024				
	2/23/2015	161,330	80,665	71.17	2/23/2025	53,625	5,281,526		
	2/25/2016	97,332	194,665	66.51	2/25/2026	16,915	1,665,958	45,106 <sup>(3)</sup>	4,442,490
	2/21/2017		187,845	95.80	2/21/2027	15,659	1,542,255	31,317 <sup>(4)</sup>	3,084,411
Guinan	8/19/2013	61,533		58.37	8/19/2023				
	2/13/2014	73,005		52.17	2/13/2024				
	2/23/2015	48,397	24,199	71.17	2/23/2025	16,088	1,584,507		
	2/25/2016	27,252	54,504	66.51	2/25/2026	4,737	466,547	12,630 <sup>(3)</sup>	1,243,929
	2/21/2017		57,606	95.80	2/21/2027	4,802	472,949	9,604 <sup>(4)</sup>	945,898
Davis	5/20/2013	47,574		60.68	5/20/2023				
	2/13/2014	63,880		52.17	2/13/2024				
	2/23/2015	43,787	21,894	71.17	2/23/2025	14,556	1,433,620		
	2/25/2016	25,952	51,904	66.51	2/25/2026	4,512	444,387	12,029 <sup>(3)</sup>	1,184,736
	2/21/2017		55,093	95.80	2/21/2027	4,594	452,463	9,187 <sup>(4)</sup>	904,828
Eglinton	12/30/2016					13,054	1,285,688		
Manner	2/21/2017		37,565	95.80	2/21/2027	3,132	308,471	6,264 <sup>(4)</sup>	616,941
Doherty	2/13/2014	21,294		52.17	2/13/2024				
	2/23/2015	40,328	20,164	71.17	2/23/2025	13,409	1,320,652		
	2/25/2016	19,464	38,928	66.51	2/25/2026	3,384	333,290	9,022 <sup>(3)</sup>	888,577
	2/21/2017		37,565	95.80	2/21/2027	3,132	308,471	6,264 <sup>(4)</sup>	616,941

(1) Each option generally vests in three equal installments on the first three anniversaries of the grant date, subject to earlier expiration following termination of employment. The consequences for 2017 awards of events such as termination of employment are described under “Key Terms of Equity Awards Granted in 2017” on page 39. These terms also apply to the awards received by the named executive officers in prior years.

(2) Represents RSUs awarded in 2017, 2016 and 2015. RSUs generally vest 25% on each of the first anniversary and second anniversary of the grant date and 50% on the third anniversary of the grant date. The consequences for 2017 awards of events such as termination of employment are described under “Key Terms of Equity Awards Granted in 2017” on page 39. These terms also apply to the awards received by the named executive officers in prior years.

The grant date February 23, 2015 also includes performance shares awarded in 2015 and earned based on the performance period that began January 1, 2015 and ended on December 31, 2017. The number of shares issuable pursuant to the awards was determined in February 2018 and was subject to service-based vesting through February 28, 2018. The performance shares earned by each named executive officer were as follows: Mr. Rusckowski—43,789 shares; Mr. Guinan—13,137 shares; Mr. Davis—11,886 shares; and Ms. Doherty—10,949 shares.

(3) Represents target performance shares awarded in 2016. The performance period began on January 1, 2016 and ends on December 31, 2018. If the performance goals are met, awards are made in stock in the first quarter following the end of the performance period.

(4) Represents target performance shares awarded in 2017. The performance period began on January 1, 2017 and ends on December 31, 2019. If the performance goals are met, awards are made in stock in the first quarter following the end of the performance period. Performance goals and calculation of performance awards are described in “Compensation Discussion and Analysis” beginning on page 19.

(5) Represents fair market value of shares using the closing price on December 29, 2017 of \$98.49.

### 2017 Option Exercises and Stock Vested Table

This table provides information regarding stock option exercises during 2017, including the number of shares of common stock acquired upon exercise and the aggregate amount realized on each exercise. The table also provides information regarding RSUs that vested and were paid during 2017 and performance share awards that were earned based on the performance period ending on December 31, 2016 and were determined and paid during 2017, including the number of shares awarded and the value realized as of February 28, 2017.

<u>Name</u>	<b>Option Awards</b>		<b>Stock Awards</b>	
	<b>Number of Shares Acquired on Exercise</b>	<b>Value Realized on Exercise (\$)</b>	<b>Number of Shares Acquired on Vesting</b>	<b>Value Realized on Vesting (\$)</b>
Rusckowski	61,760	3,086,727	23,400 <sup>(1)</sup> 47,934 <sup>(2)</sup> 71,334 <sup>(3)</sup>	2,219,580 <sup>(1)</sup> 4,703,284 <sup>(2)</sup> 6,922,864 <sup>(3)</sup>
Guinan	—	—	6,888 <sup>(1)</sup> 14,309 <sup>(2)</sup> 21,197 <sup>(3)</sup>	653,195 <sup>(1)</sup> 1,403,999 <sup>(2)</sup> 2,057,194 <sup>(3)</sup>
Davis	—	—	6,193 <sup>(1)</sup> 12,520 <sup>(2)</sup> 18,713 <sup>(3)</sup>	587,519 <sup>(1)</sup> 1,228,462 <sup>(2)</sup> 1,815,981 <sup>(3)</sup>
Eglinton Manner	—	—	4,351 <sup>(1)</sup> — <sup>(2)</sup> 4,351 <sup>(3)</sup>	431,271 <sup>(1)</sup> — <sup>(2)</sup> 431,271 <sup>(3)</sup>
Doherty	139,762	5,921,888	5,712 <sup>(1)</sup> 12,520 <sup>(2)</sup> 18,232 <sup>(3)</sup>	541,218 <sup>(1)</sup> 1,228,462 <sup>(2)</sup> 1,769,680 <sup>(3)</sup>

(1) RSUs that vested and were paid during 2017.

(2) Performance share awards that were earned based on the performance period ending on December 31, 2016 and were determined and paid during 2017.

(3) Total of (1) and (2).

## **2017 Nonqualified Deferred Compensation Table**

This table provides information regarding participation by the named executive officers in the SDCP, the Company's plan that provides for the deferral of compensation on a basis that is not tax-qualified. All named executive officers are eligible to participate in the SDCP. Under the SDCP, participants may defer up to 50% of their regular salary in excess of the Internal Revenue Service limit on compensation eligible for the 401(k) Plan. In addition, participants may defer up to 95% of their annual incentive compensation in excess of the Internal Revenue Service limit on compensation eligible for the 401(k) Plan. The Company provides a 100% matching credit on amounts deferred up to a maximum of 5% of eligible cash compensation, and may, in its discretion, credit additional amounts to a participant's account. The SDCP is a non-qualified plan under the Internal Revenue Code and does not provide for guaranteed returns on plan contributions. A participant's deferrals, together with Company matching credits, are adjusted for earnings or losses measured by the rate of return on the notional investments available under the plan to which participants allocate their accounts. Participants may change investment elections, selecting from among investment options offered under the SDCP, on any business



day. Distributions are made after termination of employment or on a date, selected by the participant, prior to the termination of employment.

<u>Name</u>	<u>Executive Contributions in 2017 (\$)<sup>(1)</sup></u>	<u>Registrant Contributions in 2017 (\$)<sup>(2)</sup></u>	<u>Aggregate Earnings in 2017 (\$)<sup>(3)</sup></u>	<u>Aggregate Withdrawals/ Distributions (\$)</u>	<u>Aggregate Balance at 12/31/17 (\$)<sup>(4)</sup></u>
Rusckowski	1,244,542	110,673	954,315	—	7,416,739
Guinan	41,893	41,893	43,477	—	339,428
Davis	272,632	37,766	118,035	—	1,266,034
Eglinton Manner	—	—	—	—	—
Doherty	101,731	25,432	278,766	—	2,208,846

Amounts deferred at the election of the named executive officer. These amounts are included in the “2017 Summary (1) Compensation Table” on page 37 in 2017 salary and 2017 non-equity incentive plan compensation (payable in 2017).

(2) Company matching credits. These amounts may differ from those shown in the column “All Other Compensation” in the “2017 Summary Compensation Table” on page 37 due to timing differences.

(3) Earnings (losses) on SDCP accounts. These earnings (losses) are not required to be reported as compensation in the “2017 Summary Compensation Table.”

All amounts contributed by a named executive officer and by the Company in prior years have been reported in the (4) summary compensation table in our previously filed proxy statements in the year earned, to the extent that the executive was named in such proxy statement and the amounts were so required to be reported in such tables.

## **2017 Potential Payments Upon Termination or Change in Control**

During 2017, the Severance Plan covered all named executive officers. The Severance Plan provides severance benefits in connection with a “qualifying termination,” which is defined to mean a termination of employment: (1) prior to a “change in control,” by the Company other than for “cause;” and (2) after a “change in control,” by the Company other than for “cause” or by the executive officer for “good reason.”

Unless the “qualifying termination” occurs in connection with a “change in control,” the severance benefit for Schedule A participants in the Severance Plan generally is a lump sum equal to two times the executive officer’s annual base salary at the annual rate in effect on the date of termination of employment plus two times the annual award of variable compensation at the most recent target level. For Schedule B participants, the severance benefit multiplier is one times, rather than two times, annual base salary plus the annual target award of variable compensation. Mr. Rusckowski is a Schedule A participant, and each of Mr. Davis, Ms. Doherty, Ms. Eglinton Manner and Mr. Guinan is a Schedule B participant, in the Severance Plan.

The executive officer and eligible dependents would also be entitled to coverage under the Company's group medical and life insurance benefit programs on the same terms the Company provides to similarly situated executives for up to 18 months (in the case of Schedule A participants) or up to 12 months (in the case of Schedule B participants) following a qualifying termination. In addition, the executive officer is entitled to receive outplacement assistance for one year and a lump sum payment equal to the amount of any matching contributions or credits made by the Company to the Company's 401(k) Plan and the SDCP on behalf of the executive officer during the year preceding termination.

Executive officers are not entitled to cash severance benefits on a "change in control." However, the cash payments due on an involuntary termination by the Company without "cause" or by the named executive officer for "good reason" are increased if the termination occurs in connection with a "change in control." If the "qualifying termination" occurs during the 24-month period following a "change in control," or under certain conditions during the 6-month period prior to a "change in control" in anticipation thereof, the severance benefit for Schedule A participants in the Severance Plan will be a lump sum equal to three times the executive officer's annual base salary and three times the annual award of variable compensation at the most recent target level. For Schedule B participants, the multiplier is two times, rather than three times, the relevant amount. In addition, the executive officer would receive a prorated lump sum payment based on the target incentive award for the year of termination. There is no enhancement to the medical and life insurance coverage and 401(K) plan and SDCP benefits described above for terminations not in connection with a "change in control." For the

treatment of stock options, RSUs and performance share grants upon an executive officer's termination of employment with rights to receive severance or on a change in control, see "Key Terms of Equity Awards Granted in 2017" on page 39.

The Severance Plan uses the following defined terms:

"Cause" means the executive officer's (1) willful and continued failure to perform duties, (2) willfully engaging in illegal conduct or gross misconduct, (3) engaging in conduct or misconduct that materially harms the reputation or financial position of the Company, (4) obstruction or failure to cooperate with any investigations, (5) commission of a felony or (6) being found liable in any SEC or other civil or criminal securities law action.

"Good reason" generally includes (1) any material adverse changes in the duties, responsibilities or status of the executive officer, (2) a material reduction in base salary or annual performance incentive target or equity incentive compensation target opportunities, (3) a relocation more than 50 miles from the executive officer's original location that increases the executive officer's commute by more than 50 miles, (4) the Company's failure to continue any significant compensation and benefit plans or (5) the Company's failure to obtain the assumption of the Company's obligations from any successor.

"Change in control" is defined for purposes of the Severance Plan in a manner that is substantially identical to the definition used for purposes of our equity awards (see "Key Terms of Equity Awards Granted in 2017" on page 39).

Under the Severance Plan, the named executive officers are not entitled to any severance benefits on a voluntary termination unless the voluntary termination is in connection with a "change in control" and is for "good reason." However, in addition to his benefits under the Severance Plan, Mr. Rusckowski is entitled, pursuant to his employment agreement, to treat as a "qualifying termination" under the Severance Plan a termination by him for "good reason" prior to a "change in control," and his severance upon a "qualifying termination" will include a pro rata bonus, based on actual performance, for his termination year.

This table provides information regarding the potential payments that would become payable on an involuntary termination not for "cause" and not in connection with a "change in control." The table assumes a December 31, 2017 termination date and the closing price of the Company's common stock as of December 29, 2017, which was \$98.49.

<b>Name</b>	<b>Cash Compensation (\$)<sup>(1)</sup></b>	<b>Accelerated Vesting of Stock Options (\$)<sup>(2)</sup></b>	<b>Accelerated Vesting of Performance Shares (\$)<sup>(3)</sup></b>	<b>Accelerated Vesting of RSUs (\$)<sup>(4)</sup></b>	<b>Benefits (\$)<sup>(5)</sup></b>	<b>Total (\$)</b>
Rusckowski (6)	5,170,000	8,219,747	10,393,551	3,156,703	220,000	27,160,001
Guinan	1,121,000	2,353,776	3,046,887	922,260	120,000	7,563,923
Davis	1,032,500	2,210,456	2,842,618	865,530	110,000	7,061,104

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Eglinton Manner	1,006,250	61,868	377,020	569,986	50,000	2,065,124
Doherty	1,006,250	1,753,924	2,294,620	679,975	100,000	5,834,769

(1) Represents two times or one times (depending on whether the executive is a Schedule A or Schedule B participant in the Severance Plan) the sum of base salary plus the target annual incentive, payable at the same time annual incentives are ordinarily paid to similarly situated executives.

(2) Represents the value of accelerated “in the money” stock options that would have vested if the executive had remained employed through December 31, 2018 (such date being the first anniversary of the executive’s assumed termination date of December 31, 2017).

(3) Represents the value of accelerated performance shares that would have vested if the executive had remained employed through December 31, 2018. Performance shares for the performance period ended December 31, 2017 are based on shares actually earned; performance shares for performance periods ending subsequent to December 31, 2017 are based on target.

(4) Represents the value of accelerated RSUs that would have vested if the executive had remained employed through December 31, 2018.

(5) Includes the cost of group medical and life insurance coverage to the participant to the same extent as the Company

pays for such coverage for similarly situated executives. Also includes estimated cost of outplacement services for one year and an amount, payable in a lump sum, equal to any matching contributions or credits made by the Company on behalf of the participant to the 401(k) Plan and the SDCP during the year preceding the date of termination.

(6) Amounts shown also would be payable to Mr. Rusckowski pursuant to his employment agreement if he terminates employment for “good reason” prior to a “change in control.”

This table provides information regarding the potential payments that would become payable on a termination for “good reason” or an involuntary termination not for “cause” in connection with a “change in control.” The table assumes a December 31, 2017 termination date and the closing price of the Company’s common stock as of December 29, 2017, which was \$98.49.

<b>Name</b>	<b>Cash Compensation (\$)<sup>(1)</sup></b>	<b>Accelerated Vesting of Stock Options (\$)<sup>(2)</sup></b>	<b>Accelerated Vesting of Performance Shares (\$)<sup>(3)</sup></b>	<b>Accelerated Vesting of RSUs (\$)<sup>(4)</sup></b>	<b>Benefits (\$)<sup>(5)</sup></b>	<b>Total (\$)<sup>(6)</sup></b>
Rusckowski	7,755,000	8,935,397	13,748,175	4,177,059	220,000	34,835,631
Guinan	2,242,000	2,559,403	4,039,711	1,230,140	120,000	10,191,254
Davis	2,065,000	2,406,510	3,790,815	1,159,917	110,000	9,532,242
Eglinton Manner	2,012,500	101,238	779,197	1,594,135	50,000	4,537,070
Doherty	2,012,500	1,897,038	2,965,619	884,046	100,000	7,859,203

(1) Represents three times or two times (depending on whether the executive is a Schedule A or Schedule B participant in the Severance Plan) the sum of base salary and target annual incentive. Excludes annual incentive compensation payable in respect of 2017 but unpaid as of December 31, 2017 (the amount of the annual incentive compensation for 2017 is set forth in the “2017 Summary Compensation Table” beginning on page 37).

(2) Represents the value of accelerated “in the money” stock options.

(3) Represents the value of accelerated performance shares. Performance shares for the performance period ended December 31, 2017 are based on shares actually earned. Performance shares for performance periods ending after December 31, 2017 represent the greater of (i) the number of shares that would be earned based on Company performance through December 31, 2017 and (ii) the target number of performance shares.

(4) Represents the value of accelerated RSUs.

(5) Includes the cost of group medical and life insurance coverage to the participant to the same extent as the Company pays for such coverage for similarly situated executives. Also includes estimated cost of outplacement services for one year and an amount, payable in a lump sum, equal to any matching contributions made by the Company on behalf of the participant to the 401(k) Plan and the SDCP during the year preceding the date of termination.

(6)

Amounts payable under the Severance Plan upon termination of employment following a change in control are subject to reduction (“cutback”) to eliminate any loss of deduction for the Company, and any imposition of excise tax on the executive, pursuant to Sections 280G and 4999 of the Internal Revenue Code, respectively. The cutback would reduce severance and other benefits to the maximum amount that could be paid without exceeding the Section 280G threshold and will apply if the net after-tax amount received by the executive exceeds the net after-tax amount the executive would receive if the full benefits were paid and the excise tax imposed. Amounts shown in the table do not reflect the impact of the potential cutback.

If the employment of a named executive officer had terminated by reason of death or disability on December 31, 2017, the executive would have been entitled to accelerated vesting of stock options and RSUs in the same amounts shown in the foregoing table, and would have been entitled to accelerated vesting of performance shares in an amount less than that shown in the table.

The named executive officers are not entitled to any benefits upon death or disability beyond what is available to other exempt employees. In the case of any termination (other than for termination for cause), named executive officers are entitled to exercise vested stock options and to receive vested and earned RSUs and performance shares. For the

consequences of termination of employment on vesting of equity awards, see “Key Terms of Equity Awards Granted in 2017” on page 39; equity awards made in prior years generally have similar terms. In addition, on any termination, each named executive officer is entitled to receive benefits available generally to exempt employees, such as distributions under the 401(k) Plan and SDCP. For the account balances of each named executive officer under the SDCP, see “2017 Nonqualified Deferred Compensation Table” beginning on page 42.

## **Employee Pay Ratio**

Under SEC rules, we are required to disclose the median of the annual total compensation of all our employees (other than our CEO), as well as the ratio of this amount to the annual total compensation paid to our CEO. This ratio is an estimate calculated in accordance with SEC rules, which allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions based on their compensation practices. Therefore, the ratio reported by other companies may not be comparable to the ratio we report.

For 2017, the annual total compensation of the median compensated of all our employees (other than our CEO) was \$48,194, and the annual total compensation of our CEO was \$10,368,835, including, in each case, the cost of Company-paid broad-based benefits, including 401(k) and health, disability and life insurance. Therefore, our median employee to CEO pay ratio was estimated to be approximately 1 to 215.

In identifying the median employee, we used December 31, 2017 as our determination date and focused on our employee population as of that date. We considered the compensation of 43,845 individuals; this excludes approximately 670 employees who work at Med Fusion and Cleveland Heart Lab Inc., both of which we acquired in 2017. Applying the 5% “De Minimis Exemption” permitted under SEC rules, we excluded workers, representing approximately 2% of our workforce, located in the following countries (with the number of excluded employees set forth in parentheses following the country): India (390); Mexico (368); Canada (104); Brazil (12); Ireland (9); and China (2). To identify our median employee, we used 2017 wages reported to the Internal Revenue Service, annualized for employees who were employed on December 31, 2017 but did not work for us for all of 2017.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

The Company believes that all required reports have been timely filed since January 1, 2017 under the SEC’s rules for reporting transactions by executive officers, directors and persons who own more than 10% of our common stock.

## **Equity Compensation Plan Information**

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This table provides information as of December 31, 2017 about our common stock that may be issued upon the exercise of options, warrants and rights under the Company's equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights <u>(a)</u>	Weighted-average exercise price of outstanding options, warrants and rights (\$) <u>(b)</u>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) <u>(c)</u>	
Equity compensation plans approved by security holders				
Employee Long-Term Incentive Plan (1)	10,126,545	(4) 70.28	7,949,960	(6)(7)
Long-term Incentive Plan for Non-Employee Directors (2)	173,732	(5) 57.26	200,168	
Employee Stock Purchase Plan	—	N/A	4,360,882	(8)
Equity compensation plans not approved by security holders (3)	—	N/A	—	
Total	10,300,277	70.11	12,511,010	

(1) Awards under this plan may consist of stock options, performance shares to be settled by the delivery of shares of common stock (or the value thereof), stock appreciation rights, restricted shares and RSUs to be settled by the



delivery of shares of common stock (or the value thereof).

- (2) Awards under this plan may consist of stock options or stock awards (which may consist of shares or the right to receive shares, or the value thereof, in the future).

- (3) The table does not include 14,538 shares of common stock that were issued to the trust for the SDCP prior to May 2004 that may be distributed to participants under the SDCP. While the SDCP does not provide a stock fund as a current notional investment option, the plan includes a stock investment fund option that was frozen effective April 1, 2004. In addition, prior to January 1, 2003, Company matching credits under the SDCP were credited to participant accounts in the form of shares of common stock. Participants are no longer allowed to notionally invest in additional shares of common stock under the SDCP.

- (4) Includes 8,429,957 options, 674,755 RSUs and 1,021,833 performance shares (assumes that performance shares for the performance period ended December 31, 2017 are based on shares actually earned and that performance shares for periods ending subsequent to December 31, 2017 are earned at the maximum rather than the target amount). If performance shares for periods ending subsequent to December 31, 2017 were earned at target rather than the maximum amount, the number of performance shares would be 621,868.

- (5) Includes 63,052 RSUs.

- (6) Assumes that performance shares for the performance period ended December 31, 2017 are based on shares actually earned and that performance shares for performance periods ending subsequent to December 31, 2017 are earned at the maximum rather than the target amount.

- (7) Awards of stock options and stock appreciation rights reduce the number of shares available for grant by one share for every share subject to the award. Awards of restricted shares, RSUs and performance shares reduce the number of shares available for grant by 2.65 shares for every one share or unit granted. Thus if future awards under the Employee Long-Term Incentive Plan consisted exclusively of RSUs and performance shares, awards covering a maximum of 2,999,985 shares could be granted.

- (8) After giving effect to shares issued in January 2018 for the December 2017 payroll under the Employee Stock Purchase Plan.

## AUDIT

### **Proposal No. 3—Ratification of Appointment of Independent Registered Public Accounting Firm**

We recommend that stockholders ratify the selection of PricewaterhouseCoopers LLP (“PwC”) as the independent registered public accounting firm retained to audit the Company’s consolidated financial statements and internal control over financial reporting for 2018. Although ratification is not required, the Audit and Finance Committee is submitting this proposal to stockholders as a matter of good corporate practice. If the appointment of PwC is not ratified, the Committee will consider whether it is appropriate to select another independent registered public accounting firm. Even if the selection is ratified, the Committee may select a different independent registered public accounting firm at any time during the year if it determines that a change would be in the best interest of the Company and its stockholders.

The Audit and Finance Committee is directly responsible for the appointment, compensation (including approval of the audit fee), retention and oversight of the independent registered public accounting firm retained to audit the Company’s consolidated financial statements and internal control over financial reporting. In order to assure continuing auditor independence, the Audit and Finance Committee periodically considers whether there should be regular rotation of the independent registered public accounting firm. Further, in conjunction with the mandated rotation of the independent registered public accounting firm’s lead engagement partner, the Audit and Finance Committee and its chair are directly involved in the selection of the lead engagement partner. The Committee has selected PwC as our independent registered public accounting firm for 2018. PwC, or one of its predecessor firms, has served as the Company’s independent registered public accounting firm continuously since 1995.

The Audit and Finance Committee annually reviews the independence and performance of PwC in deciding whether to retain PwC or engage another firm as our independent registered public accounting firm. In the course of these reviews, the Committee considers, among other things:

- The historical and recent performance of PwC on the Company’s audit, including the results of an extensive internal survey of the service and quality of PwC;
- The capability and expertise of PwC in handling the breadth and complexity of our operations;
- External data on audit quality and performance, including recent Public Company Accounting Oversight Board (PCAOB) reports on PwC and its peer firms;
- The appropriateness of the fees of PwC for audit and other services;
- The independence of PwC; and
- The advantages and disadvantages of retaining or replacing PwC as our independent auditor, including the benefits of having a long-tenured auditor and controls and processes that help ensure the independence of PwC.

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## **Retention of PwC Tenure Benefits**

*Higher audit quality.* With more than 20 years of experience with the Company, including numerous statutory audits in multiple jurisdictions, PwC has gained institutional knowledge of and deep expertise regarding our complex operations and business, accounting policies and practices, and internal control over financial reporting.

*Efficient fee structure.* The aggregate fees of PwC are competitive with peer companies because of its familiarity with our business.

*No onboarding or educating new auditor.* Bringing on a new auditor requires a significant time commitment that could distract from management's focus on financial reporting, internal controls and other issues.

## **Independence Controls**

*Thorough Audit and Finance Committee oversight.* The Committee's oversight includes private meetings with PwC (multiple times per year), a comprehensive annual evaluation by the Committee in determining whether to engage PwC, and a Committee-directed process for selecting the lead engagement partner.

*Limits on non-audit services.* The Company requires Audit and Finance Committee preapproval of non-audit services and requires that PwC is engaged only when it is best-suited for the job. When considering whether to preapprove non-audit services, the Committee considers the total non-audit fees to be paid to PwC relative to total audit fees

*Strong internal PwC independence process.* PwC conducts periodic internal quality reviews of its audit work and rotates the lead engagement partner every five years. The next rotation is scheduled for the end of 2018.

*Strong regulatory framework.* Because it is an independent registered public accounting firm, PwC is subject to PCAOB inspections, "Big 4" peer reviews, and PCAOB and SEC oversight.

Based on this evaluation, the Audit and Finance Committee believes that PwC is independent and that the retention of PwC to serve as the Company's independent registered public accounting firm for 2018 is in the best interest of the Company and its stockholders. PwC representatives are expected to attend the annual meeting, will have the opportunity to make a statement if they wish and are expected to be available to respond to appropriate stockholder questions.

## **Pre-Approval of Audit and Permissible Non-Audit Services**

The Audit and Finance Committee has established policies and procedures to pre-approve all audit and permissible non-audit services provided by the Company's independent registered public accounting firm. Prior to engagement of the independent registered public accounting firm for the annual audit, management submits to the Committee for

approval a schedule of audit, audit-related, tax and all other services for the year. The Committee pre-approves services by category, with specific dollar value limits for each category. During the year, if it becomes desirable to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval, such services will be presented to the Committee for approval. The Committee also has delegated to its chair the authority to pre-approve services, subject to certain dollar limitations. Pre-approvals by the Committee chair are communicated to the Committee at its next scheduled meeting.

**Fees and Services of PricewaterhouseCoopers LLP**

Aggregate fees for professional services rendered for the Company by PwC for the years ended December 31, 2017 and 2016 were:

	<u>2017 (\$)</u>	<u>2016 (\$)</u>
Audit Fees	3,670,459	3,700,000
Audit Related Fees	—	—
Tax Fees	972,267	1,155,867
All Other Fees	3,852	3,852
Total Fees	4,646,578	4,859,719

*Audit Fees* were for services including professional services rendered for the audits of the Company's consolidated financial statements; subsidiary audits; issuance of comfort letters related to financing transactions; assistance with review of documents filed with the SEC; and professional services rendered for the audit of the Company's internal control over financial reporting.

*Audit Related Fees.* None were incurred in 2017 or 2016.

*Tax Fees* were for services related to tax compliance, including preparation of tax returns and claims for refunds. Tax Fees also include services related to tax planning and advice, including assistance with and representation before governmental authorities, of \$767,267 and \$1,098,367 in 2017 and 2016, respectively. None of these fees related to tax planning for any of the Company's directors or executive officers.

*All Other Fees* were for software licenses related to access to on-line technical accounting and reporting resource materials.

### **Audit and Finance Committee Report**

The primary purposes of the Audit and Finance Committee are: (1) to assist in the Board's oversight of (a) the quality and integrity of the Company's financial statements and related disclosures, (b) the independent registered public accounting firm's qualifications and independence and (c) the performance of the Company's internal audit function and independent registered public accounting firm; and (2) to provide advice to the Board on financing activities and other financial matters.

Management is responsible for establishing and maintaining adequate internal financial controls for the Company's financial statements and public reporting process. Our independent registered public accounting firm, PwC, is responsible for expressing opinions on the conformity of the Company's audited financial statements with generally accepted accounting principles and on the Company's internal control over financial reporting.

In the performance of its oversight role, the Committee reviews the Company's internal financial controls, financial statements and public reporting process, and regularly meets with both management and PwC to discuss these matters. The Committee also regularly meets privately with PwC and internal auditors, both of which have unrestricted access to the Committee, to discuss these matters. In addition, the Committee reviews, acts on and makes recommendations regarding the Company's financing plans and other significant financial policies and actions.

The Committee reviewed and discussed with management and PwC the audited financial statements for the year ended December 31, 2017 and the evaluation by PwC of the Company's internal control over financial reporting. The Committee also discussed with PwC the matters required to be discussed by applicable PCAOB standards. In addition, the Committee received from and discussed with PwC the written disclosures and the letter required by PCAOB rules regarding the communication of PwC with the Committee concerning independence, and discussed with PwC that firm's independence. In addition, the Committee concluded that the provision by PwC of audit and non-audit services to the Company is compatible with PwC's independence.

Based on these reviews and discussions, the Committee recommended to the Board the inclusion of Quest Diagnostics' audited financial statements for the fiscal year ended December 31, 2017 in the Company's Annual Report on Form 10-K.

Audit and Finance Committee

Gary M. Pfeiffer, Chair

Jenne K. Britell

Timothy L. Main

Daniel C. Stanzione

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL. PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR THIS PROPOSAL UNLESS OTHERWISE INSTRUCTED.**

## ADDITIONAL ACTION ITEMS

### **Proposal No. 4— Amending our Certificate of Incorporation to permit stockholders holding 20% or more of our common stock to cause the Company to call special meetings of stockholders**

Currently, Paragraph 7 of the Company's Certificate of Incorporation permits a stockholder or group of stockholders owning at least 25% in the aggregate of the Company's outstanding common stock (subject to certain requirements) to cause the Company to call a special meeting of stockholders. The Board has a continuing commitment to good corporate governance and has concluded that expanding the stockholder special meeting right by permitting stockholders owning at least 20% in the aggregate of the Company's outstanding common stock is in the best interests of the Company and the stockholders.

The Board believes that lowering the ownership threshold from 25% to 20% achieves the Board's goal of expanding the stockholder special meeting right so that stockholders with a substantial economic interest in the Company can take advantage of the right to have significant concerns addressed by stockholders without waiting until the next annual meeting. In its deliberations regarding this proposal, the Board balanced the benefits of permitting stockholders to call special meetings against the significant costs involved and disruption that can result in holding a special meeting of stockholders. A stockholder right to call a special meeting with an ownership threshold that is too low would be contrary to the interests of the Company and its stockholders as a whole, since a small minority of stockholders focused on special interests could force the Company to call a special meeting in order to address matters not shared by other stockholders and thereby cause the Company to incur substantial expense and divert the attention of management and the Board of Directors. Lowering the ownership threshold from 25% to 20% strengthens the Company's corporate governance by expanding the special meeting right for stockholders, while effectively mitigating the risk of "nuisance" special meeting requests that do not advance the interests of the Company and its stockholders generally. Of the S&P 500 companies that grant stockholders the right to call a special meeting, more than three-quarters have an ownership threshold of 20% or higher.

Accordingly, the Board has determined that the proposed amendment to our Certificate of Incorporation is advisable and to recommend to the stockholders at the annual meeting to approve the amendment. The proposed amendment amends the first paragraph of Paragraph 7 of our Certificate of Incorporation as set forth below:

7. Special Stockholder Meetings. Except as otherwise required by law, special meetings of the stockholders shall be called only by (a) the Board of Directors or (b) the Secretary, but only if a stockholder or group of stockholders owning at least twenty-five percent (~~25~~20%) in the aggregate of the Common Stock issued, outstanding and entitled to vote, and who have held that amount in a net long position continuously for at least one year, so request in writing in accordance with, and subject to, all applicable provisions of the Bylaws (such request, a "Stockholder Meeting Request"). Any disposition by a requesting party after the date of the Stockholder Meeting Request of any shares of Common Stock shall be deemed a revocation of the Stockholder Meeting Request with respect to such shares.



Approval of this amendment to the Certificate of Incorporation requires the affirmative vote of the holders of a majority of the outstanding common stock of the Company. If approved, this proposal will become effective upon the filing of a Certificate of Amendment to our Certificate of Incorporation with the Secretary of State of the State of Delaware (or such later date stated therein), which the Company would file promptly after the annual meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL. PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR THIS PROPOSAL UNLESS OTHERWISE INSTRUCTED.**

**Proposal No. 5— Stockholder proposal regarding the right to call special meetings of stockholders**

John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, Calif. 90278, owner of 50 shares of the Company's common stock, has notified us that he intends to present the following proposal and related supporting statement at the annual meeting.

**Proposal 5 -Special Shareholder Meeting Improvement**

Resolved, Shareowners ask our board to take the steps necessary (unilaterally if possible) to amend our bylaws and each appropriate governing document to give holders in the aggregate of 10% of our outstanding common stock the power to call a special shareowner meeting (or the closest percentage to 10% according to state law). This proposal does not impact our board's current power to call a special meeting.

Special meetings allow shareowners to vote on important matters, such as electing new directors that can arise between annual meetings. This proposal topic won more than 70%-support at Edwards Lifesciences and SunEdison in 2013. A shareholder right to call a special meeting and to act by written consent are 2 complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle such as the election of directors. (Written consent completely lacking at Quest Diagnostics.) More than 100 Fortune 500 companies provide for shareholders to call special meetings and to act by written consent

Scores of Fortune 500 companies allow a more functional 10% of shares to call a special meeting compared to higher requirement of Quest Diagnostics. Quest Diagnostics shareholders do not have the full right to call a special meeting that is available under state law.

This proposal is of increased importance because we do not have the complimentary *[sic]* right to act by written consent. Written consent won 49%-support at the 2015 Quest Diagnostics annual meeting. This 49%-support could have been higher (for instance 54%) if small shareholders had the same access to independent corporate governance recommendations as large shareholders.

A well-known proxy advisor said that a board of directors should respond in some manner to a 20% shareholder vote. Yet our management had no response at all to our 49% shareholder vote.

A shareholder ability to call a special meeting would put shareholders in a better position to give input on improving director assignments *[sic]* after the 2018 annual meeting. Company performance and shareholder value can benefit from such improvements.

For example, we did not have oversight of our CEO by an independent chairman. And Daniel Stanzione, our Lead Director, received our highest negative votes. Our CEO, Stephen Rusckowski, received our 2<sup>o</sup>d highest negative votes. Gail Wilensky and Timothy Ring also received high negative votes. These 4 directors each received more than 2-times as many negative votes as other directors. Plus these 4 directors controlled 5 positions on our most important board committees. Also Gary Pfeiffer and Timothy Ring owned zero shares with sole voting power while each was paid \$300,000 for perhaps 300 hours of work.

Daniel Stanzione, our Lead Director, had 20-years long-tenure. Long-tenure can impair the independence of a director no matter how well qualified. Independence is a priceless attribute in a director, especially a Lead Director.

Please vote to increase director accountability to shareholders:

**Special Shareholder Meeting Improvement – Proposal 5**

**OUR BOARD RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL.**

The Company's historical and current corporate governance practices reflect our continuing commitment to robust, balanced corporate governance combined with responsiveness and accountability to stockholders. The Board believes that providing stockholders with the right to cause the Company to call a special meeting is an important corporate governance practice that enhances stockholder rights. Accordingly, in 2014, the Company amended our Certificate of Incorporation to permit stockholders owning at least 25% in the aggregate of the Company's outstanding common stock (subject to certain requirements) to cause the Company to call a special meeting of stockholders. After careful consideration of this proposal, including whether the actual or perceived benefits of setting the threshold for stockholders to call a special meeting at a lower threshold outweigh the potentially negative consequences to both the Company and its stockholders associated with a lower threshold, the Board has concluded that permitting stockholders owning 10% in the aggregate of the Company's outstanding common stock to cause the Company to call a special meeting would be detrimental to the Company and its stockholders.

The calling of a special meeting of stockholders is an extraordinary event for any public company designed to address matters of such significance that cannot wait until the next annual meeting. Special meetings, however, can be disruptive to a company's normal business operations, in addition to being costly and time-consuming. The Board believes that the 10% ownership threshold to call a special meeting of stockholders, as described in Proposal No. 5, is unduly low and could result in a relatively small minority of stockholders using the procedure to call a special meeting for their own special interests, which may be of little or no consequence to, and which may not be in the best interests of, 90% of the Company's stockholders. In fact, two Company stockholders currently hold 10% or more of our outstanding stock; if the ownership threshold were lowered to 10% then either one of such stockholders would have the ability, in its sole discretion, to cause the Company to call a special meeting. Special meetings require substantial effort and expense, including, among other things, preparing and mailing proxy materials. Special meetings also cause significant disruptions

to the Company's normal business operations by requiring significant attention from the Board, our management team and other employees, diverting their focus from overseeing and operating our business. As a result, providing the right to call a special meeting by stockholders with a small minority of shares (i.e., 10%) would only come at the expense of all the other stockholders and the Company. The Board believes that the Company's resources should only be used for the purposes of a special meeting of stockholders to address significant matters that are of interest to a broader portion of the stockholder base that cannot be delayed until the next annual meeting. Furthermore, of the S&P 500 companies that grant stockholders the right to call a special meeting, more than three-quarters have an ownership threshold of 20% or higher.

In recommending a vote against this stockholder proposal, the Board believes it is important to consider the other governance practices and stockholder protections that the Company has adopted, including annual director elections, majority voting in uncontested director elections and proxy access. In addition, stockholders have a number of ways to communicate with the Board to have influence on the oversight of the Company. The Board and the Company solicit and value stockholder input and take every step possible to ensure that such input is received in the ordinary course. Stockholders can contact directly (and confidentially) our Lead Independent Director, any individual Director or the Board as a whole, as described under "Stockholder Access" on page 7. Our Investor Relations team also maintains open and regular lines of direct communication with our stockholders. The Board believes it is responsive to stockholder feedback.

For all of the above reasons, the Board recommends that stockholders vote AGAINST Proposal No. 5.

In addition, the Board disagrees with a number of the statements that the proponent has made in connection with his proposal. The Board, however, believes that these statements are not relevant to the proposal being considered and that any discussion of these statements would not be helpful to stockholders in determining how to vote on the proposal. As a result, the Board believes there is no reason to address these statements.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL. PROXIES SOLICITED BY THE BOARD WILL BE VOTED AGAINST THIS PROPOSAL UNLESS OTHERWISE INSTRUCTED.**

## **FREQUENTLY ASKED QUESTIONS**

### **1. Who can vote at the annual meeting?**

Holders of our common stock as of the close of business on the record date will be entitled to vote at the annual meeting and at any adjournment or postponement of the annual meeting. March 16, 2018 is the record date.

### **2. How many votes can be cast by all stockholders?**

On the record date, there were 135,783,557 shares of our common stock outstanding, each of which is entitled to one vote for each matter to be voted on at the annual meeting.

### **3. How many votes must be present to hold the annual meeting?**

We need a majority of the votes that may be cast at the annual meeting, present in person or represented by proxy, to hold the annual meeting. We urge you to submit a proxy even if you plan to attend the annual meeting. That will help us to know as soon as possible that sufficient shares will be present to hold the annual meeting.

### **4. How do I vote?**

If you are a holder of record (that is, you hold your shares in your name with the Company's transfer agent), you may cause your shares to be voted by submitting your proxy via the Internet, mail or telephone or by attending the annual meeting and voting in person. The directions for telephone and Internet proxy submission are on your proxy card. If you choose to submit your proxy on the Internet, go to [www.cesvote.com](http://www.cesvote.com). If you choose to submit your proxy by mail, simply mark, sign and date your proxy card and return it in the enclosed postage pre-paid envelope. You can also submit your proxy by calling 1-888-693-8683. If you return a signed proxy card without indicating your vote, your shares will be voted according to the Board's recommendations.

If you hold your shares in street name (that is, through a broker, bank or other holder of record), please follow the voting instructions forwarded to you by your bank, broker or other holder of record. If you want to vote in person at the annual meeting, you must obtain a legal proxy from your broker, bank or other holder of record authorizing you to vote and bring the proxy to the annual meeting.

To reduce our administrative and postage costs, we ask that you submit a proxy through the Internet or by telephone, both of which are available 24 hours a day.

**5. How many votes will be required to elect directors?**

Each director will be elected by a majority of votes cast with respect to such director. A “majority of votes cast” means that the number of votes cast “for” a director nominee exceeds the number of votes cast “against” that director nominee. Under Delaware law, if the director is not elected at the annual meeting, the director will continue to serve on the Board as a “holdover” director. As required by the Company’s by-laws, each director nominee has submitted an irrevocable letter of resignation as director that becomes effective if he or she is not elected by the stockholders and the Board accepts the resignation. If a director is not elected, the Governance Committee will consider the director’s resignation and recommend to the Board whether to accept or reject the resignation or take other action. The Board will decide whether to accept or reject the resignation or take other action and publicly disclose its decision and, if it rejects the resignation, the rationale behind the decision, within 120 days after the election results are certified.

**6. How many votes will be required to adopt the other proposals?**

Approval of the proposed amendment to the Certificate of Incorporation requires the affirmative vote of at least a majority of the shares of our common stock outstanding on the record date. The ratification of the appointment of PwC and approval of the stockholder proposal require the affirmative vote of a majority of the shares of common stock represented at the annual meeting and entitled to vote thereon. The approval of the advisory resolution to approve executive compensation requires the affirmative vote of a majority of votes cast with respect to such proposal. A “majority of votes cast” means that the number of votes cast “for” a proposal exceeds the number of votes cast “against” that proposal.

## 7. Can I change or revoke my proxy?

Yes. You may revoke your proxy before your shares are voted by:

submitting a later dated proxy, including by telephone or the Internet, that is received no later than the conclusion of voting at the annual meeting;

delivering a written revocation notice to William J. O'Shaughnessy, Jr., Corporate Secretary, Quest Diagnostics Incorporated, 500 Plaza Drive, New Jersey 07094 that is received no later than the conclusion of voting at the annual meeting; or

- voting in person at the annual meeting.

## 8. What if I vote to abstain?

Shares voting "abstain" on the ratification of the appointment of PwC, the proposed amendment to the Certificate of Incorporation, and approval of the stockholder proposal will be counted as present for purposes of that proposal and will have the effect of a vote against the proposal. Shares voting "abstain" for any nominee for director and the advisory vote to approve executive compensation will be excluded entirely from the vote and will have no effect on the election of that nominee or matter, as the case may be.

## 9. What happens if I do not vote?

If you are a record holder and do not vote your shares or submit a proxy with respect to your shares, your shares will not be voted.

If you hold your shares in street name (including in the Employee Stock Purchase Plan), you must instruct the record owner how to cast your vote if you want your shares to count for the election of directors, the advisory resolution to approve executive compensation, the proposed amendment to the Certificate of Incorporation, or approval of the stockholder proposal. If you do not provide instructions regarding how to vote on these matters, no vote will be cast on your behalf. Brokers continue, however, to have discretion to vote uninstructed shares on the ratification of the appointment of PwC.

If you are a participant in the 401(k) Plan and you do not submit voting instructions in respect of shares held on your behalf in such plan, then, except as otherwise required by law, the plan trustee will vote your shares in the same proportion as the voting instructions that it receives from other participants.

**10. What if there is voting on other matters?**

We do not know of any other matters that may be presented for action at the meeting other than those described in this proxy statement. If any matter not described in the proxy statement properly is brought before the meeting, the proxy holders will have the discretion how to vote your shares.

**11. How can I attend the annual meeting?**

Only stockholders as of the record date (or their proxy holders) may attend the annual meeting. All stockholders seeking admission to the meeting must present photo identification. If you hold your shares in street name (including in the Employee Stock Purchase Plan), to gain admission to the meeting you also must provide proof of ownership of your shares as of the record date. Proof of ownership may be a letter or account statement from your broker, bank or other holder of record. If you need directions to the annual meeting, please call Investor Relations at 973-520-2900.

**12. What happens if the annual meeting is postponed or adjourned?**

Your proxy will still be valid and may be voted at the postponed or adjourned annual meeting. You will still be able to change or revoke your proxy until it is voted.



**13. Who is soliciting my vote and will pay the expenses incurred in connection with the solicitation?**

The Board is soliciting your vote. The Company pays the cost of preparing proxy materials and soliciting your vote. Our directors, officers and employees, who will receive no additional compensation for soliciting, may solicit proxies on our behalf by telephone, mail, electronic or facsimile transmission, in person or by other means of communication. We also have hired D. F. King & Co., Inc. to solicit proxies and for these services we will pay an estimated fee of \$13,500, plus expenses.

**14. Can I receive annual meeting material via electronic delivery?**

We are furnishing this proxy statement and form of proxy and voting instructions in connection with our solicitation of proxies on behalf of the Board for the annual meeting. This proxy statement and the Annual Report are available on our Investor Relations website at [www.QuestDiagnostics.com](http://www.QuestDiagnostics.com). You can save the Company postage and printing expense by consenting to access these documents over the Internet. If you consent, you will receive notice next year when these documents are available with instructions on how to view them and submit voting instructions. Your consent to electronic delivery of materials will remain in effect until you revoke it. If you choose electronic delivery, you may incur costs, such as cable, telephone and Internet access charges, for which you will be responsible.

**15. Whom should I call with other questions or to obtain a paper copy of this document or the Annual Report on Form 10-K?**

If you have additional questions about this proxy statement or the annual meeting or would like additional copies of this document or our 2017 Annual Report on Form 10-K at no charge, please contact Investor Relations, Quest Diagnostics Incorporated, 500 Plaza Drive, Secaucus, New Jersey 07094; email address: [Investor@QuestDiagnostics.com](mailto:Investor@QuestDiagnostics.com); telephone 973-520-2900. The Company's main telephone number is 973-520-2700. We will promptly deliver to you the documents that you request.

**16. How do I submit a proposal for the 2019 Annual Meeting of Stockholders?**

Stockholders intending to present a proposal at the 2019 annual meeting and have it included in the Company's proxy statement for that meeting must submit the proposal in writing to William J. O'Shaughnessy, Jr., Corporate Secretary, 500 Plaza Drive, Secaucus, New Jersey 07094. We must receive your proposal by the close of business on December 5, 2018.

Stockholders intending to present a proposal at the 2019 annual meeting, but not to include the proposal in the Company's proxy statement, or to nominate a person for director (other than proxy access nominations, which are discussed below), must comply with the requirements set forth in our by-laws. The by-laws require, among other things, that our Corporate Secretary receive written notice from the record stockholder of intent to present such proposal or nomination no more than 120 days and no less than 90 days prior to the anniversary of the preceding year's annual meeting. Therefore, the Company must receive notice of such a proposal or nomination for the 2019 annual meeting no earlier than January 15, 2019 and no later than February 14, 2019. The notice must contain the information required by the by-laws, a copy of which is available on our corporate governance website at [www.QuestDiagnostics.com](http://www.QuestDiagnostics.com) or upon request from our Corporate Secretary.

Our Bylaws provide a proxy access right to permit a stockholder, or a group of up to 20 stockholders, owning at least 3% of our outstanding common stock continuously for at least three years, to nominate and include in our proxy materials director nominees constituting up to 20% of the Board of Directors or two directors, whichever is greater, provided that the stockholder(s) and the nominee(s) satisfy the requirements in our Bylaws. Under our Bylaws, compliant notice of proxy access director nominations for the 2019 annual meeting must be submitted to the Corporate Secretary no earlier than November 5, 2018 and no later than December 5, 2018. The notice must contain the information required by the by-laws, a copy of which is available on our corporate governance website at [www.QuestDiagnostics.com](http://www.QuestDiagnostics.com) or upon request from our Corporate Secretary.

**17. Why do we have two special meeting proposals? What will happen if one or both of them pass?**

Both Proposal No. 4 and Proposal No. 5 deal with the ability of stockholders to cause the Company to call a special meeting of stockholders. Proposal 4 is the Company's Board-approved proposal regarding amending the Company's Certificate of Incorporation to provide that holders of 20% of our common stock can cause the Company to call a special meeting of stockholders. Proposal No. 5 is a stockholder's precatory proposal proposed by a stockholder requesting that the Board take the necessary steps to ensure that holders of 10% of our common stock can cause the Company to call a special meeting of stockholders. If Proposal No. 4 is approved by the requisite stockholder vote, the

proposed amendment to the Certificate of Incorporation will be adopted, and a Certificate of Amendment to the Certificate of Incorporation reflecting the proposed amendment will be filed with the State of Delaware promptly after the annual meeting. In contrast, if Proposal No. 5 is approved by the requisite stockholder vote, it will constitute a recommendation to the Board regarding the ability of our stockholders to cause the Company to call a special meeting of stockholders.

As part of our evaluation of this issue, our Board took into consideration many factors, including the concentration of our stockholder base and our current governance practices. Our Board believes that stockholders should have the opportunity to consider alternative special meeting proposals, and is therefore presenting for stockholder vote both its own proposal and the stockholder proposal for special meetings.

If both Proposal No. 4 and Proposal No. 5 are approved, the Company will promptly file a Certificate of Amendment to the Certificate of Incorporation with the State of Delaware reflecting the proposed amendment to the Certificate of Incorporation in accordance with the adoption of Proposal No. 4. In addition, the Board will evaluate the voting results on Proposal No. 5, and may seek additional stockholder input to determine whether any further amendments to the special meeting provisions of the Company's Certificate of Incorporation are in the best interests of the Company and its stockholders.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on May 15, 2018: Our proxy statement and Annual Report on Form 10-K for the year ended December 31, 2017 are available on our Investor Relations website at [www.QuestDiagnostics.com](http://www.QuestDiagnostics.com).**

**Annex A****Reconciliation of Non-GAAP and GAAP Information**

As used in this proxy statement the term “reported” refers to measures under the accounting principles generally accepted in the United States (“GAAP”). The term “adjusted” refers to non-GAAP measures as follows: (i) for the purpose of income measures the term “adjusted” refers to operating performance measures that exclude special items such as the gain on sale of the Focus Diagnostics products business, the effect of changes in tax law on our deferred tax assets (liabilities) and reserves, the retirement of debt and related refinancing charges, restructuring and integration charges, and other items; (ii) the term “adjusted diluted EPS excluding amortization expense” represents the company’s diluted EPS before the impact of special items (described above) and amortization expense; (iii) reference to “revenues on an equivalent basis” when comparing 2017 to 2016 represents 2016 reported revenues excluding all Focus Diagnostics products revenues.

The non-GAAP adjusted measures included in “Compensation Discussion and Analysis” beginning on page 19 are presented because management believes those measures are useful adjuncts to GAAP results. Non-GAAP adjusted measures should not be considered as an alternative to the corresponding measures determined under GAAP. Management may use these non-GAAP measures to evaluate our performance period over period and relative to competitors, to analyze the underlying trends in our business, to establish operational budgets and forecasts and for incentive compensation purposes. We believe that these non-GAAP measures are useful to investors and analysts to evaluate our performance period over period and relative to competitors, as well as to analyze the underlying trends in our business and to assess our performance. The tables below reconcile adjusted measures to GAAP measures.

	Twelve Months Ended December 31, 2017    2016		<b>Increase</b>  (Decrease)
	(dollars in millions, except per share data)		
Adjusted operating income:			
Operating income	\$1,165	\$1,277	
Gain on disposition of business (a)	—	(118 )	
Restructuring and integration charges (b)	105	78	
Other (c)	12	(7 )	
Adjusted operating income	\$1,282	\$1,230	
Adjusted operating income as a percentage of net revenues:			
Operating income as a percentage of net revenues	15.1 %	17.0 %	(190) basis points
Gain on disposition of business (a)	—	(1.5 )	
Restructuring and integration charges (b)	1.4	1.0	
Other (c)	0.1	(0.1 )	
Adjusted operating income as a percentage of net revenues	16.6 %	16.4 %	20 basis points

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	Twelve Months Ended December 31,		Increase (Decrease)
	2017	2016	
	(dollars in millions, except per share data)		
Adjusted net income:			
Net income attributable to Quest Diagnostics	\$772	\$645	
Gain on disposition of business (a)	—	(118 )	
Retirement of debt and related refinancing charges (d)	—	48	
Restructuring and integration charges (b)	106	82	
Other (c)	10	—	
Income tax (benefit) expense associated with the special items (e)	(148 )	25	
Adjusted net income	\$740	\$682	
Adjusted diluted EPS excluding amortization expense:			
Diluted earnings per common share	\$5.50	\$4.51	22.0%
Gain on disposition of business (a) (e)	—	(0.24 )	
Retirement of debt and related refinancing charges (d) (e)	—	0.21	
Restructuring and integration charges (b) (e)	0.47	0.35	
Certain income tax benefits (e)	(0.77 )	—	
Other (c) (e)	0.07	(0.06 )	
Amortization expense (f)	0.40	0.38	
Adjusted diluted EPS excluding amortization expense	\$5.67	\$5.15	10.1%
Revenue on an equivalent basis:			
Net revenues	\$7,709	\$7,515	2.6%
Excluded revenue (g)	—	(26 )	
Revenue on an equivalent basis	\$7,709	\$7,489	2.9%

(a) For the twelve months ended December 31, 2016, represents the pre-tax gain on the sale of our Focus Diagnostics products business.

(b) For the twelve months ended December 31, 2017, represents costs primarily associated with systems conversions, integration and workforce reductions incurred in connection with further restructuring and integrating our business. For the twelve months ended December 31, 2016, represents costs primarily associated with systems conversions and integration incurred in connection with further restructuring and integrating our business.

(c) For the twelve months ended December 31, 2017, primarily represents non-cash asset impairment charges associated with an investment, non-cash asset impairment charges and incremental costs incurred as a result of hurricanes and costs incurred related to certain legal matters, partially offset by gain on the sale of an interest in an equity method investee. For the twelve months ended December 31, 2016, primarily represents a gain on escrow recovery associated with an acquisition, partially offset by costs associated with winding down subsidiaries, non-cash asset impairment charges and costs incurred related to certain legal matters.

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For the twelve months ended December 31, 2016, represents charges associated with the March 2016 cash tender (d) offer where the company purchased \$200 million of its 6.95% Senior Notes due July 2037 and 5.75% Senior Notes due January 2040.

2018 Proxy Statement A-2

For gain on disposition of business, income tax expense resulted in a combined tax rate of 71.4%, which was significantly in excess of the statutory rate primarily due to a lower tax basis in the assets sold, specifically the goodwill associated with the disposition. For the retirement of debt and related refinancing charges, income tax benefits were calculated such that the combined tax rate was 38.9% for 2016. For the restructuring and integration charges and other items, income tax impacts, where recorded, were primarily calculated using combined tax rates of 38.7% for both 2017 and 2016. For the twelve months ended December 31, 2017, other items also include the impact of recording a valuation allowance against certain net operating loss carryforwards in a geography impacted by hurricanes. The following table summarizes the income tax (benefit) expense associated with the special items:

	<b>Twelve Months Ended December 31, 2017 2016</b>	
	(dollars in millions)	
Gain on disposition of business	\$—	\$84
Retirement of debt and related refinancing charges	—	(18 )
Restructuring and integration charges	(41 )	(32 )
Other	(1 )	(9 )
Certain income tax benefits (1)	(106 )	—
	\$(148)	\$25

(1) - For the twelve months ended December 31, 2017, certain income tax benefits represents the net tax benefit associated with the TCJA. The company recorded an estimated net income tax benefit of \$106 million associated with the TCJA, including a deferred income tax benefit of \$115 million primarily due to the remeasurement of net deferred tax liabilities and reserves at the new combined tax rate of 25.5%, partially offset by \$9 million of current tax expense primarily due to the mandatory repatriation toll charge on undistributed foreign earnings and profits.

(f) Represents the impact of amortization expense on diluted earnings per common share, net of the income tax benefit. The income tax benefit was primarily calculated using a combined tax rate of 38.7% for both 2017 and 2016. The pre-tax amortization expense that is excluded from the calculation of adjusted diluted EPS excluding amortization expense is recorded in the company's statements of operations as follows:

	<b>Twelve Months Ended December 31, 2017 2016</b>	
	(dollars in millions)	
Amortization of intangible assets	\$74	\$72
Equity in earnings of equity method investees, net of taxes	16	16
	\$90	\$88



(g) For the twelve months ended December 31, 2016, excluded revenue represents reported revenue for the Focus Diagnostics products business, which was sold on May 13, 2016.

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MI7512

Corporate Election Services  
P. O. Box 3230  
Pittsburgh, PA 15230

**PLEASE SUBMIT YOUR  
PROXY BY PHONE  
OR BY INTERNET, OR  
RETURN THIS CARD  
AFTER SIGNING AND  
DATING IT.**

**Submit your proxy by Telephone**  
**Toll-free** via touch-tone phone:  
**1-888-693-8683**  
Have your proxy card and follow  
instructions.

**Submit your proxy by Internet**  
Go to  
**www.cesvote.com**  
Have your proxy card and follow  
instructions.

**Submit your proxy by Mail**  
Return your proxy  
in the **postage-paid**  
envelope provided.

**IMPORTANT**

Your vote must be received by 11:59 p.m. EDT on May 14, 2018, to be counted in the final tabulation, except for participants in the Quest Diagnostics employee benefit plan. If you are a participant in the Quest Diagnostics employee benefit plan, your vote must be received by 6:00 a.m. EDT on Friday, May 11, 2018, to be counted in the final tabulation.

ê **If submitting a proxy by mail, please sign and date the card below and fold and detach card at perforation before mailing.** ê

**The Quest Diagnostics Board of Directors recommends a vote FOR the nominees listed below.**

	<b>FOR AGAINST ABSTAIN</b>		
1. Election of Directors			
(1) Jenne K. Britell	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(2) Vicky B. Gregg	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(3) Jeffrey M. Leiden	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(4) Timothy L. Main	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(5) Gary M. Pfeiffer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(6) Timothy M. Ring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(7) Stephen H. Rusckowski	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- |                         |                       |                       |                       |
|-------------------------|-----------------------|-----------------------|-----------------------|
| (8) Daniel C. Stanzione | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (9) Helen I. Torley     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (10) Gail R. Wilensky   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**The Quest Diagnostics Board of Directors recommends a vote FOR Proposals 2, 3 and 4.**

2. An advisory resolution to approve the executive officer compensation disclosed in the Company's 2018 proxy statement

**FOR**  **AGAINST**  **ABSTAIN**

3. Ratification of the appointment of our independent registered public accounting firm for 2018

**FOR**  **AGAINST**  **ABSTAIN**

4. Amending our Certificate of Incorporation to permit stockholders holding 20% or more of our common stock to cause the Company to call special meetings of stockholders

**FOR**  **AGAINST**  **ABSTAIN**

**The Quest Diagnostics Board of Directors recommends a vote AGAINST Proposal 5.**

5. Stockholder proposal to permit stockholders holding 10% or more of our common stock to cause the Company to call special meetings of stockholders

**FOR**  **AGAINST**  **ABSTAIN**

**Signature(s):**    **Date:**    , 2018

**IMPORTANT** – Please sign exactly as imprinted (do not print). When signing on behalf of a corporation, partnership, estate or trust, indicate title or capacity of person signing. If shares are held jointly, each holder must sign.

**Notice of 2018 Annual Meeting of Stockholders**

**QUEST DIAGNOSTICS INCORPORATED**

**500 Plaza Drive**

**Secaucus, New Jersey**

**May 15, 2018, 10:30 a.m. local time**

At the meeting we will act on the following proposals:

- the election of ten directors;
- an advisory resolution to approve the executive officer compensation disclosed in the Company's 2018 proxy statement;
- ratification of the appointment of our independent registered public accounting firm for 2018;
- amending our Certificate of Incorporation to permit stockholders holding 20% or more of our common stock to cause the Company to call special meetings of stockholders;
- a stockholder proposal to permit stockholders holding 10% or more of our common stock to cause the Company to call special meetings of stockholders; and
- such other business as may properly come before the meeting or any adjournment or postponement thereof.

**ELECTRONIC ACCESS TO FUTURE DOCUMENTS NOW AVAILABLE**

If you are a record holder of shares, you have the option to access future stockholder communications (e.g., annual reports, proxy statements and related proxy materials) over the Internet instead of receiving those documents in print. There is no cost to you for this service other than any charges you may incur from your Internet provider, telephone or cable company. Once you give your consent, it will remain in effect until you inform us otherwise. To give your consent to access materials electronically, follow the prompts when you submit your proxy by telephone or over the Internet, or contact Computershare, our transfer agent and registrar, using the contact details below.

STOCKHOLDER INFORMATION

If you are a stockholder of record and have questions regarding your Quest Diagnostics Incorporated stock, you may contact our transfer agent and registrar as follows:

Computershare  
P. O. Box 30170  
College Station, TX 77845  
Toll free telephone 800-622-6757  
Email address: web.queries@computershare.com

ê **If submitting a proxy by mail, please sign and date the card below and fold and detach card at perforation before mailing.** ê

**QUEST DIAGNOSTICS INCORPORATED**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Michael E. Prevoznik and William J. O'Shaughnessy, Jr., and each of them, proxies with full power of substitution, to represent and to vote on behalf of the undersigned all the shares of common stock of Quest Diagnostics Incorporated that the undersigned is entitled in any capacity to vote if personally present at the 2018 Annual Meeting of Stockholders to be held on Tuesday, May 15, 2018, and at any adjournments or postponements thereof, in accordance with the instructions set forth on the reverse side of this proxy card and with the same effect as though the undersigned were present in person and voting such shares. Each of the proxies is authorized in his discretion to vote for the election of a person to the Board of Directors if any nominee named herein becomes unable to serve or for good cause will not serve, upon all matters incident to the conduct of the meeting, and upon such other business as may come before the meeting or any adjournment or postponement thereof.

**THIS PROXY WILL BE VOTED AS DIRECTED. IF THIS PROXY IS SIGNED, BUT NO DIRECTION IS MADE, IT WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATION OF THE BOARD OF DIRECTORS OF QUEST DIAGNOSTICS INCORPORATED WITH RESPECT TO EACH PROPOSAL.**