BOWATER INC
Form DEF 14A
March 21, 2003

SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
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 o

Check the appropriate box:

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

BOWATER INCORPORATED

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

(BOWATER LOGO)

March 19, 2003

Dear Shareholders:

We cordially invite you to attend the Annual Meeting of Shareholders of Bowater Incorporated, which will be held at The Gunter Theatre, 300 South Main Street, Greenville, South Carolina, on Wednesday, May 7, 2003, at 11:00 a.m. We will be able to discuss each item of business described in the accompanying Notice of Annual Meeting and Proxy Statement.

During the meeting, I will review highlights of the past year and report on Bowater s business operations. Afterwards, you will have an opportunity to ask questions and to confer informally with a number of our directors and officers.

We hope that you will attend the Annual Meeting. Whether or not you plan to attend, please sign, date and return your proxy (or voting instruction card) promptly in the envelope provided in order to make certain that your shares will be represented at the Annual Meeting.

Bowater s Annual Report for 2002 is included in this package, and we urge you to read it carefully.

Sincerely yours,

/s/ ARNOLD M. NEMIROW
ARNOLD M. NEMIROW
Chairman, President and
Chief Executive Officer

BOWATER INCORPORATED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 7, 2003

The 2003 Annual Meeting of Shareholders of Bowater Incorporated will be held at The Gunter Theatre, 300 South Main Street, Greenville, South Carolina, on Wednesday, May 7, 2003, at 11:00 a.m. for the following purposes:

(1) To elect three directors, each for a term of three years; and

(2) To transact any other business that may properly come before the Annual Meeting and any adjournment.

Holders of common stock and special voting stock of record at the close of business on March 12, 2003, are entitled to notice of and to vote at the Annual Meeting.

By order of the Board of Directors,

/s/ Harry F. Geair

Harry F. Geair
Vice President General Counsel and Secretary

Greenville, South Carolina
March 19, 2003

Shareholders are urged to sign and return the proxy or voting instruction card promptly in the envelope provided.

BOWATER INCORPORATED
55 East Camperdown Way
Post Office Box 1028
Greenville, SC 29602-1028

PROXY STATEMENT

For the Annual Meeting of Shareholders
to be held on May 7, 2003, at 11:00 a.m.
at The Gunter Theatre, 300 South Main Street, Greenville, SC 29601

General Information

This Proxy Statement and the enclosed proxy materials relate to Bowater s Annual Meeting of Shareholders to be held on May 7, 2003, at 11:00 a.m. at The Gunter Theatre, 300 South Main Street, Greenville, South Carolina. These proxy materials are being furnished by Bowater in connection with a solicitation of proxies by Bowater s Board of Directors and are being mailed on or about March 27, 2003.

Who May Vote at the Annual Meeting

These proxy materials are provided to holders of Bowater s Common Stock (Common Shareholders) and holders of Exchangeable Shares issued by Bowater s subsidiary, Bowater Canada Inc., who were holders of record on March 12, 2003 (the Record Date). Common Shareholders of record on the Record Date and Computershare Trust Company of Canada (the Trustee), as holder of one share of special voting stock issued in connection with the issuance of the Exchangeable Shares, are entitled to vote at the Annual Meeting.

The Trustee will vote this share of special voting stock under the provisions of a Voting and Exchange Trust Agreement. Under this agreement, each holder of Exchangeable Shares (an Exchangeable Shareholder) is entitled to instruct the Trustee how to vote at Bowater shareholder meetings. The Trustee will cast votes equal to the number of outstanding Exchangeable Shares not owned by Bowater and as to which the Trustee has timely received voting instructions from the Exchangeable Shareholders.

The Common Shareholders and the Trustee (acting for the Exchangeable Shareholders) will vote together as a single class on all matters. On the Record Date, 55,293,323 shares of Common Stock and 1,643,832 Exchangeable Shares entitled to give voting instructions were outstanding.

Voting and Proxy Procedures

Each share of Common Stock outstanding on the Record Date is entitled to one vote at the Annual Meeting. An Exchangeable Shareholder (other than Bowater) is entitled to give instructions for votes equal to the number of Exchangeable Shares held by such shareholder.

Proxy cards are enclosed for Common Shareholders and voting instruction cards are enclosed for Exchangeable Shareholders. Signing the enclosed proxy or voting instruction card will not affect a shareholder s right to attend the Annual Meeting. Shares of Common Stock represented by proxies in the accompanying form will be voted in accordance with the holder s instructions.

If no contrary instruction is indicated, shares represented by the proxies will be voted:

(1) *for* the election of the three nominees named below to serve as directors for the three-year term indicated; and

(2) in the discretion of the proxy holders on any other business that may properly come before the Annual Meeting and any adjournment.

Should any nominee named for the office of director become unable or unwilling to accept nomination or election, the proxyholders intend to vote for the election of another person recommended by the Nominating and Governance Committee of the Board of Directors and nominated by the Board. Bowater has no reason to believe that any of the three nominees will be unable or unwilling to serve if elected to office.

James L. Pate, a director since 1996, died on January 18, 2003. Mr. Pate was a Class I director and was expected to stand for re-election this year. Mr. Barth, a Class I director, was scheduled to retire from the Board this year, but has consented to stand for re-election at the Board s request. In accordance with Bowater s Bylaws, the Board has waived the application of the mandatory retirement requirement to permit Mr. Barth to stand for re-election. It is anticipated that Mr. Barth will resign upon the Board s election of a suitable replacement.

Aside from the election of three directors, Bowater does not know of any other matters that will be presented at the Annual Meeting. However, if any other matters properly come before the Annual Meeting and any adjournment, the person or persons voting the proxies will vote them in accordance with their best judgment.

Revocation of Proxies and Instructions

Any Bowater Common Shareholder giving a proxy has the right to revoke it by giving written notice of revocation to Bowater s Secretary at any time before the proxy is voted, or by executing and delivering to Bowater a later-dated proxy at any time before the earlier proxy is voted, or by attending the Annual Meeting and voting his or her shares in person (although attendance at the Annual Meeting will not, in and of itself, revoke a proxy). No notice of revocation or later-dated proxy will be effective until received by Bowater s Secretary at or prior to the Annual Meeting. Instructions regarding the revocation of voting instructions are included in the Notice to Exchangeable Shareholders that is being provided to holders of Exchangeable Shares.

Quorum and Vote Requirements for Approval

Holders of shares representing one-third of the voting power entitled to vote at the Annual Meeting, present in person or by proxy, are necessary to constitute a quorum. Directors are elected by a plurality of votes of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting

In the election of directors, votes may be cast for or votes may be withheld from each nominee. Abstentions may not be specified with respect to the election of directors. Broker non-votes (which occur when a broker or other nominee holding shares for a beneficial owner reports those shares as present for quorum purposes but does not vote on a proposal) will have no effect upon the vote on any matter submitted for shareholder vote.

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Item No. 1 Election of Directors

Information on Nominees and Directors

The Board of Directors is divided into three classes: Class I, Class II and Class III. Each class consists as nearly as possible of one-third of the total number of directors, and one class is elected each year for a three-year term. The term of the Class I directors expires this year, and the successors are to be elected at the Annual Meeting for a three-year term expiring in 2006. The terms of the Class II and Class III directors expire in 2004 and 2005, respectively.

The following information is provided for the three nominees who are the Class I directors, and also for the Class II and Class III directors.

Nominees for Directors to be Elected at the 2003 Annual Meeting of Shareholders (Class I)

Richard Barth Age: 71 Director since 1991	**Retired Chairman, President and Chief Executive Officer of Ciba-Geigy Corporation** - Mr. Barth became Chairman of Ciba-Geigy Corporation, a diversified chemical products company, in 1990 and served in that capacity until its merger into Novartis Corporation in 1996. Mr. Barth was President and Chief Executive Officer of Ciba-Geigy Corporation from 1986 to 1996, Chief Financial Officer from 1979 to 1986, Secretary from 1974 to 1986, and General Counsel from 1970 to 1986.
Charles J. Howard Age: 60 Director since 1997	**Chairman of Howard, Barclay & Associates Ltd.** - Mr. Howard has been Chairman of Howard, Barclay & Associates Ltd., an investment-counseling firm, since 1994. He is also President, Director and the largest shareholder of Ausnoram Holdings Limited, a private investment holding company with mining, oil and gas interests, since 1989. Mr. Howard is also a director of Wilmington Capital Inc.
Togo D. West, Jr. Age: 60 Director since 2002	**Of Counsel, Covington & Burling** - Mr. West has been Of Counsel to Covington & Burling, a law firm headquartered in Washington, D.C., since 2000. From 1998 until 2000, he served as Secretary of Veterans Affairs in the Clinton Administration. From 1993 until 1998, he was Secretary of the Army, a period during which he also served as Chairman of the Panama Canal Commission. Mr. West is also a director of Krispy Kreme Doughnuts, Inc.

Directors Whose Terms End at the 2004 Annual Meeting of Shareholders (Class II)

Arnold M. Nemirow Age: 59 Director since 1994	**Chairman, President and Chief Executive Officer of Bowater** - Mr. Nemirow became Chief Executive Officer of Bowater in 1995 and became Chairman in 1996. He has served as President of Bowater since September 1994 and served as Chief Operating Officer of Bowater from September 1994 through February 1995.

Arthur R. Sawchuk
Age: 67
Director since 1998

Chairman of Manulife Financial Corporation - Mr. Sawchuk has been Chairman of Manulife Financial Corporation, a financial services company, since April 1998. He served as acting President and Chief Executive Officer of Avenor Inc., a forest products company, from November 1997 until its acquisition by Bowater in July 1998. Previously he held various positions with DuPont Canada Inc., a chemical and plastics company, serving as Executive Chairman from September 1997 until his retirement in December 1997, Chairman of the Board from 1995 to 1997, and President, Chief Executive Officer and a director from 1992 to 1997. Mr. Sawchuk is also a director of MTS Inc., Manulife Financial Inc., Manulife Life Insurance Co. and Ontario Power Generation Inc.

Cinda A. Hallman[1]
Age: 58
Director since 2000

President and Chief Executive Officer of Spherion Corporation - Ms. Hallman has served as President and Chief Executive Officer of Spherion Corporation, a recruitment, outsourcing and technology services company, since April 2001. From March 1998 until April 2001, Ms. Hallman served as Senior Vice President, Global Systems & Processes of E.I. du Pont de Nemours and Company, a science and technology company. She served as DuPont s Senior Vice President of Functioning Effectiveness and Global Services from 1997 to 1998, and Vice President of Global Information Systems and Chief Information Officer from 1992 to 1997. Ms. Hallman is also a director of Spherion Corporation.

Directors Whose Terms End at the 2005 Annual Meeting of Shareholders (Class III)

Francis J. Aguilar
Age: 70
Director since 1984

Professor Emeritus of Harvard University Graduate School of Business - Dr. Aguilar was a faculty member at the Harvard University Graduate School of Business from 1965 to 1995. Since 1994, he has served as Executive Director of the Management Education Alliance, a nonprofit educational corporation. Dr. Aguilar is also a director of Dynamics Research Corporation and also acts as an independent business consultant.

John A. Rolls
Age: 61
Director since 1990

President and Chief Executive Officer of Thermion Systems International - Mr. Rolls has served as President and Chief Executive Officer of Thermion Systems International, an aerospace and industrial heating systems company, since 1996. He was President and Chief Executive Officer of Deutsche Bank North America, an international banking company, from 1992 to 1996. Mr. Rolls was Executive Vice President and Chief Financial Officer of United Technologies Corporation, a diversified aerospace and industrial products company, from 1986 to 1992. Prior to that he was Senior Vice President and Chief Financial Officer of RCA Corporation. Mr. Rolls is also a director of MBIA Inc., Thermion Systems International and FuelCell Energy, Inc.

L. Jacques Ménard
Age: 57
Director since 2002

Chairman of BMO Nesbitt Burns and President, BMO Financial Group, Québec - Mr. Ménard has served as Chairman of BMO Nesbitt Burns, an investment banking company, since 2001 and as President of BMO Financial Group, Québec, a financial service provider, since 1999. From 1994 until 2001, Mr. Ménard served in various executive capacities with BMO Nesbitt Burns including as Deputy Chairman from 1997 until 2001. Prior to 1994, he was Chairman of the Executive Committee of Burns Fry, one of BMO Nesbitt Burns predecessor firms. Mr. Ménard is also a director of N Stein Tecknologie, RONA Inc. and Ontario Power Generation Inc.

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[1] Ms. Hallman has informed Bowater of her desire to resign from the Board. It is anticipated that the Board will accept Ms. Hallman s resignation upon its election of her successor, which could occur prior to the Annual Meeting.

Board and Committee Meetings

Committee Membership

The following table sets forth the membership of the standing committees of Bowater s Board of Directors.

	Committee				
Director	Audit	Executive	Finance	Human Resources and Compensation	Nominating and Governance
Francis J. Aguilar		X		X	
Richard Barth	X	X			X
Cinda A. Hallman	X				
Charles J. Howard	X		X		
L. Jacques Ménard			X		
Arnold M. Nemirow		X			
John A. Rolls			X		X
Arthur R. Sawchuk				X	X
Togo D. West, Jr.	X				

Description of Board Committees

Audit Committee. This Committee met five times in 2002. It reviews the scope and results of Bowater s annual audit, approves the non-audit services rendered by Bowater s independent auditors and considers the effect of such services on the independence of such auditors, recommends to the Board independent auditors for the ensuing year and reviews Bowater s accounting policies and systems of internal controls and internal auditing procedures. For further information concerning the work of the Audit Committee, see Report of the Audit Committee of the Board of Directors on page 17 of this Proxy Statement and the Audit Committee Charter attached to this Proxy Statement as Appendix A.

Executive Committee. This Committee did not meet during 2002. It meets from time to time to make decisions between meetings of the Board under authority delegated by the Board of Directors.

Finance Committee. This Committee met three times in 2002. It reviews and oversees Bowater s financial affairs. The Committee also provides financial oversight and direction of Bowater s pension and savings plans, including approving the selection of trustees and the amount of contributions to be made by Bowater under these plans. In addition, the Committee reviews and approves the adoption of actuarial and accounting methods and assumptions under these plans and reviews the action of management in establishing investment policy and administering the plans.

Human Resources and Compensation Committee. This Committee met five times in 2002. It approves the adoption, amendment and termination of all employee pension and savings benefit plans, administers executive bonus plans and awards and stock option plans and grants under the plans, reviews programs employed by management in developing executive resources for current and future operations and reviews and approves the compensation of Bowater s executive officers.

Nominating and Governance Committee. This Committee met one time in 2002. It recommends nominees for election to the Board and addresses issues of corporate governance for Board consideration. The Nominating and Governance Committee will consider recommendations for director nominees from shareholders. Shareholders who wish to make a recommendation to the Nominating and Governance Committee of a director nominee proposed for election at the 2004 Annual Meeting should comply with the procedure described in Proposals by Shareholders on page 18. The Committee also serves in an oversight capacity with respect to Bowater s compliance with environmental, health and safety regulations.

The Board of Directors met seven times during 2002. All members attended at least 75% of the aggregate of the Board meetings and of the meetings of committees on which they served.

Director Compensation

Each director who is not a Bowater employee (an Outside Director) is entitled to receive an annual retainer of $35,000, a fee of $1,500 per day for each Board meeting attended and a fee of $1,000 per day for each Board committee meeting attended. Each director is also reimbursed for reasonable expenses incurred in attending meetings. Outside Directors also are eligible to receive annual awards under the 2000 Stock Option Plan and the 2002 Stock Option Plan. In January 2002, Mr. Barth was granted options to purchase 2,000 shares of Common Stock.

The 2000 and 2002 stock option plans provide that Outside Directors may elect to receive a single option grant in lieu of three years of director compensation (the Directors Plan). The compensation waived includes the annual cash retainer, the board and committee meeting fees, and the annual stock option grant, but does not include annual retirement accruals or expense reimbursements. On May 9, 2001 all directors who elected to participate in the Directors Plan received options with respect to 20,000 shares of Common Stock, as pro-rated to reflect the director s participation from May 2001 through April 2004. The option exercise price equals the fair market value of the Common Stock on the grant date. Mr. Ménard, who became a director on January 1, 2002, was granted options with respect to 15,555 shares on January 30, 2002 with a per-share exercise price of $46.925. Mr. West, who became a director on March 1, 2002, was granted options with respect to 14,444 shares on May 8, 2002 with a per-share exercise price of $51.00. The remaining Outside Directors, except Mr. Barth (who elected not to participate in the Directors Plan), received options with respect to 20,000 shares on May 9, 2001 at a per share exercise price of $48.19. A participating director s right to exercise these options vests over a three-year period, one-third on each anniversary of the grant, assuming the director continues to serve on the Board. The participating directors will not receive any increases in director compensation or the benefits of any new director compensation arrangements during the three-year vesting period. If a director leaves the Board during the three-year vesting period for any reason other than death or disability, the director forfeits all rights to unvested options. In accordance with the terms of the 2000 and 2002 stock option plans, if a change in control occurs, Bowater will purchase the options at the acceleration price defined in that plan.

Deferred Compensation Plan for Outside Directors

Bowater s Deferred Compensation Plan for Outside Directors (the Deferred Plan) permits Outside Directors to elect irrevocably to defer receipt of all or a part of their annual retainer and meeting fees. Compensation that a director has elected to defer under the Deferred Plan can be allocated to a cash account, a Bowater Common Stock account or both accounts, in increments of 10%, as elected by the director. On the date on which compensation to be deferred would have been payable, participating directors who have elected to allocate all or part of their deferred compensation to their Deferred Plan stock accounts will be credited with the number of shares of Common Stock, including fractional shares, having a value (with a 5% discount) equivalent to the amount of deferred compensation that they allocated to their stock accounts. Deferred compensation that is allocated to a cash account will be credited on the date on which such compensation would have been payable. Whenever dividends are paid on shares of Common Stock, each participant s stock account will be credited with additional shares having an undiscounted value equal to the amount of the dividend paid on a single share of such stock, multiplied by the number of shares of Common Stock, including fractional shares, credited to the participant s account on the dividend record date. Amounts credited to a Deferred Plan cash account will accrue interest on the average monthly balance of that account at a rate equal to the rate for the Fixed Income Fund maintained for Bowater s Salaried Employees Savings Plan (the Savings Plan). Outside Directors can elect to transfer balances between the cash and stock accounts subject to certain conditions set forth in the Deferred Plan. Participants in the Deferred Plan may elect at the time of deferral to have their Deferred Plan accounts distributed to them in (a) either Common Stock or cash as soon as possible or in a stated number of years after they cease to be Outside Directors or (b) cash in either five or ten installments. All of the Outside Directors, except Directors Hallman, Howard, Ménard and West, have accounts under the Deferred Plan.

Retirement Plan for Outside Directors

Bowater also has a Retirement Plan for Outside Directors (the Retirement Plan). All of Bowater s current Outside Directors participate in the Retirement Plan. The Retirement Plan provides for normal retirement benefits equal to 10% of the participant s annualized retainer at the termination of service multiplied by the participant s years of service as an Outside Director of Bowater up to a maximum of ten years. Normal retirement benefits may begin at age 65 after the completion of five or more years of service, although early retirement is permitted (with Bowater s consent) upon attaining age 55 and completing five years of service. Participants who elect early commencement of benefit payments after retirement receive a reduced benefit. The Retirement Plan provides that a participant who was an Outside Director immediately prior to a change in control of Bowater and who is removed from or not renominated to his or her directorship by reason of the change in control is entitled to the early retirement benefits provided by the plan regardless of whether the plan requirements for early retirement have been satisfied. The calculation of these benefits will include fees paid for attending Board and committee meetings for the year preceding the change in control.

Stock Ownership

5% Beneficial Owners

Bowater knows of no person who, or group that, owns beneficially more than 5% of the outstanding voting power as of March 12, 2003, except as set forth in the table below. Information in the table is based solely on Schedule 13G filings made by beneficial owners with the Securities and Exchange Commission.

Name and Address of Beneficial Owner	Voting Power		Investment Power		Total Amount of Beneficial Ownership	Percent of Class[(1)]
	Sole	Shared	Sole	Shared		
Wellington Management Company, LLP[(2)] 75 State Street Boston, MA 02109		4,668,941		6,184,259	6,184,259	11.19%
Lord, Abbett & Co. 90 Hudson Street Jersey City, NJ 07302	4,964,949		4,964,949		4,964,949	8.98%
Franklin Resources, Inc.[(3)] One Franklin Parkway San Mateo, CA 94403	3,831,090		3,831,090		3,831,090	6.9%
FMR Corp.[(4)] 82 Devonshire Street Boston, MA 02109	119,888		3,247,778		3,247,778	5.875%

(1) On all matters submitted for shareholder vote, the Common Stock votes together as a single class with the special voting stock held by the Trustee. Under the Voting and Exchange Trust Agreement, the Trustee is entitled to cast a number of votes equal to the number of outstanding Exchangeable Shares not owned by Bowater and as to which the Trustee has timely received voting instructions from the Exchangeable Shareholders. Accordingly, percentages have been calculated based upon the total number of shares of Common Stock (55,293,323 shares) and Exchangeable Shares (1,643,832 shares) outstanding as of March 12, 2003. These numbers do not include any treasury shares.

(2) In an amendment dated February 5, 2003 to Schedule 13G, Wellington Management Company, LLP (WMC) reported that these shares are owned of record by clients of WMC for which it serves as investment advisor. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. No such client is known to have such right or power with respect to more than 5% of this class of securities.

(3) In an amendment dated February 12, 2003 to Schedule 13G, Franklin Resources, Inc. (FRI) reported that these securities are beneficially owned by investment companies or other managed accounts that are advised by investment advisory subsidiaries of FRI (which have investment and/or voting power over the securities owned by their investment advisory clients). Accordingly, such subsidiaries may be deemed to be the beneficial owners of the referenced securities. Charles B. Johnson and Rupert H. Johnson, Jr. (the FRI Principal Shareholders) (each with the same business address as FRI) each owns in excess of 10% of the outstanding common stock of FRI. FRI and the FRI Principal Shareholders may be deemed to be the beneficial owners of securities held by persons and entities advised by FRI subsidiaries. The Schedule 13G reported that (a) one of the investment adviser subsidiaries, Templeton Global Advisors Limited (for which the business address is Lyford Cay, P.O. Box N-7759, Nassau, Bahamas), has sole voting power and sole dispositive power with respect to 3,669,700 of the shares shown; (b) Franklin Advisers, Inc. (same address as FRI) has sole voting power and sole dispositive power with respect to 77,000 of the shares shown; (c) Franklin Templeton Investments Corp. (address same as FRI) has sole voting power and sole dispositive power with respect to 80,138 of the shares shown; and (d) Templeton Investment Counsel, LLC (same address as FRI) has sole voting power and sole dispositive power with respect to 4,252 of the shares shown. Each of FRI, the FRI Principal Shareholders and the investment advisory subsidiaries disclaims any economic interest or beneficial ownership in the shares shown in the table above and are of the view that they are not acting as a group for purposes of the Securities Exchange Act of 1934, as amended, and that they are not otherwise required to attribute to each other the beneficial ownership of securities held by any of them or by any persons or entities advised by subsidiaries of FRI.

(4) In an amendment dated February 14, 2003 to Schedule 13G, FMR Corp. (FMR) reported that: (a) Edward C. Johnson 3d (Johnson), FMR s chairman, shares with FMR dispositive power over all of the shares listed; (b) FMR s wholly-owned subsidiary, Fidelity

Management & Research Company (same address as FMR), acts as an investment adviser to various investment companies and, as a result, is the beneficial owner of 3,127,890 shares of Common Stock shown in the table and shares with FMR and Johnson the power to dispose of and vote the 71,200 shares owned by the institutional accounts; (c) FMR s wholly-owned subsidiary, Fidelity Management Trust Company (same address as FMR), beneficially owns 292,159 shares of Common Stock as a result of its serving as investment manager of institutional accounts; (d) Geode Capital Management, LLC (same address as FMR), acts as an investment advisor and is the beneficial owner of 6,388 shares of the company; (e) members of Johnson s family (including Abigail P. Johnson, having the same address as FMR), through their ownership of voting common stock and voting agreements, may be deemed to form a controlling group with respect to FMR; (f) Fidelity International Limited, Pembroke Hall, 42 Crowlane, Hamilton, Bermuda, has sole voting and dispositive power with respect to 42,300 shares of Common Stock, by virtue of providing investment advisory and management services to a number of non-U.S. investment companies and institutional investors.

Directors and Executive Officers

As of March 12, 2003, ownership of Common Stock and Exchangeable Shares by each of the directors and nominees for director, by each of the executive officers named in the Summary Compensation Table, and by all directors and executive officers of Bowater as a group was as follows:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	% of Outstanding Common Stock and Exchangeable Shares Entitled To Give Voting Instructions(2)
Arnold M. Nemirow	664,962(1)	1.2%
Arthur D. Fuller	222,648(1)	*
E. Patrick Duffy	198,233(1)	*
David G. Maffucci	169,108(1)	*
R. Donald Newman	90,727(1)	*
Francis J. Aguilar	44,353(1)	*
Richard Barth	20,014(1)	*
Cinda A. Hallman	16,337(1)	*
Charles J. Howard	28,584(1)	*
L. Jacques Ménard	7,185(1)	*
John A. Rolls	35,658(1)	*
Arthur R. Sawchuk	21,796(1)	*
Togo D. West, Jr.	4,814(1)	*
Directors/Executive Officers as a group (22 persons)	2,145,485(1)	3.8%

* Represents holdings of less than 1% of the outstanding shares of Common Stock and Exchangeable Shares.

(1) Beneficial ownership consists of shares owned directly or indirectly, and shares underlying options or other rights to acquire shares that are currently exercisable or that will be exercisable on or before May 11, 2003. The beneficial ownership stated above represents sole voting and investment power, except that 7,000 of Mr. Howard s shares are owned by Ausnoram Holdings Limited, of which Mr. Howard is a principal. Common Stock held in the Savings Plan is allocated to the accounts of Bowater s officers who participate in the plan. The number of shares of Common Stock allocated to officers is provided by the Savings Plan administrator in a statement for the period ending December 31, 2002, based on the market value of the applicable plan units held by the officer. This table also includes shares of Common Stock allocated under Bowater s Compensatory Benefits Plan (the Compensatory Plan) based on a statement for the period ending December 31, 2002. Additional shares of Common Stock may have been allocated to the accounts of participants in the Savings Plan or Compensatory Plan since the date of the last statements from the plan administrators. Participants in the Compensatory Plan have no voting power with respect to share allocations but receive cash payouts based on the number of shares allocated to their accounts under the plan upon their retirement from Bowater, death, disability or other termination of employment (if they have three years of service), and do not have investment power over share allocations prior to that time. The number of shares allocated under each of the Savings Plan and the Compensatory Plan is subject to revision in order to comply with requirements respecting nondiscrimination standards and limitations on contributions under the Internal Revenue Code of 1986, as amended. The following table indicates the nature of Common Stock ownership of each individual listed in the table.

	Direct Ownership					
	Common	Exchangeable	Deferred Plan	Saving Plan	Compensatory Plan	Subject to Options Exercisable Currently or before May 11, 2003
Arnold M. Nemirow	39,000			1,259	4,703	620,000
Arthur D. Fuller	10,000			5,069	2,579	205,000
E. Patrick Duffy	8,000			750	1,982	187,500
David G. Maffucci	3,627			5,936	1,645	157,900
R. Donald Newman	1,000			9,469	1,258	79,000
Francis J. Aguilar	12,997		10,522			20,834
Richard Barth			11,514			8,500
Cinda A. Hallman	670					15,667
Charles J. Howard	8,000					20,584

L. Jacques Ménard	2,000					5,185
John A. Rolls			14,824			20,834
Arthur R. Sawchuk		1,577	1,385			18,834
Togo D. West, Jr.						4,814
Directors/Executive Officers as a group (22 persons)	112,848	4,841	38,245	45,612	15,887	1,928,052

(2) The Common Stock votes together with the special voting stock held by the Trustee on all matters. Under the Voting and Exchange Trust Agreement, the Trustee is entitled to cast a number of votes equal to the number of outstanding Exchangeable Shares not owned by Bowater and as to which it has timely received voting instructions from Exchangeable Shareholders. Accordingly, percentages of total beneficial ownership have been calculated based upon the total number of shares of Common Stock and Exchangeable Shares outstanding as of March 12, 2003. In addition, under Rule 13d-3 of the Exchange Act, percentages have been computed on the assumption that shares of Common Stock that can be acquired within 60 days of March 12, 2003, upon the exercise of options by a given person are outstanding, but no other shares similarly subject to acquisition by other persons are outstanding.

Human Resources and Compensation
Committee Report on Executive Compensation

The Human Resources and Compensation Committee (the Committee) develops and administers the compensation programs for Bowater s executive officers. The Committee s goal is to develop and monitor executive compensation programs that are consistent with strategic business objectives and shareholder interests.

The Committee is composed entirely of independent, Outside Directors who have not served as officers of Bowater and have no interlocking relationships, as contemplated in the Securities and Exchange Commission s regulations.

Key Elements and Policies for Compensation of Executive Officers

Bowater s basic policy for executive officers is that compensation should vary depending on Bowater s success in the following areas:

- Performance versus Bowater s financial and strategic objectives, and
- Creation of shareholder value.

The key elements of Bowater s 2002 executive compensation program were base salary, the Annual Incentive Plan, the 2000-2002 Long-Term Incentive Plan and stock-based incentive compensation.

- To determine appropriate compensation levels within each pay component, the Committee considered all elements of the executive compensation program. Base salaries and targeted annual incentive payouts for executive officers generally were set above the median of comparable executives employed by a number of other companies in the paper and forest products industry (the Comparable Group). Actual total compensation depended on Bowater s performance.
- Competitive market data was provided by an independent compensation consultant. Bowater reviewed the pay practices of Comparable Group companies. The Comparable Group includes many of Bowater s peer companies included in the Dow Jones Paper Products Group listed in the Total Shareholder Return chart on page 11 of this Proxy Statement, as well as other paper and forest products companies. The Committee believed this criteria provided reasonable pay comparisons, enabling Bowater to assure that executives were being paid fairly while assuring shareholders and Bowater that executive pay levels were reasonable.

Base Salary

Executive officers salaries are generally set to place them above median levels of executive compensation at comparable companies as described above, considering the scope of the individual s responsibilities relative to the responsibilities of executives at comparable companies. Competitive market considerations form the primary basis for setting base salary levels, since performance plays such a large role in determining annual and long-term incentives. However, in setting base salary levels, the Committee also considers the officer s performance against individual objectives during the preceding year, the profits of the individual s business unit, and Bowater s profits during the preceding year for officers with corporate-wide responsibilities. Executive base salary levels were not increased in 2002.

Annual Incentive Plan

The Annual Incentive Plan used six performance measures in 2002: return on net assets (RONA), return on capital spending, operating unit performance, operating unit profit improvement, operating unit project performance, and sales performance. Each executive s annual incentive award was based on at least three of these measures, each weighted from 5% to 50%, depending on the executive s responsibility and function.

- RONA was measured at the divisional and corporate levels, with awards based on performance relative to goals established at the beginning of the year. The capital-intensive nature of Bowater s business means that it is critical to evaluate earnings in the context of the resources required to generate them. In addition, there has been a strong historical relationship between RONA and market valuation for companies in the paper and forest products industry.

Return on capital spending targets were set to reflect Bowater s priority to spend capital dollars on the highest return capital projects.

Operating unit performance goals were established to reflect Bowater s desire to improve performance in one or more of the areas of safety, productivity, quality, cost reduction and operating income. These goals mirror the performance criteria established for Bowater s gainsharing programs, which generally apply to employees not in the Annual Incentive Plan.

Operating unit profit improvement goals were set based on successful implementation of cost savings initiatives.

Sales performance goals were established to reflect Bowater s focus on improving operating efficiencies through optimizing product mix and reducing sales and distribution costs for both Bowater and its customers.

Pulp division operating income goals were set to reflect the profitability of this product line.

Forest Products Division performance goals were set to reflect the gainsharing results for the lumber and woodlands operations and encourage the successful start-up of the Ignace and new Thunder Bay sawmills.

Bowater s performance during 2002 resulted in annual incentive awards ranging from 67.1% to 147.2% of target levels.

Long-Term Incentive Plan (LTIP)

The 2000-2002 LTIP was designed to link rewards of key executives with Bowater s Common Stock performance. The three-year plan provided for performance awards based on total shareholder return for the period from January 1, 2000, through December 31, 2002, relative to a peer group, and discretionary awards. No performance awards were earned. In recognition of management s progress toward the achievement of Bowater s strategic objectives, the Committee decided to grant discretionary awards that ranged in value from $13,037 to $346,697. In lieu of cash, the Committee made restricted stock awards to active employee participants. The restricted stock awards are subject to a two-year vesting requirement (i.e., 50% at the end of one year and 50% at the end of the second year) that is satisfied by continued employment.

Stock Options

Stock options continue to play an important role in linking executives compensation to Bowater s Common Stock performance, and thus to the interests of shareholders. The number of options granted to each executive officer is based on the executive s position rank. In 2002 stock options were granted with an exercise price equal to the fair market value of the Common Stock on the date of grant. Accordingly, the options have value to the option holder only if the stock price appreciates.

The Committee believes this design focuses executives on the creation of shareholder wealth over the long term.

Policy with Respect to Corporate Tax Deduction Limit

In order to maintain flexibility to attract and retain qualified executives, the Committee may allow for compensation that is not deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Bowater paid certain non-deductible compensation to Mr. Nemirow in 2002, the impact of which was not material to Bowater.

Compensation of the CEO During 2002

The Committee annually reviews Mr. Nemirow s salary level and considers such factors as individual performance and contribution to Bowater s success when contemplating future salary adjustments. Mr. Nemirow s 2002 salary was determined on the same basis as the base salaries for all executive officers, as described above. Mr. Nemirow s 2002 payout under the Annual Incentive Plan was based on the measures described above, weighted as follows: RONA 50%, Return on Capital Spending 25%, and Operating Unit Performance 25%. Mr. Nemirow was awarded 8,510 shares of restricted stock under the LTIP on the same basis and terms that restricted stock was granted to the other participants, as described above. In addition, stock options for 100,000 shares of Common Stock were granted to Mr. Nemirow in 2002. These options have terms identical to, and were determined on the same basis as, those of all executive officers as described above.

All members of the Human Resources and Compensation Committee concur in this report.

Francis J. Aguilar (Chairman)
Arthur R. Sawchuk

Total Shareholder Return

Bowater vs. Dow Jones Paper Products Index* and S&P 500 1997-2002

The table below compares the cumulative shareholder return of the Common Stock for the last five years with the cumulative total return of the Dow Jones Paper Products Index* and the S&P 500, assuming a $100 investment on December 31, 1997.

Summary	12/1997	12/1998	12/1999	12/2000	12/2001	12/2002
Bowater	100.00	94.96	126.56	133.50	114.94	102.93
S&P 500	100.00	128.58	155.63	141.46	124.66	97.12
Dow Jones Paper Products*	100.00	101.19	131.25	109.83	111.22	100.29

* Companies include: Abitibi-Consolidated Inc., Boise Cascade Corporation, Bowater Incorporated, Caraustar Industries, Inc., International Paper Company, MeadWestvaco Corporation, Pope & Talbot, Inc, Stora Enso Corp., and Wausau-Mosinee Paper Corporation.

Executive Compensation

The following table sets forth information concerning all compensation paid by Bowater and its subsidiaries during the 2000, 2001 and 2002 fiscal years to the Chief Executive Officer and the other four executive officers with the highest salaries and bonuses during fiscal year 2002, for services rendered in all capacities to Bowater and its subsidiaries during these fiscal years. These officers are referred to collectively herein as the Named Executive Officers .

Summary Compensation Table

Name and Principal Position During 2002	Year	Annual Compensation: Salary ($)	Annual Compensation: Bonus ($)	Annual Compensation: Other Annual Compensation ($)[1]	Long-Term Compensation Awards: Restricted Stock Awards ($)[2]	Long-Term Compensation Awards: Securities Underlying Options/ SARs (#)	LTIP Payouts ($)	All Other Compensation ($)
Arnold M. Nemirow	2002	942,788[3]	500,684		346,697	100,000	[2]	31,650 [3]
Chairman, President and	2001	941,539[3]	648,499			100,000		40,429
Chief Executive Officer	2000	860,000	750,298			217,000		41,854
Arthur D. Fuller	2002	468,000	272,596		175,589	35,000	[2]	17,522 [4]
Executive Vice President	2001	468,000	351,721			35,000		19,934
and President Newsprint Division	2000	450,000	350,834			89,100		25,817
E. Patrick Duffy	2002	436,231[5]	202,230		160,516	30,000	[2]	15,408 [5]
Senior Vice President and	2001	435,692[5]	324,210			30,000		10,490
President Coated and Specialty Papers Division	2000	407,115[5]	311,000			68,800		22,807
David G. Maffucci	2002	410,000	167,160		157,664	30,000	[2]	17,648 [6]
Executive Vice President	2001	400,000	206,200			30,000		16,956
and Chief Financial Officer	2000	375,000	240,563			68,800		21,588
R. Donald Newman	2002	368,000	175,424		149,923	20,000	[2]	13,248 [7]
Executive Vice President	2001	320,500	199,735	22,241[8]		20,000		9,470
and Chief Operating Officer	2000	288,800	229,267	29,467[8]		47,000		16,126

(1) Perquisites and other personal benefits did not exceed the lesser of $50,000 or 10% of the total salary and bonus of any Named Executive Officer for the years shown.

(2) The Human Resources and Compensation Committee awarded restricted stock under the 2002 Stock Option Plan, in lieu of cash awards, under the 2000-2002 LTIP. The awards had the following values at grant date: Mr. Nemirow $346,697; Mr. Fuller $175,589; Mr. Duffy $160,516; Mr. Maffucci $157,664 and Mr. Newman $149,923. The restricted stock awards are subject to a two-year vesting requirement (i.e., 50% at the end of one year and 50% at the end of the second year subject to continued employment). At December 31, 2002 there were no shares of restricted stock issued to or held by the Named Executive Officers.

(3) Amounts included under Salary for Mr. Nemirow for 2002 and 2001 include $17,788 and $16,539, respectively, from the sale of earned vacation days back to Bowater. Amounts included under All Other Compensation for 2002 consist of Bowater contributions of $5,550 under the Savings Plan and $26,100 under the Compensatory Plan.

(4) Amounts included under All Other Compensation for Mr. Fuller for 2002 consist of Bowater contributions of $7,874 under the Savings Plan and $9,648 under the Compensatory Plan.

(5) Amounts included under Salary for Mr. Duffy for 2002, 2001 and 2000 include $8,231, $7,692 and $7,115, respectively, from the sale of earned vacation days back to Bowater. Amounts included under All Other Compensation for 2002 consist of Bowater contributions of $15,408 under the Compensatory Plan.

(6) Amounts included under All Other Compensation for Mr. Maffucci for 2002 consist of Bowater contributions of $4,000 under the Savings Plan, $10,760 under the Compensatory Plan and $2,888 under the excess flexible spending account.

(7) Amounts included under All Other Compensation for Mr. Newman for 2002 consist of Bowater contributions of $2000 under the Savings Plan and $11,248 under the Compensatory Plan.

(8) Amounts included under Other Annual Compensation for Mr. Newman for 2001 and 2000 include payments to offset foreign tax liabilities due to Mr. Newman s expatriate services. These payments were made in accordance with Bowater s relocation policy.

Stock Option Grants

The following table sets forth information regarding options and stock appreciation rights (SARs) granted with respect to Common Stock made by Bowater to the Named Executive Officers during 2002.

Option/SAR Grants in Last Fiscal Year

Individual Grants					
Name	**Number of Securities Underlying Options/SARs(1) Granted (#)**	**% of Total Options/ SARs(1) Granted to Employees in 2002**	**Exercise Price $/Share**	**Expiration Date(2)**	**Grant Date Present Value ($)(3)**
Arnold M. Nemirow	100,000(4)	9.80	47.025	1/29/2012	1,486,000
Arthur D. Fuller	35,000(4)	3.43	47.025	1/29/2012	520,100
E. Patrick Duffy	30,000(4)	2.94	47.025	1/29/2012	445,800
David G. Maffucci	30,000(4)	2.94	47.025	1/29/2012	445,800
R. Donald Newman	20,000(4)	1.96	47.025	1/29/2012	297,200

(1) SARs consist of equity participation rights (EPRs) under Bowater s Equity Participation Rights Plan.

(2) The plan under which the options were granted and the option agreements set forth earlier expiration dates under certain circumstances.

(3) The present values of these options were calculated using the Black-Scholes option pricing model and assuming volatility of 30.17%, a risk free return rate of 4.56%, dividends at the rate of $0.80 per share and an average expected option life of 5.99 years. The ultimate values of the options will depend on the future market price of the Common Stock. The actual value, if any, an optionee will realize upon exercise of an option will depend on the excess of the market value of the Common Stock over the exercise price on the date the option is exercised.

(4) Options with respect to 50% of the covered shares of Common Stock became exercisable on January 29, 2003, and options with respect to the remaining 50% of the shares of Common Stock will become exercisable on January 29, 2004, if certain conditions are met. In addition, the plan under which the options were granted provides that the exercisability date is accelerated and Bowater is required to repurchase outstanding options at a defined acceleration price upon the occurrence of a change in control event as defined in the plan.

Stock Option Exercises

The table below sets forth information concerning (1) Common Stock options exercised by Named Executive Officers during 2002 and (2) the value at December 31, 2002 of SARs and unexercised Common Stock options held by the Named Executive Officers.

Aggregated Option Exercises in 2002 and 2002 Year-End Option/SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at 12/31/2002 (#)			Value of Unexercised In-the-Money Options/SARs at 12/31/2002 ($)(1)		
			Exercisable	/	Unexercisable	Exercisable	/	Unexercisable
Arnold M. Nemirow	26,000	612,497	638,000	/	150,000	2,213,673	/	
Arthur D. Fuller			225,100	/	52,500	381,264	/	
E. Patrick Duffy			197,300	/	45,000	417,201	/	
David G. Maffucci			169,800	/	45,000	168,139	/	
R. Donald Newman			107,000	/	30,000	84,970	/	

(1) Based on the difference between the option exercise price and the closing price of Bowater s Common Stock on the New York Stock Exchange on December 31, 2002, of $41.95.

Stock Retention Program

Bowater has established stock ownership guidelines for directors and senior executives as a way to better align their financial interests with those of shareholders. In order to be eligible for future bonus payments, senior executives are required to own stock with a value equal to a specified multiple of their base salaries. The requisite multiples are three for the Chief Executive Officer, two for executive vice presidents, and one-half to two for senior vice presidents, corporate vice presidents, divisional vice presidents and others, depending on their respective position ranks. In addition, directors are expected to own stock having a value equal to three times their annual retainers. Up to one-half of the ownership requirement must be satisfied through Common Stock or Exchangeable Shares owned outright or through Bowater benefit plans; the remainder may be met through vested stock options or vested equity participation rights. Covered individuals are expected to comply fully with these guidelines within three to four years after the executive s employment with Bowater or promotion to a covered position, or the director s election to the Board. As of the February 1, 2002 (the plan s measurement date), the covered directors and officers were substantially in compliance with the Stock Retention Program.

Employment and Change in Control Agreements

Each Named Executive Officer (collectively, the Executives) is party to an employment agreement (collectively, the Agreements). Each Agreement continues until death, disability, retirement or written notice of termination by either Bowater or the Executive. In the event of a change in control, as defined in the CIC Agreements described below, the term of the Agreements continues for not less than three years unless the Executive terminates his employment for other than good reason (as defined in the CIC Agreements). The Agreements provide for payment to each Executive of an annual base salary and for the Executive s participation in Bowater s various bonus and benefit plans in effect from time to time while the Agreements are in effect. In the event the Executive s employment is involuntarily terminated for reasons other than death, disability, retirement or cause (defined in the Agreements as gross negligence or willful misconduct by the Executive either in the course of his employment or that has a material adverse effect on Bowater or on the Executive s ability to perform his duties adequately and effectively), the Agreements provide for payments equal to two years of annual base salaries and annual incentive awards, plus a prorated annual incentive award for the year of termination. Mr. Nemirow s Agreement provides that, for purposes of determining the benefits due under Bowater s benefits plans, he will receive credit for continuous employment at an accelerated rate.

Each Executive is also a party to a change in control agreement with Bowater (collectively, the CIC Agreements). The CIC Agreements continue until an Executive s employment is terminated and all obligations thereunder have been satisfied. Following a change in control of Bowater, if an Executive s employment is terminated within 36 months (except for a termination due to death, disability, or for cause (defined as gross negligence that has not been cured, willful misconduct that has not been cured, or conviction of a felony, which action has a demonstrable and material adverse effect upon Bowater)), or if the Executive elects to terminate his employment either (a) for good reason or (b) during a 30-day period after the first anniversary of the change in control, the Executive will receive his accrued salary, a prorated annual

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incentive award and all benefits under Bowater s benefit plans and policies to which he is entitled through his date of termination.

In addition, the Executive will receive, in lieu of any severance payments provided in his employment agreement described above, an amount equal to the sum of: (a) three times the Executive s annual base salary in effect when the Executive is terminated or, if higher, the Executive s annual base salary in effect immediately prior to the change in control; (b) three times the highest possible annual incentive award that could have been awarded to the Executive under the annual incentive plan in effect when the Executive is terminated, or, if higher, during the year of the change in control; (c) three times the largest annual contribution that could have been made by Bowater to its savings plans on the Executive s behalf for the year in which the Executive is terminated or, if higher, for the year of the change in control; (d) thirty percent of the Executive s annual base salary in effect when the Executive is terminated, or, if higher, the Executive s annual base salary in effect immediately prior to the change in control (as compensation for certain other benefits lost as a result of the termination of employment); (e) an amount equal to the present value of the additional retirement benefits the Executive would have earned for the three years following the Executive s termination date; and (f) retiree health care and life insurance coverage on substantially the same terms as would have been provided to Executive retirees as of the date of the change in control. If an Executive s employment is terminated within 36 months following a change in control due to death, disability, or for cause, the Executive will receive his accrued compensation and all benefits to which he is entitled through the date of termination, and, if the termination is not due to cause, a prorated annual incentive award.

The CIC Agreements define a change in control as occurring if: (a) any person becomes beneficial owner of an amount of Bowater stock representing 20% or more of the combined voting power of Bowater s then outstanding voting securities, unless the Board has approved the acquisition of up to 50% of these securities or the person has filed a Schedule 13G indicating the person s intent to hold the securities for investment; (b) less than 50% of the total membership of the Board are continuing directors (as defined in the CIC Agreements); or (c) Bowater s shareholders approve a merger or consolidation of Bowater, or reorganization of Bowater or an agreement for the sale or other disposition of substantially all of Bowater s assets unless at least 50% of the voting power of the resulting entity is still owned by previous Bowater shareholders or at least 50% of the board of directors of the resulting entity are previous Bowater directors.

The CIC Agreements define good reason as: (a) an adverse change in the Executive s status, title, position or responsibilities (including a change in reporting relationships) as in effect within 180 days prior to the change in control or any time thereafter; the assignment to the Executive of any duties or responsibilities that, in the Executive s reasonable judgment, are inconsistent with the Executive s status, title, position or responsibilities as in effect at any time within 180 days preceding the date of a change in control or any time thereafter; or any removal of the Executive from or failure to reappoint or reelect the Executive to any office or position held prior to the change in control, except in connection with the termination of the Executive s employment due to death, disability, or for cause (as defined above), or by the Executive other than for good reason; or (b) failure to pay or provide the Executive the salary and benefits, in the aggregate, at least comparable to those to which he was entitled within 180 days preceding the change in control; or (c) the reduction of the Executive s salary as in effect on the date of the change in control or any time thereafter; or (d) Bowater s failure to obtain from any successor its assumption of the CIC Agreement; or (e) the relocation of the Executive s principal office to a location more than 35 miles from its location immediately prior to the change in control or a substantial increase in the Executive s travel obligations following the change in control.

The CIC Agreements also generally provide a terminated Executive with: (a) either a cash payment of $20,000 or outplacement assistance; (b) a grossed up reimbursement of certain excise taxes that may be levied on excess parachute payments; and (c) the right to receive a lump sum payment equal to the present value of any non-statutory retirement benefits to which the Executive is entitled. A terminated Executive will also be entitled to be paid or reimbursed for all costs incurred (or to be incurred): (x) in connection with confirming the Executive s rights to and amounts of payments due under the CIC Agreement; (y) to dispute or contest any termination of the Executive s employment following a change in control or to enforce the terms of the CIC Agreement; or (z) in connection with any audit relating to any payment or benefit provided under the CIC Agreement.

Retirement Benefits

The following table shows the total estimated annual pension benefits payable to the Named Executive Officers under Bowater s qualified, nonqualified benefits restoration and nonqualified supplemental retirement plans upon retirement at age 65, calculated on a straight life annuity basis. Benefits to the Named Executive Officers are not reduced by any offset for Social Security benefits.

Combined Retirement Plans Table of Estimated Benefits

Final Average Earnings*	5 Years Service	10 Years Service	15 Years Service	20 Years Service	25 Years Service	30 or More Years Service
$ 500,000	$ 62,500	$125,000	$187,500	$250,000	$275,000	$300,000
550,000	68,750	137,500	206,250	275,000	302,500	330,000
600,000	75,000	150,000	225,000	300,000	330,000	360,000
650,000	81,250	162,500	243,750	325,000	357,500	390,000
700,000	87,500	175,000	262,500	350,000	385,000	420,000
750,000	93,750	187,500	281,250	375,000	412,500	450,000
800,000	100,000	200,000	300,000	400,000	440,000	480,000
850,000	106,250	212,500	318,750	425,000	467,500	510,000
1,500,000	187,500	375,000	562,500	750,000	825,000	900,000
1,600,000	200,000	400,000	600,000	800,000	880,000	960,000

* Average annual earnings for best three non-overlapping twelve consecutive month periods in the 60 months preceding retirement.

Retirement benefits are payable under one or more of the following plans: a qualified plan covering all salaried employees, which provides pension benefits based on earnings; a nonqualified benefits restoration plan, which provides a make-up of qualified plan benefits limited by the imposition of statutory Code limitations; and a nonqualified supplemental plan covering designated senior executives including the Named Executive Officers (the Supplemental Plan), which provides benefits in addition to those under the other two plans. The definition of compensation under the Supplemental Plan includes those categories of compensation under the salary and bonus headings in the Summary Compensation Table and does not include compensation in any of the other headings of the Summary Compensation Table. The Supplemental Plan provides for vesting of accrued benefits in the event of a change in control followed by termination of employment of a covered employee not for cause. The Supplemental Plan also provides that benefits payable to a participant who retires before age 60 are subject to a reduction of .5% for each full month of retirement before age 60. The two other plans described above provide that in the event of a change in control, each participant in the plans will become 100% vested in his accrued benefits. This table assumes retirement in 2002 with payments beginning at age 65. As of December 31, 2002, the individuals listed in the Summary Compensation Table above had the following final average earnings (as defined above) and credited number of years of service: Mr. Nemirow, $1,556,010, 16.7 years (Mr. Nemirow receives additional years of service after his fifth year employment anniversary under the terms of his employment agreement); Mr. Fuller, $804,369, 8.0 years; Mr. Duffy, $717,292, 7.8 years; Mr. Maffucci, $603,888, 25.5 years; and Mr. Newman, $516,211, 25.1 years.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Bowater s directors, executive officers and 10% shareholders to file reports of holdings and transactions in Common Stock and Exchangeable Shares with the Securities and Exchange Commission. Based on a review of Section 16(a) reports received by Bowater and written representations from its directors and executive officers, Bowater believes that, except as stated below, all of its executive officers, directors and 10% shareholders have made all filings required to be made under Section 16(a) for 2002. Mr. Barth filed one late Form 4 with respect to a single acquisition of shares.

Related Party Transactions

Fidelity Management Trust Company (Fidelity Management), under trust agreements between it and Bowater or Bowater s affiliate (the Fidelity Agreements), provides trustee services and investment management services to qualified retirement plans maintained by Bowater and its affiliates. In addition, pursuant to the Fidelity Agreements, Fidelity Institutional Retirement Services Company (FIRSCO), a company affiliated with Fidelity Management, provides administrative record-keeping services to these plans. Fidelity Management and FIRSCO are subsidiaries of FMR Corp. During 2002, Bowater paid these entities approximately $439,980 as a result of this relationship. Bowater expects that similar amounts will be paid in the future. FMR Corp. reported in a Schedule 13G that it had sole dispositive power with

respect to 3,247,778 shares of Common Stock at December 31, 2002, and sole voting power with respect to 119,888 of these shares, and that Fidelity Management beneficially owned 71,200 of these shares of Common Stock as a result of its serving as an investment manager of institutional accounts. Bowater believes that its arrangements with these entities are on terms as favorable as could be obtained from a non-shareholder.

Pursuant to an investment management and participation agreement, both dated July 1, 1997 (the Wellington Agreement), Wellington Trust Company, NA (Wellington Trust) provides investment management services to a collective investment fund of which three qualified pension plans sponsored by Bowater and its subsidiaries are participants. Pursuant to the terms of the Wellington Agreement, Wellington Trust is paid by the trustee of Bowater s benefit plans a fee for each calendar quarter based on the average of the asset values of the accounts managed by Wellington Trust. The Wellington Agreement generally continues in effect until terminated by Bowater or Wellington Trust on fifteen days notice. For services provided in 2002, Bowater paid Wellington Trust approximately $254,000. Bowater expects that similar amounts will be paid in the future. As of December 31, 2002, Wellington Management Company, LLP, a registered investment adviser and the parent of Wellington Trust, reported on a Schedule 13G that it had shared dispositive power with respect to 6,184,259 shares of Common Stock and shared voting power with respect to 4,668,941 shares of Common Stock. The Schedule 13G reported that the clients of Wellington Management Company, LLP have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds of the sale of, such securities. Bowater believes that its arrangements with Wellington Trust are on terms as favorable as could be obtained from an unrelated party.

In connection with the reduction of Bowater s workforce, Bowater solicited proposals for outplacement services. Spherion Corporation submitted the lowest cost proposal and is now providing outplacement services to former employees of Bowater. Bowater paid Spherion approximately $50,000 for these services in 2002 and expects to pay Spherion several times that amount in 2003, depending upon the need for the services by former employees. One of Bowater s directors, Ms. Hallman, is the President and Chief Executive Officer of Spherion. Bowater believes that its arrangements with Spherion are on terms as favorable as could be obtained from an unrelated party.

Bowater has engaged BMO Nesbitt Burns as its financial advisor with respect to the planned sale of four non-strategic sawmills and certain timberlands located in Canada. Bowater will pay investment banking fees associated with these transactions to BMO Nesbitt Burns until the transactions are consummated or until Bowater ends the engagement. Mr. Ménard, who is a director of Bowater, is the Chairman of the Board of Directors of BMO Nesbitt Burns, but will not receive any portion of BMO Nesbitt Burns fee as direct compensation and will benefit only to the extent that BMO Nesbitt Burns, as an entity, benefits. Bowater believes that its arrangements with BMO Nesbitt Burns are on terms as favorable as could be obtained from an unrelated party.

Report of the Audit Committee of the Board Of Directors

The following report does not constitute soliciting material and is not considered filed or incorporated by reference into any other filing by Bowater under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is attached to this Proxy Statement as Appendix A. The Audit Committee is comprised of four Outside Directors, all of whom are independent as defined in Section 303.01(B)(2)(a) and (3) of the New York Stock Exchange s listing standards.

In carrying out its responsibilities, the Audit Committee has:

Reviewed and discussed the audited financial statements for the year ended December 31, 2002, with Bowater s management and KPMG LLP.

Discussed with KPMG LLP the matters required to be discussed by the Statement on Auditing Standard No. 61, *Communication with Audit Committees*.

Received from KPMG LLP written disclosures regarding auditor independence and the letter required by Independence Standards Board Standard No. 1, *Independence Discussion with Audit Committees*, and discussed with them their independence from Bowater and its management.

Based on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Bowater s Annual Report on Form 10-K for the year ended December 31, 2002, for filing with the Securities and Exchange Commission.

All members of the Audit Committee concur in this report.

Charles J. Howard (Chairman)
Richard Barth
Cinda A. Hallman
Togo D. West, Jr.

Appointment of Independent Auditors

Upon recommendation of the Audit Committee of the Board of Directors, the Board of Directors has appointed KPMG LLP as independent auditors for Bowater to audit its consolidated financial statements for the year ended December 31, 2003. KPMG LLP currently serves Bowater and its subsidiaries as independent auditors and from time to time advises Bowater on tax and other matters. Representatives of KPMG LLP will be present at the Annual Meeting, have the opportunity to make a statement if they desire to do so, and be available to respond to appropriate questions from shareholders.

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of Bowater s annual financial statements for 2002 and fees billed for other services rendered by KPMG LLP in 2002.

	(in thousands)
Audit fees (1)	$ 1,300
Financial information systems design and implementation (2)	
All other fees:	
Audit-related fees (3)	462
All other fees (4)	822
Total all other fees	$ 1,284

(1) Aggregate fees billed for professional services rendered for the audit of Bowater s annual financial statements and the reviews of the financial statements included in Bowater s Quarterly Reports on Form 10-Q for 2002.

(2) This item refers to professional services described in Paragraph (c)(4)(ii) of Rule 2-01 of Regulation S-X.

(3) This item consists principally of work done in connection with audits of financial statements of certain employee benefit plans ($212) and accounting consultation, agreed-upon procedures and other special reports ($250).

(4) All other fees consisted principally of services rendered in connection with tax consulting and compliance ($467) and security assessment of certain information systems ($273).

The Audit Committee has considered whether the provision of these services is compatible with maintaining KPMG LLP s independence.

Proposals by Shareholders

A shareholder who wishes to present a proposal for inclusion in the proxy materials relating to the Annual Meeting of Shareholders to be held in 2004 should submit his or her proposal on or before December 2, 2003, to Bowater s Secretary, 55 East Camperdown Way, Post Office Box 1028, Greenville, South Carolina 29602-1028. With respect to a shareholder proposal for the 2004 Annual Meeting that is not intended to be included in the proxy materials relating to the meeting, Bowater must receive the proposal by the earlier of January 8, 2004, or 10 days after notice or public disclosure of the annual meeting is made or given to shareholders. After that date, the proposal will not be considered timely. Shareholders submitting proposals for inclusion in the proxy statement and form of proxy must comply with the proxy rules under the Securities Exchange Act of 1934, as amended, and all shareholders submitting proposals must comply with the Bylaw requirements described below.

Bowater s Bylaws require timely advance written notice of shareholder nominations of director candidates and of any other proposals to be presented at an annual meeting of shareholders. In the case of director nominations by shareholders, the Bylaws require that 120 days advance written notice be delivered to Bowater s Secretary (at the address indicated above). The notice must be given, either by personal delivery or by United States mail, postage prepaid, to Bowater s Secretary no later than: (a) with respect to an election to be held at an annual meeting of shareholders, 120 days prior to the anniversary date of the immediately preceding annual meeting; and (b) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. In the case of other proposals by shareholders at an annual meeting, the Bylaws require that advance written notice be delivered to Bowater s Secretary (at the address indicated above). The notice must be received by Bowater s Secretary by the earlier of: (y) 120 days prior to the anniversary date of the immediately preceding annual meeting; or (z) 10 days after notice or public disclosure of the date of the annual meeting was given or made to shareholders. The Bylaws contain specific requirements with respect to the contents of each of these notices. A copy of the Bylaws is available upon request to Bowater s Secretary at the address indicated above.

Expenses of Solicitation

Bowater will bear the cost of soliciting proxies. In addition to soliciting proxies by mail, it is expected that some of Bowater s officers and regular employees may solicit, without additional compensation, proxies by telephone, e-mail or oral communication. Morrow & Co., Inc. has been retained to assist in soliciting proxies for a fee of $7,000, plus expenses. Bowater has requested that brokerage houses and other custodians, nominees and fiduciaries forward soliciting materials to their principals, the beneficial owners of Bowater Common Stock and Exchangeable Shares, and will reimburse them for their reasonable out-of-pocket expenses in so doing.

Financial Information

Bowater s 2002 Annual Report to Shareholders is enclosed. Bowater will provide without charge to any shareholder of record as of March 12, 2003, who requests in writing, a copy of the 2002 Annual Report to Shareholders (which includes Bowater s 2002 Annual Report on Form 10-K, without exhibits). Please direct any such request to Bowater Incorporated, 55 East Camperdown Way, Post Office Box 1028, Greenville, South Carolina 29602-1028, Attention: Investor Relations Department. Copies may also be obtained online at http://www.bowater.com.

By order of the Board of Directors,

/s/ Harry F. Geair

Harry F. Geair
Vice President General Counsel and Secretary

March 19, 2003

Appendix A to Proxy Statement

Bowater Incorporated
Audit Committee of the Board of Directors

Charter

PURPOSE

The Audit Committee and its Chair are appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee s primary duties and responsibilities are to:

Monitor the integrity of Bowater s financial reporting process and systems of internal controls.

Monitor the independence and qualifications of Bowater s independent auditors.

Monitor the performance of Bowater s internal auditors and independent auditors.

Provide an open avenue of communication among the Board of Directors, management, independent auditors and internal auditors.

While the Audit Committee has the duties and responsibilities set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Bowater s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.

COMPOSITION AND MEETINGS

The Audit Committee is composed of at least three directors, each of whom is an independent director, free from any relationship that could interfere with the exercise of his or her independence from management and Bowater, and satisfies the requirements of the New York Stock Exchange concerning membership. All members of the Committee have a basic understanding of finance and accounting and are able to read and understand fundamental financial statements. At least one member of the Committee has accounting or related financial management expertise. No member of the Committee may simultaneously serve on the audit committees of more than two other public companies.

The Committee has four regularly scheduled meetings annually and meets more frequently if circumstances dictate. The Committee maintains minutes of all meetings and reports, through its Chair, to the Board of Directors on significant aspects of its activities. The Committee meets at least annually, in separate executive sessions, with management, the internal auditors and the independent auditors to discuss any matters that the Committee or any of these groups believes should be discussed. In addition, the Committee, through its Chair or another member designated by the Chair, meets with management and the independent auditors quarterly to review Bowater s financial statements and significant findings based upon the auditors limited review procedures.

DUTIES AND RESPONSIBILITIES

To fulfill its duties and responsibilities, the Committee, to the extent that it deems necessary or appropriate, will:

REVIEW PROCEDURES

Review and reassess the adequacy of this Charter annually. Submit the charter to the Board of Directors for approval and have it published in Bowater s proxy statement as required by the Securities and Exchange Commission (SEC).

In consultation with management, independent auditors and internal auditors, consider the integrity of Bowater s financial reporting processes and controls. Discuss significant financial risk exposures, if any, and the steps management has taken to monitor, control and report any such exposures. Review significant findings prepared by the independent auditors and internal auditors, together with management s responses.

Discuss with management Bowater s earnings press releases, including the use of pro forma or adjusted non-GAAP information, as well as financial information and earnings guidance, if any, provided to analysts and ratidding-top:8px;font-family:Times New Roman; font-size:10pt;">

- Ensure the full participation and engagement of all Board members in deliberations;
- Lead the Board in all deliberations involving the CEO's employment, including hiring, contract negotiations, performance evaluations, and dismissal;
- Counsel the CEO on issues of interest/concern to directors and encourage all directors to engage the CEO with their interests and concerns;
- Work with the CEO to develop an appropriate schedule of Board meetings, seeking to ensure that the directors can perform their duties responsibly, while not interfering with the flow of Company operations;
- Work with the CEO to develop the Board and Committee agendas and approve the final agendas;
- Keep abreast of key Company activities and advise the CEO as to the quality, quantity and timeliness of the flow of information from Company management that is necessary for the directors to effectively and responsibly perform their duties; although Company management is responsible for the preparation of materials for the Board, the Lead Director may specifically request the inclusion of certain material;
- Engage consultants who report directly to the Board and assist in recommending consultants that work directly for Board Committees;
- Work in conjunction with the Corporate Governance and Nominating Committee in compliance with Governance Committee processes to interview all Board candidates and make recommendations to the Board;

- Assist the Board and Company officers in assuring compliance with and implementation of the Company's Governance Guidelines; work in conjunction with the Corporate Governance Committee to recommend revisions to the Governance Guidelines;
- Coordinate, develop the agenda for and chair executive sessions of the Board's independent directors; act as principal liaison between the independent directors and the CEO on sensitive issues;
- Work in conjunction with the Corporate Governance and Nominating Committee to identify for appointment the members of the various Board Committees, as well as selection of the Committee chairs;
- Make commitment to serve in the role of Lead Director for a minimum of three years; and
- Help set the tone for the highest standards of ethics and integrity.

Mr. Swift has been the Company's Lead Director since January 2010.

Board Risk Oversight

The Board has oversight responsibility of the processes established to report and monitor systems for material risks applicable to the Company. The Board focuses on the Company's general risk management strategy and the most significant risks facing the Company and ensures that appropriate risk mitigation strategies are implemented by management. The full Board is responsible for considering strategic risks and succession planning and, at each Board meeting, receives reports from each Committee as to risk oversight within their areas of responsibility. The Board has delegated to its various committees the oversight of risk management practices for categories of risk relevant to their functions as follows:

- The Audit Committee oversees risks associated with the Company's systems of disclosure controls and internal controls over financial reporting, as well as the Company's compliance with legal and regulatory requirements.
- The Compensation Committee considers risks related to the attraction and retention of talent and risks related to the design of compensation programs and arrangements.
- The Corporate Governance and Nominating Committee oversees risks associated with sustainability.
- The Finance Committee oversees risks associated with foreign exchange, insurance, credit and debt.

The Company has appointed the Chief Financial Officer as its Chief Risk Officer and, in that role, the Chief Risk Officer periodically reports on risk management policies and practices to the relevant Board Committee or to the full Board so that any decisions can be made as to any required changes in the Company's risk management and mitigation strategies or in the Board's oversight of these.

Finally, as part of its oversight of the Company's executive compensation program, the Compensation Committee considers the impact of the Company's executive compensation program and the incentives created by the compensation awards that it administers on the Company's risk profile. In addition, the Company reviews all of its compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk taking, to determine whether they present a significant risk to the Company. Based on this review, the Company has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company.

Director Compensation and Stock Ownership

It is the policy of the Board that directors' fees be the sole compensation received from the Company by any non-employee director. The Company has a share ownership requirement of 10,000 ordinary shares for all non-employee directors. Directors are required to spend at least $50,000 annually to purchase ordinary shares until they reach the 10,000 share ownership level.

Board Size and Composition

The Board consists of a substantial majority of independent, non-employee directors. In addition, our Corporate Governance Guidelines require that all members of the committees of the Board must be independent directors. The Board has the following four standing committees: Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Finance Committee. The Board of Directors has determined that each member of each of these committees is "independent" as defined in the NYSE listing standards and the Company's Guidelines for Determining Independence of Directors. Committee memberships and chairs are rotated periodically.

Board Diversity

The Company's policy on Board diversity relates to the selection of nominees for the Board. In selecting a nominee for the Board, the Corporate Governance and Nominating Committee considers the skills, expertise and background that would complement the existing Board and ensure that its members are of sufficiently diverse and independent backgrounds, recognizing that the Company's businesses and operations are diverse and global in nature. The Board has two female directors, one African-American director, one Hispanic director and directors representing three nationalities out of a total of 11 directors.

Board Advisors

The Board and its committees may, under their respective charters, retain their own advisors to carry out their responsibilities.

Executive Sessions

The Company's independent directors meet privately in regularly scheduled executive sessions, without management present, to consider such matters as the independent directors deem appropriate. These executive sessions are required to be held no less than twice each year.

Board Evaluation

The Corporate Governance and Nominating Committee assists the Board in evaluating its performance and the performance of the Board committees. Each committee also conducts an annual self-evaluation. The effectiveness of individual directors is considered each year when the directors stand for re-nomination.

Director Orientation and Education

The Company has developed an orientation program for new directors and provides continuing education for all directors. In addition, the directors are given full access to management and corporate staff as a means of providing additional information.

Director Nomination Process

The Corporate Governance and Nominating Committee reviews the composition of the full Board to identify the qualifications and areas of expertise needed to further enhance the composition of the Board, makes recommendations to the Board concerning the appropriate size and needs of the Board and, on its own or with the assistance of management or others, identifies candidates with those qualifications. In considering candidates, the Corporate Governance and Nominating Committee will take into account all factors it considers appropriate, including breadth of experience, understanding of business and financial issues, ability to exercise sound judgment, diversity, leadership, and achievements and experience in matters affecting business and industry. The Corporate Governance and Nominating Committee considers the entirety of each candidate's credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, experience and understanding of strategy and policy-setting, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a director. Shareholders may recommend candidates for consideration for Board membership by sending the recommendation to the Corporate Governance and Nominating Committee, in care of the Secretary of the Company. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means.

Director Independence

The Board has determined that all of our current directors, except M.W. Lamach, who is an employee of the Company, are independent under the standards set forth in Exhibit I to our Corporate Governance Guidelines, which are consistent with the NYSE listing standards. The Board previously determined that Mr. Orin R. Smith, who retired from the Board in June 2011, was an independent director. In determining the independence of directors, the Board evaluated transactions between the Company and entities with which directors were affiliated that occurred in the ordinary course of business and that were provided on the same terms and conditions available to other customers. A copy of Exhibit I to our Corporate Governance Guidelines is available on our website, www.ingersollrand.com, under the heading "Investor Relations—Corporate Governance."

Communications with Directors

Shareholders and other interested parties wishing to communicate with the Board, the non-employee directors or any individual director (including our Lead Director and Compensation Committee Chair) may do so either by sending a communication to the Board and/or a particular Board member, in care of the Secretary of the Company, or by e-mail at irboard@irco.com. Depending upon the nature of the communication and to whom it is directed, the Secretary will: (a) forward the communication to the appropriate director or directors; (b) forward the communication to the relevant department within the Company; or (c) attempt to handle the matter directly (for example, a communication dealing with a share ownership matter).

Code of Conduct

The Company has adopted a worldwide Code of Conduct, applicable to all employees, directors and officers, including our Chief Executive Officer, our Chief Financial Officer and our Controller. The Code of Conduct meets the requirements of a “code of ethics” as defined by Item 406 of Regulation S-K, as well as the requirements of a “code of business conduct and ethics” under the NYSE listing standards. The Code of Conduct covers topics including, but not limited to, conflicts of interest, confidentiality of information, and compliance with laws and regulations. A copy of the Code of Conduct is available on our website located at www.ingersollrand.com under the heading “Investor Relations—Corporate Governance.” Amendments to, or waivers of the provisions of, the Code of Conduct, if any, made with respect to any of our directors and executive officers will be posted on our website.

Anti-Hedging Policy and Other Restrictions

The Company prohibits its directors and executive officers from (i) purchasing any financial instruments designed to hedge or offset any decrease in the market value of Company securities and (ii) engaging in any form of short-term speculative trading in Company securities. Directors and executive officers are also prohibited from holding Company securities in a margin account or pledging Company securities as collateral for a loan unless the Senior Vice President and General Counsel provides pre-clearance after the director or executive officer clearly demonstrates the financial capability to repay the loan without resort to the pledged securities.

Committees of the Board

Audit Committee

Members: Richard J. Swift (Chair)
Ann C. Berzin
Peter C. Godsoe
Edward E. Hagenlocker
Theodore E. Martin

Key Functions:

- Review annual audited and quarterly financial statements, as well as the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations," with management and the independent auditors.
- Obtain and review periodic reports, at least annually, from management assessing the effectiveness of the Company's internal controls and procedures for financial reporting.
- Review the Company's processes to assure compliance with all applicable laws, regulations and corporate policy.
- Recommend the public accounting firm to be proposed for appointment by the shareholders as our independent auditors and review the performance of the independent auditors.
- Review the scope of the audit and the findings and approve the fees of the independent auditors.
- Approve in advance permitted audit and non-audit services to be performed by the independent auditors.
- Satisfy itself as to the independence of the independent auditors and ensure receipt of their annual independence statement.

The Board of Directors has determined that each member of the Audit Committee is "independent" for purposes of the applicable rules and regulations of the SEC, as defined in the NYSE listing standards and the Company's Corporate Governance Guidelines and has determined that each member of the Audit Committee meets the qualifications of an "audit committee financial expert," as that term is defined by rules of the SEC.

A copy of the charter of the Audit Committee is available on our website, www.ingersollrand.com, under the heading "Investor Relations—Corporate Governance."

Compensation Committee

Members: Tony L. White (Chair)
John Bruton
Jared L. Cohon
Gary D. Forsee
Constance J. Horner

Key Functions:

- Establish executive compensation policies.
- Review and approve the goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance against those goals and objectives and set the Chief Executive Officer's compensation level based on this evaluation.
- Approve compensation of officers and key employees.
- Administer the Company's equity compensation plans.
- Review and recommend changes in principal employee benefit programs.

For a discussion concerning the processes and procedures for determining executive and director compensation and the role of executive officers and compensation consultants in determining or recommending the amount or form of compensation, see “Compensation Discussion and Analysis” and “Compensation of Directors,” respectively.

The Board of Directors has determined that each member of the Compensation Committee is “independent” as defined in the NYSE listing standards and the Company’s Corporate Governance Guidelines. In addition, the Board has determined that each member of the Compensation Committee qualifies as a “Non-Employee Director” within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 and an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code.

A copy of the charter of the Compensation Committee is available on our website, www.ingersollrand.com, under the heading “Investor Relations—Corporate Governance.”

Corporate Governance and Nominating Committee

Members: Gary D. Forsee (Chair)
John Bruton
Jared L. Cohon
Constance J. Horner
Tony L. White

Key Functions:

- Identify individuals qualified to become directors and recommend the candidates for all directorships.
- Recommend individuals for election as officers.
- Review the Company’s Corporate Governance Guidelines and make recommendations for changes.
- Consider questions of independence and possible conflicts of interest of directors and executive officers.
- Take a leadership role in shaping the corporate governance of the Company.
- Oversee the Company’s sustainability efforts.

The Board of Directors has determined that each member of the Corporate Governance and Nominating Committee is “independent” as defined in the NYSE listing standards and the Company’s Corporate Governance Guidelines.

A copy of the charter of the Corporate Governance and Nominating Committee is available on our website, www.ingersollrand.com, under the heading “Investor Relations—Corporate Governance.”

Finance Committee

Members: Peter C. Godsoe (Chair)
Ann C. Berzin
Edward E. Hagenlocker
Theodore E. Martin
Richard J. Swift

Key Functions:

- Review proposed borrowings and issuances of securities.
- Recommend to the Board the dividends to be paid on our ordinary shares.
- Review cash management policies.
- Review periodic reports of the investment performance of the Company’s employee benefit plans.

The Board of Directors has determined that each member of the Finance Committee is “independent” as defined in the NYSE listing standards and the Company’s Corporate Governance Guidelines.

A copy of the charter of the Finance Committee is available on our website, www.ingersollrand.com, under the heading “Investor Relations—Corporate Governance.”

Board, Committee and Annual Meeting Attendance

The Board and its committees held the following number of meetings during the fiscal year ended December 31, 2011:

Board	6
Audit Committee	10
Compensation Committee	8
Corporate Governance and Nominating Committee	6
Finance Committee	6

Each incumbent director attended 95% or more of the total number of meetings of the Board and the committees on which he or she served during the year. The Company's non-employee directors held six independent director meetings without management present during the fiscal year 2011. It is the Board's general practice to hold independent director meetings in connection with regularly scheduled Board meetings.

The Company expects all Board members to attend the annual general meeting, but from time to time other commitments prevent all directors from attending the meeting. All of the directors attended the most recent annual general meeting of shareholders, which was held on June 2, 2011, other than Mr. Forsee who was unable to attend due to a family matter.

Compensation of Directors

Director Compensation

Our director compensation program is designed to compensate non-employee directors fairly for work required for a company of our size and scope and align their interests with the long-term interests of our shareholders. The program reflects our desire to attract, retain and use the expertise of highly qualified people serving on the Company's Board of Directors. The Corporate Governance and Nominating Committee periodically reviews the compensation level of our non-employee directors in consultation with the Committee's independent compensation consultant and makes recommendations to the Board of Directors. Employee directors do not receive any additional compensation for serving as a director.

Our director compensation program for non-employee directors consists of the following elements:

Compensation Element	Compensation Value
Annual Cash Retainer	$ 240,000
Audit Committee Chair Cash Retainer	$ 30,000
Compensation Committee Chair Cash Retainer	$ 15,000
Corporate Governance and Nominating Committee Chair and Finance Committee Chair Cash Retainer	$ 10,000
Audit Committee Member Cash Retainer (other than Chair)	$ 7,500
Lead Director Cash Retainer	$ 50,000
Additional Meetings or Unscheduled Planning Session Fees *	$ 2,500 (per meeting or session)

* The Board and each Committee, other than Audit, has 6 regularly scheduled meetings each year. The Audit Committee has 9 regularly scheduled meetings each year.

In addition, non-employee directors are eligible to receive a tax equalization payment if the Irish income taxes owed on their director compensation exceed the income taxes owed on such compensation in their country of residence. Without these tax equalization payments, a director would be subject to double taxation since they are already paying taxes on their director income in their country of residence. We believe these tax equalization payments are appropriate to ensure our ability to continue to attract highly qualified persons who do not reside in Ireland. In 2011, only three of the non-employee directors received a tax equalization payment for the year 2010.

Share Ownership Requirement

To align the interests of directors with shareholders, the Board has adopted a requirement that each director invest $50,000 annually to acquire Company shares until they own 10,000 shares. In setting the share ownership requirement, the Board considered the input of the independent compensation consultant, the Company's current stock price and the period of time it would take a director to reach the required ownership level based on a $50,000 per year investment.

2011 Director Compensation

The compensation paid or credited to our non-employee directors for the year ended December 31, 2011, is summarized in the table below:

Name	Fees earned or paid in cash ($)(a)	All Other Compensation ($)(b)	Total ($)
A. C. Berzin	247,500	84,390	331,890
J. Bruton	245,000	—	245,000
J. L. Cohon	242,500	—	242,500
G. D. Forsee	255,000	—	255,000
P. C. Godsoe	257,500	—	257,500
E. E. Hagenlocker	245,000	—	245,000
C. J. Horner	245,000	15,946	260,946
T. E. Martin	247,500	—	247,500
O. R. Smith (c)	132,500	5,575	138,075
R. J. Swift	322,500	—	322,500
T. L. White	252,500	—	252,500

(a) The amounts in this column represent the following annual cash retainer, the Committee Chair retainers, the Audit Committee member retainer, the Lead Director retainer, and the Board, Committee and other meeting or session fees:

Name	Cash Retainer ($)	Committee Chair Retainer ($)	Audit Committee Member Retainer ($)	Lead Director Retainer Fees ($)	Board, Committee and Other Meeting or Session Fees ($)
A. C. Berzin	240,000	—	5,000	—	2,500
J. Bruton	240,000	—	—	—	5,000
J. L. Cohon	240,000	—	—	—	2,500
G. D. Forsee	240,000	10,000	—	—	5,000
P. C. Godsoe	240,000	10,000	5,000	—	2,500
E. E. Hagenlocker	240,000	—	5,000	—	—
C. J. Horner	240,000	—	—	—	5,000
T. E. Martin	240,000	—	5,000	—	2,500
O. R. Smith	120,000	7,500	—	—	5,000
R. J. Swift	240,000	30,000	—	50,000	2,500
T. L. White	240,000	7,500	—	—	5,000

(b) All Other Compensation represents tax equalization payments for Ms. Berzin, Ms. Horner and Mr. Smith.

(c) Mr. Smith retired from the Board on June 2, 2011.

For each non-employee director at December 31, 2011, the following table reflects unexercised stock options, all of which are vested:

Name	Number of stock options
A. C. Berzin	9,000
J. Bruton	—
J. L. Cohon	52,992
G. D. Forsee	—
P. C. Godsoe	—
E. E. Hagenlocker	29,420
C. J. Horner	—
T. E. Martin	—
O. R. Smith	9,000
R. J. Swift	—
T. L. White	9,000

COMPENSATION DISCUSSION AND ANALYSIS

The compensation discussion and analysis set forth below provides an overview of our compensation programs, including the philosophy and objectives of our programs, as well as a discussion of how awards are determined for our named executive officers ("NEOs"). The NEOs for the 2011 performance period are (i) our Chairman, President and Chief Executive Officer ("CEO"), Mr. Michael W. Lamach; (ii) our Senior Vice President and Chief Financial Officer ("CFO"), Mr. Steven R. Shawley; (iii) our Senior Vice President and President, Climate Solutions sector, Mr. Didier P. M. Teirlinck; (iv) our Senior Vice President and President, Industrial Technologies sector, Mr. Robert Gs. Zafari; (v) our Senior Vice President and General Counsel, Mr. Robert L. Katz; and (vi) our former Senior Vice President and President, Residential Solutions sector, Mr. Steven B. Hochhauser, who separated from service on September 1, 2011.

This discussion and analysis is divided into the following sections:

I. Executive Summary
II. Compensation Philosophy and Design Principles
III. Factors Considered in the Determination of Target Total Direct Compensation
IV. Role of the Compensation Committee, Independent Advisor and Committee Actions
V. Compensation Program Descriptions
VI. 2011 Compensation Decisions (Actual Awards)
VII. Other Compensation and Tax Matters

I. Executive Summary

The Compensation Committee annually reviews the philosophy, objectives and elements of our executive compensation programs in relation to both our short and long-term business objectives. Based on this review and the significant support our executive compensation program received from shareholders at the 2011 Annual General Meeting, the Compensation Committee elected to preserve the major elements of our total direct compensation program. Our total direct compensation includes base salary, an annual incentive opportunity (the Annual Incentive Matrix or "AIM") and annual equity awards that include stock options, RSUs, and PSUs under our Performance Share Program ("PSP"), with more weight put on the variable components. Each of these elements is targeted around the 50^{th} percentile of our peer companies; however, based on individual and/or Company performance, potential and other factors, actual compensation realized may be higher or lower than the 50^{th} percentile.

While the primary components of our total direct compensation remain unchanged, the Compensation Committee made the following changes in 2011:

1. Based on input received from shareholders and advisors and to strengthen the alignment with our goal to be a top quartile performer relative to our peers and to drive more profitable Revenue growth, we changed the metrics associated with AIM from Revenue, Earnings per Share ("EPS"), and Cash Flow ("Cash Flow") to Operating Income ("OI") margin percent and Revenue growth. Once OI margin percent/Revenue growth results are determined, then the results are modified up or down based on Cash Flow as a percentage of net profit after tax (the "Cash Flow Modifier");
2. Based on input received from shareholders and advisors and to better align the long-term incentives of our NEOs with both our internal business goals and the interests of our shareholders, we changed the PSP design beginning with the 2012 – 2014 performance cycle by adding a second financial metric, relative Total Shareholder Return ("TSR"), which is weighted equally with relative EPS growth. In addition, the payout level for the 25^{th} percentile or threshold performance was lowered from earning 50% of target shares to 25% of target shares; and
3. To increase travel options and to manage costs, we modified the policy related to the CEO's personal use of Company-provided aircraft by permitting commercial flights if the security risk is deemed minimal.

2011 Company Performance:

As referenced above, the financial metrics incorporated into the 2011 AIM program were revised to increase our executives' focus to drive more profitable Revenue growth. Specifically, our goals in 2011 included:

1. Increasing annual Revenues by 7.0% to 8.0% over the prior year;
2. Improving OI margins by 2 percentage points over the prior year; and
3. Ensuring available Cash Flow was equal to or higher than after-tax income.

Based on actual performance, the payout for the enterprise was 92.3% of target, and was at various levels above and below 92.3% for each of the four business sectors (for additional details, refer to 2011 Compensation Decisions (Actual Awards)). Overall, we feel the program better aligned management with the Company's most critical goals and objectives and therefore the new AIM design will be continued in 2012.

The 2009 - 2011 PSP performance period concluded at the end of 2011. A PSP payout is made if the Company's EPS growth performance, relative to all of the companies in the S&P 500 Industrials Index, achieves at least the 25th percentile over the three year performance period, with increasingly higher payouts for performance between the 26th and 75th percentiles. EPS growth is measured by the increase or decrease in EPS for 2011 compared to the EPS for 2008. For the 2009 - 2011 performance period, the Company achieved an adjusted EPS from continuing operations of $2.68 in 2011 as compared to an adjusted EPS from continuing operations of $3.18 in 2008 as shown in the chart below. On a relative basis, this represents an EPS growth rate of -15.72% (16th percentile) as compared to an EPS growth rate of -2.88% (25th percentile), 12.04% (45th percentile), 17.04% (55th percentile) and 33.21% (75th percentile) of the companies in the S&P 500 Industrials Index. As a result of this level of performance, the payout was zero. For additional information related to the PSP, refer to Long-Term Incentive Programs under our Compensation Program Descriptions section.

* Excludes the impact of impairment charges recognized in 2008 and 2011, healthcare reform tax charge in 2010 and Hussmann operating results for 2008 - 2011.

Consistent with our pay for performance philosophy, we will continue to place significant emphasis on our variable compensation components (AIM, PSP, stock options and RSUs) when structuring the compensation arrangements for our NEOs. As reflected above and illustrated below, a substantial portion of each of our NEOs' total direct compensation is contingent on the successful performance of the Company. In addition, we believe the actions taken in 2011 to improve the design of our executive compensation programs are in the best interest of the Company and shareholders.

II. Compensation Philosophy and Design Principles

The objective of our executive compensation programs is to enable us to attract, retain and focus the talents and energies of executives who are capable of meeting the current and future goals of the Company, most notably, the creation of sustainable shareholder value. Our compensation programs and decisions are driven by these objectives. As we operate in an ever-changing environment that is impacted by economic, technological, regulatory and competitive factors, our Compensation Committee considers these and other factors in its process of determining the type of compensation and benefit programs to offer, as well as setting specific performance targets for incentive awards.

The design principles that govern our executive compensation programs are:

1. General program competitiveness

Total direct compensation opportunities must serve to attract and retain top performing executives. All of our executive compensation program targets are established using relevant market data to ensure their competitiveness. In aggregate, we structure our target total direct compensation (which is a combination of base salary, AIM and equity awards) at the 50th percentile of the markets in which we compete for talent. However, each NEO’s target total direct compensation may be above or below the 50th percentile based on his or her experience and proficiency in performing the duties of their position.

2. Pay for performance

A sizable percentage of each of our NEO’s total direct compensation opportunity is contingent on, and variable with, performance. Performance is measured against and contingent on:

(a) Multiple metrics of actual annual business unit and/or Company financial performance against pre-established objectives (through our AIM program);

(b) The Company’s EPS growth (and beginning in 2012, TSR) over a multi-year period relative to companies in the S&P 500 Industrials Index (through our PSP program);

(c) Stock price appreciation (through equity compensation programs), including stock options, RSUs and PSUs awarded under our long-term incentive program; and

(d) Each NEO’s demonstrated ability to achieve Company financial objectives, develop and carry out strategic initiatives, contribute to both the growth and operational excellence of the Company and lead in a way that is consistent with our 2011 core competencies: business acumen, change acceleration, collaboration, customer focus, driving for results, innovation and talent stewardship as well as upholding the Company values and adhering to our Code of Conduct. These core competencies were revised for 2012.

Total direct compensation can exceed the target award level if performance exceeds the target. Conversely, if performance falls short of the target, total direct compensation can be below the target award level.

3. Appropriate mix of short and long-term incentives

We believe that an appropriate mix between short and long-term incentives is important to encourage our NEOs to engage in strategies and make decisions that balance the need to meet our Annual Operating Plan (“AOP”) with the longer-term interests of the Company and its shareholders. The mix is based on a review of competitive practices as well as our internal compensation philosophy and business strategies.

4. Internal parity

Each of our NEO’s total direct compensation opportunity is proportionate with the responsibility, scope and complexity of that individual’s role within the Company. Thus, similar jobs are assigned similar compensation opportunities.

5. Shareholder alignment

We have designed our executive compensation programs to align the interests of our NEOs with the interests of our shareholders by rewarding the achievement of revenue, earnings, cash flow and other financial targets, as well as operational excellence and sustained individual performance. The value of the variable compensation components (i.e., AIM plus equity-based awards) is directly linked to our financial performance and to the value created for our shareholders. Thus, we believe the variable pay programs provide a strong incentive to create shareholder value, and establish clear alignment of the interests of our shareholders and of our NEOs.

6. Alignment with various business strategies

Our executive compensation programs are structured to be flexible in recognizing that individuals within sectors and business units must focus on specific financial measures to meet the short and long-term plans of the business unit for which they are accountable. This principle, in conjunction with the design principles described above, directly influences the target award levels for sector and business unit leaders. Thus, it is not only possible but also desirable for certain sector or business unit leaders to earn substantial awards in years when their sector or business unit outperforms the Company as a whole. Conversely, if a sector or business unit fails to meet its performance goals, that sector or business unit's leader may earn a lesser award in that year than his or her peers in a business unit or sector that met or exceeded its goals.

III. Factors Considered in the Determination of Target Total Direct Compensation

Our Compensation Committee reviews and evaluates the executive compensation levels and practices against those of similar companies with which we compete for executive talent. These reviews are conducted throughout the year using a variety of methods such as: (i) the direct analysis of the proxy statements of other diversified industrial companies (see peer group below), (ii) a review of survey data of companies of similar size in a range of relevant industries published by several independent consulting firms, (iii) a review of customized compensation surveys conducted by independent consulting firms, and (iv) feedback received from external constituencies. The Compensation Committee does not rely on a single source of information when making executive compensation decisions. Several of the companies included in these compensation surveys are the same as those comprising the Standard & Poor’s 500 Industrials Index referred to in our Annual Report on Form 10-K under the caption “Performance Graph.”

We annually provide shareholders with the opportunity to cast an advisory vote on executive compensation (a “say on pay proposal”). At our annual general meeting of shareholders held in June 2011, shareholders approved our say on pay proposal by a substantial majority (89%). The Compensation Committee believes this affirms shareholders’ support of our approach to executive compensation. The Compensation Committee will continue to consider the outcome of our say on pay votes when making future compensation decisions for our NEOs.

We periodically evaluate and change the makeup of our peer group. Our peer group was last changed in 2008 when we acquired Trane and was based on an analysis provided by a compensation consulting firm, which had been engaged to perform this review. Because our diverse lines of business make it difficult to identify completely similar companies, our peer group was developed based on global diversified industrial companies most of which have both product and service offerings and which compete with us for the acquisition and retention of executive talent. Our Compensation Committee continues to review the appropriateness of our peer group and makes changes if our size or lines of business change, or if the companies within our peer group change their businesses or operations. Another review is planned for 2012.

Company
3M
Cummins, Inc.
Danaher Corp
Dupont
Eaton Corp
Emerson Electric
Honeywell International
Illinois Tool Works
ITT Industries Inc.
Johnson Controls Inc.
Paccar Inc.
Parker Hannifin Corp
PPG Industries
Raytheon
Textron
Tyco International
United Technologies

In addition, the Compensation Committee annually reviews tally sheets on the NEOs in order to understand fully all elements of current and potential future compensation when making compensation decisions. These tally sheets contain the following items: base salary, current short and long-term incentive award opportunities, and benefits that would be payable under various types of separation from service, such as in the context of a change in control, termination without cause or retirement.

IV. Role of the Compensation Committee, Independent Advisor and Committee Actions

Our Compensation Committee, which is composed solely of independent directors, oversees our compensation plans and policies, administers our equity-based programs and reviews and approves all forms of compensation (including equity-based compensation) relating to our officers, including the NEOs.

The Compensation Committee exclusively decides which compensation elements and the amounts to be awarded to our CEO. Our CEO does not make any recommendations regarding his own compensation and is not informed of these awards until the decisions have been finalized. Our CEO makes compensation recommendations regarding our other NEOs. The Compensation Committee considers these recommendations when approving the compensation elements and amounts to be awarded to our other NEOs.

In addition, our Compensation Committee is responsible for reviewing our employee benefit plans and making recommendations to our Board of Directors for significant amendments or termination of our executive incentive compensation plans, as well as our broad-based pension and welfare plans. The Compensation Committee's duties are described in the Charter of the Compensation Committee, which is available on our website at www.ingersollrand.com.

Our Compensation Committee has the authority to retain an independent advisor for the purpose of reviewing and providing guidance related to our executive compensation and benefit programs. Compensation Strategies, Inc. served as the independent advisor to the Compensation Committee for the majority of 2011. In December 2011, the Compensation Committee engaged Hay Group, Inc. to serve as its independent advisor. Neither of these firms performed any other services for the Company.

In addition to the actions taken in 2011, which are described in our Executive Summary, our Compensation Committee has adopted a number of best practices over the past few years, including:

- Adoption of a claw-back/recoupment policy. Our current policy will be revised, if necessary, to comply with the requirements of the Dodd-Frank Act when the final regulations are issued;
- Amending our 2007 Stock Incentive Plan to replace full payout at target of outstanding PSP awards in the event of a Change in Control of the Company with prorated PSP payout at target based on the point in the performance period when the Change in Control occurs;
- Closing the Elected Officer Supplemental Program ("EOSP") to future participants after April 30, 2011;
- Substantial modification of disclosure in this CD&A to provide greater context and clarity as to how incentive plans work and why they were designed as described;
- Introduction of tally sheets to provide our Compensation Committee with a clearer picture of the total compensation of the NEOs in the event of different termination scenarios, including a change in control; and
- Elimination of the tax gross-up for the CEO's personal use of Company-provided aircraft and the introduction of a dollar limit on personal use.

V. Compensation Program Descriptions

The following table is meant to be a helpful summary of the elements, objectives, risk mitigation factors and other key features of our total direct compensation program.

Element	Objective of Element including Risk Mitigation Factors	Key Features Relative to NEOs
Base Salary	To provide a sufficient and stable source of cash compensation and to avoid excessive risk-taking, it is important that at least some cash compensation is not variable.	Targeted, on average, at the 50th percentile of our peer group. Adjustments are determined by the Compensation Committee based on an evaluation of the NEO's proficiency in fulfilling his or her responsibilities, as well as performance against key objectives and behaviors. On average, only 19% of the NEOs' total direct compensation is comprised of base salary.

Element	Objective of Element including Risk Mitigation Factors	Key Features Relative to NEOs
Annual Incentive Matrix Program	To serve as an annual cash award based on the achievement of pre-established performance objectives. Structured to take into consideration the unique needs of the various businesses. Amount of compensation earned is subject to a maximum payout of 200% and is also subject to a claw-back in the event of a financial restatement.	Each NEO has an AIM target expressed as a percentage of base salary. Targets are set based on the compensation levels of similar jobs in comparable companies, as well as on the NEO's experience and proficiency level in performing the duties of the role. Actual AIM award payouts are dependent on business and/or enterprise financial performance and individual performance. The financial metrics used to determine the awards for 2011 were OI margin percent and Revenue growth, modified up or down based on the Cash Flow Modifier. On average, 20% of the NEOs' total direct compensation is comprised of AIM.
Performance Share Program	To serve as an equity award based on the achievement of pre-established performance objectives relative to companies in the S&P 500 Industrials Index. To promote long-term strategic planning and discourage an overemphasis on attaining short-term goals. Amount earned is subject to a maximum payout of 200% and is also subject to a claw-back in the event of a financial restatement.	Earned over a 3-year performance period. Award is based on our EPS growth (from continuing operations) relative to the companies in the S&P 500 Industrials Index for awards granted through 2011. Beginning in 2012, awards will be based on relative TSR, as well as relative EPS growth compared to companies within the S&P 500 Industrials Index (with equal weight given to each metric). Actual value of the PSP shares earned depends on our share price at the time of payment. On average, 30% of the NEOs' total direct compensation is comprised of PSP.
Stock Options/Restricted Stock Units	Aligns the interests of the NEOs and shareholders. Awards provide a balanced approach between risk and retention.	Stock options and RSUs are granted annually, with stock options having an exercise price equal to the fair market value of ordinary shares on the date of grant.

	Awards are subject to a claw-back in the event of a financial restatement.	Both stock options and RSUs typically vest ratably over three years, one third per year. Stock options expire on the 10th anniversary (less one day) of the grant date (unless employment terminates sooner). On average, 31% of the NEOs' total direct compensation is comprised of a mix of stock options and RSUs.

Base Salary

Our Compensation Committee generally targets base salaries for the NEOs around the median for executives in our peer group with similar roles and responsibilities. However, the Committee will also consider the individual's experience, proficiency, performance and potential to impact future business results, as well as behavior against competencies and key corporate values when making base salary decisions.

Effective April 1, 2012, the Company increased the base salaries of Messrs. Katz and Zafari to $460,000 and $475,000, respectively. The Company previously disclosed the 2012 base salaries of the other NEOs on Form 8-K on March 1, 2012.

Annual Incentive Matrix Program

Our AIM program is an annual cash incentive program that provides awards for the achievement of pre-established annual financial and individual performance objectives. The financial performance objectives are derived from our AOP, and are presented to, and approved by, the Compensation Committee. The target awards are expressed as a percentage of base salary. Payouts under AIM are a product of an individual performance score and a financial performance score, both of which are based on achievement versus pre-established targets.

Individual performance: Individual objectives are established annually and include strategic initiatives with both financial and non-financial metrics. The non-financial metrics each NEO is evaluated upon include the Company's key values and upholding our Code of Conduct. At the end of the fiscal year the CEO evaluates each NEO's performance against the pre-established individual objectives and submits a recommendation to the Compensation Committee. The Compensation Committee evaluates the CEO's performance against his pre-established individual objectives. Based on its evaluation of the CEO and the CEO's recommendation for other NEOs, the Compensation Committee determines the individual performance score for each NEO, which can range from 0% to 150%.

Financial performance: As illustrated below, the AIM financial objectives for 2011 were based on OI margin percent and Revenue growth with the results modified up or down based on the Cash Flow Modifier.

The CEO, CFO and General Counsel were measured on the basis of the enterprise financial metrics. The Sector Presidents were measured based on a combination of enterprise financial objectives (50% weighting) and sector financial objectives (50% weighting) which included a Sector based Revenue/OI margin percent matrix. We believe this weighting focuses Sector Presidents on achieving the pre-established objectives for their sector as well as aligning their interests with enterprise goals to help maximize shareholder value.

Revenue/OI margin percent matrix performance equal to 2010 results provided a 30% (or threshold) payout, performance equal to plan provided a 100% (or target) payout, and performance well above plan provided a 200% (maximum) payout. The resulting Revenue/OI margin percent matrix score is then multiplied by the Cash Flow Modifier to determine the overall payout for the plan year.

Based on this design and the actual results achieved versus plan, the overall AIM payout as a percentage of target for the enterprise was 92.3% (performance against Sector financial goals for the NEOs who were Sector leaders is described under our 2011 Compensation Decisions section):

Metric	Plan		Actual	
Revenue Growth (% above 2010)	8.2	%	8.2	%
Operating Income as a % of Revenue	11.3	%	10.6	%
Available Cash Flow as a % of Operating Income	100	%	109.5	%

Determination of Payout: The actual AIM payout is determined by multiplying the NEO's target award by the financial performance score and multiplying that result by the individual performance score. AIM payouts are capped at 200% of the target award. If the overall score results in an AIM reward score of less than 30%, no award is paid. In that event, the CEO and the Compensation Committee may establish a discretionary pool (equal to 30% of the target payout levels) for top performers and/or other deserving employees in an amount determined to be appropriate based on their performance against objectives.

Long-Term Incentive Program

Our long-term incentive program is comprised of PSUs, stock options and RSUs. It is designed to align the executives' interests with the interests of our shareholders. This approach enables us to develop and implement long-term strategies that we believe are in the best interest of shareholders.

Performance Share Program: Our PSP is an equity-based incentive compensation program that provides our NEOs with an opportunity to earn PSUs based on our relative EPS growth (from continuing operations) as compared to the companies within the S&P 500 Industrials Index over a 3-year performance period. The actual number of PSUs earned (which can range from 0% to 200% of target) is based on the following criteria over the three year performance period:

Ingersoll Rand's EPS Growth Relative to the Companies within the S&P 500 Industrials Index	% of Target PSUs Earned
0 – 24.9th Percentile	—%
25th – 44.9th Percentile	50 – 75%*
45th – 54.9th Percentile	100%
55th – 74.9th Percentile	125 – 199%*
≥ 75th Percentile	200%

*Results are interpolated between percentiles achieved.

The NEOs' PSP target awards are set by assessing competitive market values for executives in our peer group with similar roles and responsibilities and are expressed as a dollar amount. The dollar target is converted to share equivalents (PSUs) based on the fair market value of the Company's shares on the date that the award is granted. Our Compensation Committee retains the authority and discretion to make downward adjustments to the calculated PSP award amounts, either as a percentage or a dollar amount, or not to grant any award regardless of actual performance against pre-established goals.

In 2012, the Compensation Committee determined that, for outstanding PSP awards, EPS will be calculated in accordance with U.S. GAAP, subject to adjustments for extraordinary, unusual or infrequent items; the impact of any change in accounting principles; goodwill and other intangible asset impairments; and gains or charges associated with discontinued operations or with the obtaining or losing control of a business. As a result of the Compensation Committee's action, expense for outstanding PSP awards will now be recorded using fixed accounting. This allows us to record a more stable expense over the remaining life of the outstanding PSP awards based on our stock price on the date of the Compensation Committee action. Under the variable accounting method that we had previously used, the expense for the PSP program was adjusted each quarter based on changes in the fair market value of our ordinary shares. Moving to fixed accounting may cause those outstanding PSP awards to no longer be considered "performance-based compensation" under Section 162(m) of the Internal Revenue Code. However, the Compensation Committee believes that any loss of a tax deduction for outstanding PSP awards with respect to certain NEOs is outweighed by the projected savings in our accounting expense for those awards.

Dividend equivalents are accrued on outstanding PSU awards at the same time and at the same rate as dividends are paid to shareholders. Dividend equivalents are not earned until the PSUs vest, and are payable in cash at the time of distribution unless the PSUs were deferred into our EDCP II, in which case the dividends are also deferred.

Based on the plan parameters as described above, shown below are the 2012 target PSU awards for each active NEO*:

Name	Target 2012-14 PSU award ($)	Target 2012-14 PSU shares (#)
M. W. Lamach	3,600,000	88,453
S. R. Shawley	1,000,000	24,571
R. L. Katz	400,000	9,829
D. P. M. Teirlinck	675,000	16,585
R. Gs. Zafari	500,000	12,286

*Mr. Hochhauser did not receive any long-term incentive awards for 2012.

Stock Options/Restricted Stock Units: In 2011, we granted our CEO stock options and granted our other NEOs an equal mix of stock options and RSUs. Based on advice from the Compensation Committee's independent advisor, Hay Group, and consistent with current market practice, the 2012 grant for our CEO mirrored that of the other NEOs, with an equal mix between stock options and RSUs. Our Compensation Committee believes that the current mix of stock options and RSUs generally provides an effective balance between risk and retention for our NEOs and conserves share usage under our Incentive Stock Plan of 2007. Stock options are considered at risk since there is no value unless there is an appreciation in stock price during the term of the option period. RSUs, on the other hand, provide strong retentive value because they have value even if our share price does not grow during the restricted period. Our Compensation Committee annually reviews our equity mix and grant policies to ensure they are aligned with our pay for performance philosophy, our executive compensation objectives and the interests of our shareholders.

Stock option and RSU targets are expressed in dollars. In order to determine the target stock option and RSU awards for our NEOs, the Committee considered factors such as market competitiveness with our peer group, demonstrated potential to drive future business results and sustained individual performance.

Both stock options and RSUs vest ratably, one third per year, over a three year period following the grant. Dividend equivalents are accrued on outstanding RSU awards at the same time and at the same rate as dividends are paid to shareholders. Dividend equivalents on RSUs also vest ratably and are only payable if the underlying RSU award vests. At the time of vesting, one ordinary share is issued for each RSU and any accrued dividend equivalents are paid in cash. The program rewards participants for the creation of long-term shareholder value through the rising market value of our ordinary shares resulting from our sustained long-term efforts.

For the 2012 grants, the number of stock options was determined based on the Black-Scholes ratio on December 31, 2011 and the fair market value of our ordinary shares on the date of the grant. The number of RSUs was determined using the fair market value of our ordinary shares on the date of grant.

Based on the plan parameters as described above, shown below are the 2012 stock option and RSU awards for each active NEO*:

Name	Stock Option Awards		RSU Award	
	Stock Option Value ($)	Shares Underlying Stock Option (#)	RSU Award Value ($)	RSU Shares (#)
M. W. Lamach	1,800,000	124,053	1,800,000	44,227
S. R. Shawley	500,000	34,459	500,000	12,286
R. L. Katz	200,000	13,784	200,000	4,915
D. P. M. Teirlinck	337,500	23,260	337,500	8,293
R. Gs. Zafari	250,000	17,230	250,000	6,143

*Mr. Hochhauser did not receive any long-term incentive awards for 2012.

VI. 2011 Compensation Decisions (Actual Awards)

We make all decisions relating to our compensation program design and awards in the context of our design principles and overall compensation objectives described above, as well as current best practices.

The table below reflects the base salary adjustments for the NEOs for the 2011 performance period. When determining base salary adjustments, each NEO is evaluated on individual performance and behaviors, and based on the outcome of the evaluation, is assigned one of five ratings. The ratings, which range from “meets some” to “substantially exceeds expectations,” each have a percent range that determines the actual merit increase. In addition to merit increases, in cases when the salary is below market (as in the case of Mr. Lamach), a market adjustment may also be applied.

Name	2010	2011	% Increase
M. W. Lamach	$1,000,000	$1,100,000	10
S. R. Shawley	$575,000	$600,000	4.3
R. L. Katz	$425,000	$425,000	No change*
D. P. M. Teirlinck	$550,000	$565,000	2.7
R. Gs. Zafari	$440,000	$455,000	3.4
S. B. Hochhauser	$540,000	$555,000	2.8

*Hired on November 1, 2010.

The tables below show the pre-established financial performance targets for the 2011 AIM program compared to actual reported performance. The pre-established financial targets and actual reported financial results are shown for both the enterprise and three of our sectors, since three of our NEOs (Messrs. Teirlinck, Zafari and Hochhauser) have their AIM objectives aligned with both enterprise and sector performance (weighted 50% enterprise and 50% sector). Detail on the weighting between enterprise and sector financials for these three NEOs is shown below, following the table outlining the actual AIM awards.

Enterprise	Pre-Established Financial Performance Targets		Financial Results	
Revenue	$ 14.030 Billion		$ 14.022 Billion	
Operating Margin	11.3	%	10.6	%
Available Cash Flow Multiplier	100	%	109.5	%
Overall Corporate Financial Score			92.3	%

Climate Solutions (Teirlinck)	Pre-Established Financial Performance Targets		Financial Results	
Sector Revenue	$ 8.136 Billion		$ 8.244 Billion	
Sector Operating Margin	10.1	%	10.1	%
Operating Cash Flow Multiplier	100	%	106.2	%
Overall Climate Solutions Financial Score			123.11	%

Industrial Technologies (Zafari)	Pre-Established Financial Performance Targets		Financial Results	
Sector Revenue	$ 2.633 Billion		$ 2.853 Billion	
Sector Operating Margin	14.5	%	14.6	%
Operating Cash Flow Multiplier	100	%	95.5	%
Overall Industrial Technologies Financial Score			137.52	%

Residential Solutions (Hochhauser)	Pre-Established Financial Performance Targets		Financial Results	
Sector Revenue	$ 2.297 Billion		$ 2.013 Billion	
Sector Operating Margin	10.7	%	3.1	%
Operating Cash Flow Multiplier	100	%	153.5	%
Overall Residential Solutions Financial Score			—	%

In determining the achievement of the 2011 AIM financial goals for the enterprise, the Committee approved the exclusion of the results of the Hussmann refrigerated display case business (“Hussmann”) from Revenue and OI margin percent, consistent with the Company’s decision to divest such operations in early 2011. The Committee also approved inclusion of the Cash Flow generated by Hussmann in the fourth quarter in the available Cash Flow calculation in order to reflect the benefits of the Company’s efforts in operating Hussmann during 2011. Hussmann generates a significant part of its Cash Flow in the fourth quarter while a majority of its income is generated in the first, second and third quarters. Without this adjustment, the available Cash Flow numerator would be misaligned with the net profit after tax denominator and the NEOs would not be rewarded for their efforts while the Company owned Hussmann. The Committee also approved adjustments to net profit after tax to include other income and expense, non-controlling interest and effective tax rate at the AOP values. This adjustment is intended to eliminate short term disincentives that result from actions that have favorable profit and loss impact but do not have a corresponding Cash

Flow benefit.

While the Company fell short of its Revenue growth and OI margin percent goals, Cash Flow objectives were exceeded in 2011. We believe that the use of these financial metrics effectively focused executives on the right business drivers and, therefore, these metrics will be used again in 2012.

In determining the individual factor for the CEO's 2011 AIM award, the Committee concluded that Mr. Lamach performed well against his goals for 2011, which included not only the Company goals as outlined in the Executive Summary, but also deploying core information systems as set forth in pre-established milestones, progressing on innovation and sustainability, driving continuous improvement in compliance through leadership accountability and engagement, and advancing a progressive, diverse and inclusive culture. All the other NEOs were also evaluated based on their pre-established individual goals. Each NEO received an individual performance score of 100%, other than Mr. Zafari who received a score of 110%.

The Compensation Committee approved the following AIM awards for all NEOs based on achieving both the financial and individual goals that were established for them prior to the beginning of the performance period:

Name	AIM Target	AIM Payout Percent for 2011	AIM Award for 2011	
M. W. Lamach	150% of $1,100,000	92.3%	$1,522,950	
S. R. Shawley	100% of $600,000	92.3%	$553,800	
R. L. Katz	75% of $425,000	92.3%	$294,206	
D. P. M. Teirlinck	90% of $565,000	107.7%	$547,705	(1)
R. Gs. Zafari	80% of $455,000	126.4%	$460,100	(2)
S. B. Hochhauser	90% of $555,000	30.7%	$153,468	(3)

1. Mr. Teirlinck's financial score is 50% weighted on Climate Solutions metrics with an AIM payout factor of 123.11% and 50% weighted on an enterprise-wide AIM payout factor of 92.3% for an overall financial AIM performance score of 107.7%.
2. Mr. Zafari's financial score is 50% weighted on Industrial Solutions metrics with an AIM payout factor of 137.52% and 50% weighted on an enterprise-wide AIM payout factor of 92.3% for an overall financial AIM performance score of 114.9%.
3. Mr. Hochhauser's AIM award was pro-rated based on the number of days he worked in the performance period. The financial score is 50% weighted on Residential Solutions metrics with an AIM payout factor of 0% and 50% weighted on an enterprise-wide AIM payout factor of 92.3% for an overall financial AIM performance score of 46.2%.

In 2011, the Compensation Committee approved the following PSU, stock option and RSU awards based on its evaluation of market competitiveness and each NEO's demonstrated potential to drive future business results and sustained individual performance.

Name	Target 2011-13 PSU award ($)	Stock Option Award ($)	RSU Award ($)
M. W. Lamach	$2,750,022	$3,077,905	N/A
S. R. Shawley	$925,021	$474,521	$462,510
R. L. Katz	$300,009	$153,905	$150,005
D. P. M. Teirlinck	$600,018	$307,795	$300,009
R. Gs. Zafari	$400,028	$205,206	$200,038
S. B. Hochhauser*	$600,018	$338,570	$330,020

* Mr. Hochhauser forfeited these stock option and RSU awards and the PSU award was pro-rated based on time worked prior to his departure from the Company.

Performance Share Program (PSP)

As described in the Compensation Program Descriptions, the determination of the PSP award to be made in 2012 (for the 2009-2011 performance period) was based on the Company's adjusted EPS growth (from continuing operations) relative to the S&P 500 Industrials Index group. Based on the results, no awards were earned or distributed to participants from the PSP.

VII. Other Compensation and Tax Matters

Retirement Programs and Other Benefits

We maintain qualified and nonqualified defined benefit pension plans for our employees, including the NEOs, to provide for fixed benefits upon retirement based on the individual's age and number of years of service. Refer to the Pension Benefits table for additional details on these programs.

We offer a qualified, defined contribution (401(k)) plan called the Ingersoll-Rand Company Employee Savings Plan (the "ESP") to our salaried and hourly U.S. workforce, including the NEOs. The ESP is a plan that provides a dollar-for-dollar Company match on the first six percent of the employee's eligible contributions to the ESP. The ESP has a number of investment options and is an important component of our retirement program.

We also have a nonqualified, defined contribution plan. The Ingersoll-Rand Company Supplemental Employee Savings Plan (the "Supplemental ESP") is an unfunded plan that makes up matching contributions that cannot be made to the ESP due to Internal Revenue Service ("IRS") or plan limitations. The Supplemental ESP consists of notional Company contributions only, which are deemed to be invested in ordinary shares of the Company.

The EDCP Plans enable eligible employees to defer receipt of a part of their annual salary, AIM award and/or PSP award in exchange for investments in ordinary shares or mutual fund investment equivalents. Refer to the Nonqualified Deferred Compensation table for additional details on the EDCP Plans.

We provide an enhanced, long-term disability plan to certain executives. The plan provides for a higher monthly maximum than the standard group plan and a more favorable definition of disability and has an underlying individual policy that is portable when the executive terminates.

In light of the American Jobs Creation Act of 2004 governing Section 409A of the Internal Revenue Code, "mirror plans" for several of our nonqualified plans, including the Ingersoll-Rand Supplemental Pension Plan ("Supplemental Pension Plan I") and the EDCP I, were created. The mirror plans are the Ingersoll-Rand Supplemental Pension Plan II ("Supplemental Pension Plan II and, together with the Supplemental Pension Plan I, the "Supplemental Pension Plans") and the EDCP II. The purpose of these mirror plans is not to provide additional benefits to participants, but merely to preserve the tax treatment of the plans that were in place prior to December 31, 2004. In the case of the Supplemental Plans, the mirror plan benefits are calculated by subtracting the original benefit value to avoid double-counting the benefit. For the EDCP Plans, balances accrued through December 31, 2004 are maintained separately from balances accrued after that date.

We provide our NEOs with other benefits that we believe are consistent with prevailing market practice and those of our peer companies. These other benefits and their incremental cost to the Company are reported in "All Other Compensation" shown in the Summary Compensation Table.

Severance Arrangements

In connection with external recruiting of certain officers, we generally enter into employment arrangements that provide for severance payments upon certain termination events, other than in the event of a change in control (which is covered by separate agreements with the officers). Messrs. Lamach and Katz have such arrangements, which are described in the Post-Employment Benefits section of this proxy statement. In addition, although we do not have a formal severance policy for our executives, we do have guidelines that in most cases would provide for severance in the event of termination without cause. These guidelines are also described in the Post-Employment Benefits section of the proxy statement.

Change-In-Control Provisions

We have entered into change-in-control agreements with our officers. Payments are subject to a double trigger, meaning that payments would only be received if an officer is terminated without cause or resigns for "good reason" within 2 years following a change in control. We provide change-in-control agreements to our officers to focus them on the best interests of shareholders and assure continuity of management in circumstances that reduce or eliminate job security and might otherwise lead to accelerated departures. Our incentive stock plans provide for the accelerated vesting of outstanding stock awards in the event of a change in control of the Company. Refer to the Post-Employment Benefits section of this proxy statement for a more detailed description of the change-in-control provisions.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code imposes a limit of $1,000,000 on the amount that we may deduct for federal income tax purposes in any one year for compensation paid to our CEO and any of our three other highest-paid NEOs, other than our CFO, who are employed as of the end of the year. However, to the extent compensation is "performance-based" within the meaning of Section 162(m), the Section's limitations will not apply. We intend most of the variable compensation (i.e., AIM, PSP and stock options) paid to NEOs to qualify as performance-based within the meaning of Section 162(m) so as to be tax deductible by us, which benefits our shareholders. In order to qualify as performance based, the compensation must, among other things, be paid pursuant to a shareholder approved plan upon the attainment of objective performance criteria. Our Compensation Committee believes that tax deductibility of compensation is an important factor, but not the sole factor, in setting executive compensation policies and in rewarding superior executive performance. Accordingly, although our Compensation Committee generally intends to avoid the loss of a tax deduction due to Section 162(m), it reserves the right, in appropriate circumstances, to pay amounts that are not deductible. In determining variable compensation programs, we consider other tax and accounting implications of particular forms of compensation, such as the implications of Section 409A of the Internal Revenue Code governing deferred compensation arrangements and favorable accounting treatment afforded certain equity based plans that are settled in shares. However, the forms of variable compensation we utilize are determined primarily by their effectiveness in creating maximum alignment between our key strategic objectives and the interests of our shareholders.

Senior Executive Performance Plan (SEPP)

The SEPP is a shareholder approved plan that funds the annual cash incentive awards that may be granted to each of the NEOs under AIM. Under the SEPP, the maximum amount of cash incentive that can be paid to the CEO is 0.6% of Consolidated Operating Income from Continuing Operations (as defined in the SEPP) and the maximum amount of cash incentive that can be paid to any other covered executive is 0.3% of Consolidated Operating Income from Continuing Operations. Our Compensation Committee generally exercises its discretion to pay less than the maximum amount to the NEOs, after considering the factors described in the AIM Program.

Timing of Awards

Our regular annual equity grants are made by our Compensation Committee at a meeting held after the annual earnings release. The timing of this meeting allows management to review the prior year's performance and assemble all of the necessary information for our Compensation Committee's consideration. The date is never selected or changed to increase the value of equity awards for executives. In 2011, since the Company's annual earnings release was on February 9, 2011, the Compensation Committee held a telephonic meeting on February 14, 2011 to approve the annual grant of equity awards, including stock options, RSUs and target PSUs, which were granted and priced on February 14, 2011.

Claw-back / Recoupment Policy

To align further the interests of our employees and our shareholders, we have a claw-back / recoupment policy to ensure that any fraud or intentional misconduct leading to a restatement of our financial statements would be properly addressed. The policy provides that if it is found that an employee committed fraud or engaged in intentional misconduct that resulted, directly or indirectly, in a need to restate our financial statements, then our Compensation Committee has the discretion to direct the Company to recover all or a portion of any cash or equity incentive compensation paid or value realized, and/or to cancel any stock-based awards or AIM award granted to an employee on or after the effective date of the policy. Our Compensation Committee may also request that the Company seek to recover any gains realized on or after the effective date of the policy for equity or cash awards made prior to that date (including AIM, stock options, PSUs and RSUs). Application of the claw-back / recoupment policy is subject to a determination by our Compensation Committee that: (i) the cash incentive or equity compensation to be recouped was calculated on, or its realized value affected by, the financial results that were subsequently restated; (ii) the cash incentive or equity award would have been less valuable than what was actually awarded or paid based on the application of the correct financial results; and (iii) the employee to whom the policy applied engaged in fraud or intentional misconduct. This policy will be revised if required under the Dodd-Frank Act once the regulations implementing the claw-back policy requirements of that law have been issued.

Share-Ownership Guidelines

We impose share ownership requirements on each of our officers. These share ownership requirements are designed to emphasize share ownership by our officers and to further align their interests with our shareholders. Each officer must achieve and maintain ownership of ordinary shares or ordinary share equivalents at or above a prescribed level. The requirements are as follows:

	Number of Active Participants as of the Record Date	Individual Ownership Requirement (Shares and Equivalents)	Percent of Salary (Based on Stock Price as of the Record Date)
Chief Executive Officer	1	150,000	Approximately 5x multiple of salary
Senior Vice Presidents	9	40,000	Approximately 3x multiple of salary
Corporate Vice Presidents	6	15,000	Approximately 2x multiple of salary

Our share-ownership program requires the accumulation of ordinary shares (or ordinary share equivalents) over a five-year period following the date the person becomes subject to share-ownership requirements at the rate of 20% of the required level each year. Executives who are promoted, and who have their ownership requirement increased, have three years to achieve the new level from the date of promotion. However, given the significant increase in the ownership requirement for an individual who is promoted to CEO, that individual has five years from the date of the promotion to achieve the new level. Ownership credit is given for actual ordinary shares owned, deferred compensation that is invested in ordinary shares within our EDCP Plans, ordinary share equivalents accumulated in our qualified and nonqualified employee savings plans as well as RSUs. Stock options, SARs and unvested PSUs do not count toward meeting the share-ownership target. If executives fall behind their scheduled accumulation level during their applicable accumulation period, or if they fail to maintain their required level of ownership after their applicable accumulation period, their right to exercise stock options will be limited to "buy and hold" transactions until the required ownership level is achieved. As of April 9, 2012, all of our executives subject to the share-ownership guidelines were in compliance with these requirements.

COMPENSATION COMMITTEE REPORT

We have reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement.

Based on our review and discussion, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement as well as the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

COMPENSATION COMMITTEE

Tony L. White (Chair)
John Bruton
Jared L. Cohon
Gary D. Forsee
Constance J. Horner

SUMMARY OF REALIZED COMPENSATION

The table below is a summary of the compensation actually realized by our CEO for 2011, 2010 and 2009. The information shown below is intended to supplement and not be a substitute for the information shown on the Summary Compensation Table. The information required to be shown on the Summary Compensation Table includes elements of compensation that may or may not actually be realized by the NEOs at a future date. We believe this table enhances our shareholders’ understanding of our CEO’s compensation.

Year (1)	Salary ($)	Performance-based Cash Compensation (2)($)	Equity Compensation (3)($)	Other Compensation (4)($)	Total Realized Compensation ($)
2011 Chairman, President and Chief Executive Officer	1,075,000	1,552,350	2,223,605	310,833	5,161,788
2010 President and Chief Operating Officer; President and Chief Executive Officer; and Chairman, President and Chief Executive Officer	972,692	850,927	342,872	197,152	2,363,643
2009 Senior Vice President and Sector President Trane Commercial Systems; and President and Chief Operating Officer	688,542	390,920	227,483	76,279	1,383,224

(1) Mr. Lamach received the following promotions during the 2009 to 2011 period: (a) from Senior Vice President and Sector President, Trane Commercial Systems to President and Chief Operating Officer effective on February 4, 2009; and (b) from President and Chief Operating Officer to President and Chief Executive Officer on February 3, 2010 and appointed Chairman of the Board on June 4, 2010.

(2) Represents the AIM award paid in the applicable year and earned in the immediately previous year.

(3) Represents amount realized upon the exercise of stock options and the vesting of RSUs and PSUs, before payment of any applicable withholding taxes and brokerage commissions, and includes the value of dividend equivalents paid on such awards.

(4) Represents the amounts imputed as income under applicable IRS rules and regulations.

EXECUTIVE COMPENSATION

The following table provides summary information concerning compensation paid by the Company or accrued on behalf of our NEOs for services rendered during the years ended December 31, 2011, 2010 and 2009.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(a)	Stock Awards ($)(b)	Option Awards ($)(c)	Non-Equity Incentive Plan Compensation ($)(d)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(e)	All Other Compensation ($)(f)	Total ($)
M. W. Lamach	2011	1,075,000	2,750,022	3,077,905	1,522,950	3,867,063	517,947	12,810,887
Chairman, President	2010	972,692	2,749,986	2,527,500	1,552,350	2,226,499	349,833	10,378,860
and Chief Executive Officer	2009	688,542	2,022,864	658,429	850,927	1,053,076	92,724	5,366,562
S. R. Shawley	2011	593,750	1,387,531	474,521	553,800	2,723,841	110,520	5,843,963
Senior Vice	2010	568,750	1,387,503	418,615	624,795	2,298,593	103,681	5,401,937
President and Chief Financial Officer	2009	550,000	1,721,170	372,094	668,586	923,344	454,738	4,689,932
R. L. Katz Senior Vice President and General Counsel	2011	425,000	450,014	153,905	294,206	144,893	728,762	2,196,780
D. P. M. Teirlinck	2011	561,250	900,028	307,795	547,705	513,189	120,299	2,950,266
Senior Vice President	2010	550,000	900,013	271,534	448,025	292,608	713,271	3,175,451
R Gs. Zafari Senior Vice President	2011	451,250	600,066	205,206	460,100	606,315	159,602	2,482,539
S. B. Hochhauser	2011	369,808	930,038	338,570	153,468	—	914,190	2,706,074
Former Senior Vice	2010	536,250	900,013	271,534	379,955	478,580	91,554	2,657,886
President	2009	525,000	1,376,929	297,675	539,509	322,177	77,153	3,138,443

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(a) In February 2010, Mr. Lamach was promoted to Chief Executive Officer and his base annual salary was increased from $700,000 to $1,000,000. Pursuant to the EDCP Plans, a portion of a participant's annual salary may be deferred into a number of investment options. In 2011 there were no salary deferrals by any NEO into the EDCP Plans. Amounts shown in this column are not reduced to reflect deferrals of salary into the EDCP Plans.

(b) The amounts shown in this column reflect the aggregate grant date fair value of PSU awards and any RSU awards granted for the year under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 and do not reflect amounts paid to or realized by the NEOs. In determining the aggregate grant date fair value of the PSU awards, the awards are valued assuming target level performance achievement. If the maximum level performance achievement is assumed, the aggregate grant date fair value of the PSU awards would be as follows:

Name	Maximum Grant Date Value Of 2011-13 PSU Awards ($)
M. W. Lamach	5,500,043
S. R. Shawley	1,850,041

R. L. Katz	600,018
D. P. M. Teirlinck	1,200,037
R. Gs. Zafari	800,056
S. B. Hochhauser	1,200,037

For a discussion of the assumptions made in determining the ASC 718 values, see Note 13, "Share-Based Compensation," to the Company's consolidated financial statements contained in the 2011 Annual Report on Form 10-K. The ASC 718 grant date fair value of the PSU award is spread over the number of months of service required for the grant to become non-forfeitable, disregarding any adjustments for potential forfeitures.

In 2008, effective for the awards granted in 2009, the PSP program was amended to a three-year performance cycle (with a two-year transition award in 2009 to bridge the gap between the one and three-year plans). Thus, in 2009, two separate target award grants were made covering the 2009-10 performance years and the 2009-11 performance years. While the SEC rules require disclosure of the aggregate grant date fair value for both award grants in 2009, any payouts from the two separate target award grants would be made based on different performance periods and made in separate years. Please see also the Grants of Plan-Based Awards table for additional details of the 2011 grants included in this column.

(c) The amounts in this column reflect the aggregate grant date fair value of stock option grants for financial reporting purposes for the year under ASC 718 and do not reflect amounts paid to or realized by the NEOs. For a discussion of the assumptions made in determining the ASC 718 values see Note 13, "Share-Based Compensation," to the Company's consolidated financial statements contained in its 2011 Annual Report on Form 10-K.

(d) This column reflects the amounts earned as annual awards under the AIM program. Unless deferred into the EDCP Plans, AIM program payments are made in cash. In 2011, Mr. Zafari elected to defer 20% of his AIM award. Amounts shown in this column are not reduced to reflect deferrals of AIM awards into the EDCP Plans.

(e) Amounts reported in this column reflect the aggregate increase in the actuarial present value of the benefits under the qualified Ingersoll Rand Pension Plan Number One (the "Pension Plan"), Supplemental Pension Plans and EOSP, as applicable. The change in pension benefits value is attributable to the additional year of service and age, the annual AIM award and any annual salary increase. Amounts are higher for those NEOs who are older and closer to retirement than for those who are younger and further from retirement since the period over which the benefit is discounted to determine its present value is shorter and the impact of discounting is therefore reduced.

The change in pension value for Mr. Lamach for all three years shown was attributable to these factors but the change was more significant due to his promotion to CEO and his adjusted salary and bonus target. For all the NEOs, amounts in this column were also impacted by the continuing trend of decreasing interest rates and increasing discount rates, which causes the value of the lump sum under the EOSP to increase.

Mr. Hochhauser left the Company prior to vesting in any pension benefit and therefore there is no value shown for him.

The plans do not permit above-market or preferential earnings on any nonqualified deferred compensation.

(f) The following table summarizes the components of this column for fiscal year 2011:

Name	Company Matching Contributions ($)(1)	Company Cost for Life Insurance ($)	Retiree Medical Plan ($)(2)	Tax Assistance ($)(3)	Severance ($)(4)	Other Benefits ($)(5)	Total ($)
M. W. Lamach	157,641	1,710	—	98,868	—	259,728	517,947
S. R. Shawley	73,113	2,709	2,500	—	—	32,198	110,520
R. L. Katz	43,500	675	—	232,632	—	451,955	728,762
D. P. M. Teirlinck	60,557	2,580	—	7,010	—	50,152	120,299
R. Gs. Zafari	54,344	1,076	—	16,966	—	87,215	159,602
S. B. Hochhauser	44,986	962	—	—	832,500	35,742	914,190

(1) Represents Company matching contributions under the Company's ESP and Supplemental ESP plans.

(2) Represents the estimated year-over-year increase in the value of the retiree medical plan, calculated based on the methods used for financial statement reporting purposes.

(3) The amount for Mr. Lamach represents tax equalization payments related to Irish taxes owed on $270,000, which is the portion of his income that is allocated to his role as a director of the Company. Without these payments, Mr.

Lamach would be subject to double taxation on this amount since he is already paying U.S. taxes on this income. The amount shown for Mr. Katz represents payments made on his behalf for the payment of taxes related to relocation costs. The amount for Messrs. Teirlinck and Zafari represents payment of taxes on their behalf related to (i) Company contributions made to the Belgium social scheme and (ii) relocation costs.

(4) Represents payments made or accrued to Mr. Hochhauser in connection with his leaving the Company. For further information, see “Post-Employment Benefits” below.

(5) Represents: (i) the incremental cost to the Company of personal use of the Company aircraft by the CEO. For security and safety reasons and to maximize his availability for Company business, the Board of Directors requires the CEO to travel on Company-provided aircraft for business and personal purposes, unless commercial travel is deemed a minimal security risk by the Company. The incremental cost to the Company of personal use of the Company aircraft is calculated based on the hourly average variable operating costs to the Company. Variable operating costs include fuel, maintenance, on-board catering and landing fees. The hourly average variable cost is multiplied by the amount of time flown for personal use to derive the incremental cost. The methodology excludes fixed costs that do not change based on usage, such as pilots’ and other employees’ salaries, management fees and training, hangar and insurance expenses. We impose an annual limit of $150,000 on the CEO’s non-business use of Company-provided aircraft. For 2011, the amount for Mr. Lamach includes $150,000 for personal use of Company-provided aircraft; (ii) the following payments for relocation costs, including costs related, in the case of Mr. Katz, to the sale of a prior residence and loss on sale: Mr. Katz, $412,060; and Mr. Zafari, $39,728; (iii) the following incremental cost of the Company-leased cars, calculated based on the lease, insurance, fuel and maintenance costs to the Company: Mr. Lamach, $22,042; Mr. Shawley, $19,098; Mr. Katz, $27,125; Mr. Teirlinck, $19,780; Mr. Zafari, $19,603; and Mr. Hochhauser, $30,681 (which in his case includes the difference between the resale value and the book value for the Company car he was able to purchase upon termination under the terms of the program); (iv) additional incremental costs associated with the use of the Company aircraft. Under the Company’s aircraft use policy, the Compensation Committee has determined that business use includes travel that is related to the Company’s business or benefits the Company, such as travel to meetings of other boards on which the CEO sits. For 2011, the amount for Mr. Lamach includes $58,503 for such business-related travel; (v) the following costs for financial counseling services, which may include tax preparation and estate planning services: Mr. Lamach, $10,083; Mr. Shawley, $9,655; Mr. Katz, $9,137; Mr. Teirlinck, $12,790; Mr. Zafari, $19,418; and Mr. Hochhauser, $2,464; (vi) the following costs for medical services provided through an on-site physician under the Executive Health Program: Mr. Lamach, $670; Mr. Shawley, $3,445; Mr. Katz, $3,633; Mr. Teirlinck, $3,061; Mr. Zafari, $3,239; and Mr. Hochhauser, $2,597; (vii) the following payments to permit Messrs. Teirlinck and Zafari to remain covered under the Belgium social scheme and have access to the country’s health plan should they return to Europe: Mr. Teirlinck, $14,521; and Mr. Zafari, $5,227; and (viii) the cost of security improvements made to Mr. Lamach’s home based on recommendations of a recent security study ($18,430).

2011 Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the NEOs during fiscal 2011. This table is supplemental to the Summary Compensation Table and is intended to complement the disclosure of equity awards and grants made under non-equity incentive plans in the Summary Compensation Table.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(c)	All Other Option Awards: Number of Securities Underlying Options (#)(c)	Exercise or Base Price of Option Awards ($/Sh) (d)	Grant Date Fair Value of Stock and Option Awards ($)(e)
		Threshold ($)(a)	Target ($)(a)	Maximum ($)(a)	Threshold (#)(b)	Target (#)(b)	Maximum (#)(b)				
M. W. Lamach											
AIM	2/14/2011	0	1,650,000	3,300,000	—	—	—	—	—	—	—
PSUs (2011-13)	2/14/2011	—	—	—	29,049	58,097	116,194	—	—	—	2,750,022
Options	2/14/2011	—	—	—	—	—	—	—	210,527	47.335	3,077,905
S. R. Shawley											
AIM	2/14/2011	0	600,000	1,200,000	—	—	—	—	—	—	—
PSUs (2011-13)	2/14/2011	—	—	—	9,771	19,542	39,084	—	—	—	925,021
Options	2/14/2011	—	—	—	—	—	—	—	32,457	47.335	474,521
RSUs	2/14/2011	—	—	—	—	—	—	9,771	—	—	462,510
R. L. Katz											
AIM	2/14/2011	0	318,750	637,500	—	—	—	—	—	—	—
PSUs (2011-13)	2/14/2011	—	—	—	3,169	6,338	12,676	—	—	—	300,009
Options	2/14/2011	—	—	—	—	—	—	—	10,527	47.335	153,905
RSUs	2/14/2011	—	—	—	—	—	—	3,169	—	—	150,005
D. P. M. Teirlinck											
AIM	2/14/2011	0	508,500	1,017,000	—	—	—	—	—	—	—
PSUs (2011-13)	2/14/2011	—	—	—	6,338	12,676	25,352	—	—	—	600,018
Options	2/14/2011	—	—	—	—	—	—	—	21,053	47.335	307,795
RSUs	2/14/2011	—	—	—	—	—	—	6,338	—	—	300,009
R.Gs. Zafari											
AIM	2/14/2011	0	364,000	728,000	—	—	—	—	—	—	—
PSUs (2011-13)	2/14/2011	—	—	—	4,226	8,451	16,902	—	—	—	400,028
Options	2/14/2011	—	—	—	—	—	—	—	14,036	47.335	205,206
RSUs	2/14/2011	—	—	—	—	—	—	4,226	—	—	200,038

S. B. Hochhauser											
AIM	2/14/2011	0	499,500	999,000	—	—	—	—	—	—	—
PSUs (2011-13)	2/14/2011	—	—	—	6,338	12,676	25,352	—	—	—	600,018
Options	2/14/2011	—	—	—	—	—	—	—	23,158	47.335	338,570
RSUs	2/14/2011	—	—	—	—	—	—	6,972	—	—	330,020

(a) The target award levels established for the AIM program are established annually in February and are expressed as a percentage of the NEO’s base salary. Refer to Compensation Discussion and Analysis under the heading “Annual Incentive Matrix (AIM) Program” for a description of the Compensation Committee’s process for establishing AIM program target award levels. The amounts reflected in the “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” columns represent the threshold, target and maximum amounts for awards under the AIM program that were paid in February 2012, based on performance in 2011. Thus, the amounts shown in the "threshold, target and maximum" columns reflect the range of potential payouts when the target award levels were established in February 2011. The actual amounts paid pursuant to those awards are reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.

(b) The amounts reflected in the "Estimated Future Payouts Under Equity Incentive Plan Awards" columns represent the threshold, target and maximum amounts for PSU awards for the 2011-2013 performance period. The PSP pays $0 for performance below threshold. For a description of the Compensation Committee's process for establishing PSP target award levels and the terms of PSU awards, please refer to Compensation Discussion and Analysis, under the heading "Long-Term Incentive Program".

(c) The amounts in these columns reflect the stock option and RSU awards granted in February 2011. For a description of the Compensation Committee's process for determining stock option and RSU awards and the terms of the RSUs, see Compensation Discussion and Analysis under the heading "Long-Term Incentive Program."

(d) Stock options were granted under the Company's Incentive Stock Plan of 2007, which requires options to be granted at an exercise price equal to the fair market value of the Company's ordinary shares on the date of grant. The fair market value is defined in the Incentive Stock Plan of 2007 as the average of the high and low composite price of the Company's ordinary shares listed on the NYSE on the grant date. The closing price on the NYSE of the Company's ordinary shares was $47.10 on the grant date.

(e) The grant date fair value of the stock option awards granted in February 2011 was calculated in accordance with ASC 718. The Company cautions that the actual amount ultimately realized by each NEO from the stock option awards will likely vary based on a number of factors, including stock price fluctuations, differences from the valuation assumptions used and timing of exercise or applicable vesting. For a description of the assumptions made in valuing stock options see Note 13, "Share-Based Compensation" to the Company's consolidated financial statements contained in its 2011 Annual Report on Form 10-K. The grant date fair value of the PSU and RSU awards granted in February 2011 was based on the average of the high and low stock price on the date of grant ($47.335). The grant date fair value for the PSU awards is based on the target number of shares established by the Compensation Committee.

Outstanding Equity Awards at December 31, 2011

		Option Awards				Stock Awards	Stock Awards		
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable (a)	Number of Securities Underlying Unexercised Options (#) Unexercisable (a)	Option Exercise Price ($)	Option Expiration Date (c)	Number of Shares or Units of Stock that have Not Vested (#) (d)	Market Value of Shares or Units of Stock that have Not Vested ($) (e)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have Not Vested (#) (f)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have Not Vested ($) (e)
M.W. Lamach	2/17/2004	100,000	—	33.9200	2/16/2014	—	—	—	—
	2/2/2005	100,000	—	38.6850	2/1/2015	—	—	—	—
	2/1/2006	52,740	—	39.4250	1/31/2016	—	—	—	—
	2/7/2007	43,790	—	43.1250	2/6/2017	—	—	—	—
	2/15/2008	48,510	—	39.0000	2/14/2018	—	—	—	—
	6/6/2008 (b)	50,000	50,000	43.4550	6/5/2018	—	—	—	—
	2/12/2009 (b)	—	50,000	16.8450	2/11/2019	—	—	—	—
	2/12/2009	44,083	22,042	16.8450	2/11/2019	4,409	134,342	53,429	1,627,982
	2/16/2010	83,333	166,667	31.5916	2/15/2020	—	—	87,048	2,652,353
	2/14/2011	—	210,527	47.3350	2/13/2021	—	—	58,097	1,770,216
S.R. Shawley	2/4/2004	55,000	—	32.1825	2/3/2014	—	—	—	—
	2/2/2005	48,400	—	38.6850	2/1/2015	—	—	—	—
	2/1/2006	52,740	—	39.4250	1/31/2016	—	—	—	—
	2/7/2007	43,790	—	43.1250	2/6/2017	—	—	—	—
	2/15/2008	48,510	—	39.0000	2/14/2018	—	—	—	—
	6/4/2008 (b)	—	100,000	43.4050	6/3/2018	—	—	—	—
	2/12/2009	43,750	21,875	16.8450	2/11/2019	4,375	133,306	44,524	1,356,646
	2/16/2010	13,802	27,604	31.5916	2/15/2020	9,760	297,387	29,280	892,162
	2/14/2011	—	32,457	47.3350	2/13/2021	9,771	297,722	19,542	595,445
R. L. Katz	12/1/2010	1,833	3,667	42.0550	11/30/2020	—	—	2,775	84,554
	12/1/2010	—	—	—	—	—	—	5,153	157,012
	2/14/2011	—	10,527	47.3350	2/13/2021	3,169	96,559	6,338	193,119
D. Teirlinck	10/2/2005	2,667	—	38.4700	10/1/2015	—	—	—	—
	2/1/2006	17,580	—	39.4250	1/31/2016	—	—	—	—
	2/7/2007	23,170	—	43.1250	2/6/2017	—	—	—	—
	2/15/2008	25,276	—	39.0000	2/14/2018	—	—	—	—
	2/12/2009	18,333	16,667	16.8450	2/11/2019	3,334	101,587	31,167	949,658
	2/16/2010	8,952	17,906	31.5916	2/15/2020	6,332	192,936	18,992	578,686

	2/14/2011	—	21,053	47.3350	2/13/2021	6,338	193,119	12,676	386,238
R. Gs. Zafari	2/4/2004	13,240	—	32.1825	2/3/2014	—	—	—	—
	2/2/2005	14,400	—	38.6850	2/1/2015	—	—	—	—
	2/1/2006	7,500	—	39.4250	1/31/2016	—	—	—	—
	2/7/2007	13,910	—	43.1250	2/6/2017	—	—	—	—
	2/15/2008	18,471	—	39.0000	2/14/2018	—	—	—	—
	2/12/2009	—	6,577	16.8450	2/11/2019	1,316	40,099	9,931	302,598
	2/16/2010	3,581	7,163	31.5916	2/15/2020	2,533	77,181	6,331	192,906
	2/14/2011	—	14,036	47.3350	2/13/2021	4,226	128,766	8,451	257,502
S.B. Hochhauser	2/12/2009	—	—	—	—	—	—	31,665	964,833
	2/16/2010	—	—	—	—	—	—	10,560	321,763
	2/14/2011	—	—	—	—	—	—	2,814	85,743

(a) These columns represent stock option and SARs awards. Except as noted in (b) below, these awards become exercisable in three equal installments beginning on the first anniversary after the date of grant, subject to continued employment. Employees who terminate employment due to (i) death, disability or retirement continue to vest in the options on the same basis as active employees for a period of three years (or five years in the case of retirement for awards granted in 2007 and after) following termination, or (ii) group termination become immediately vested in awards that would have vested within twelve months of termination and may exercise all vested awards for a period of three years following termination. Messrs. Shawley and Teirlinck are retirement eligible.

(b) Mr. Lamach's grant dated June 6, 2008 vests 50% on each of the third and fifth anniversaries of the grant date and his grant dated February 12, 2009 vests 100% on the third anniversary of the grant date. Mr. Shawley's grant dated June 4, 2008 vests 50% on each of the fourth and sixth anniversaries of February 15, 2008.

(c) All of the options granted to the NEOs expire on the tenth anniversary (less one day) of the grant date.

(d) This column represents unvested RSUs. RSUs become exercisable in three equal installments beginning on the first anniversary after the date of grant, subject to continued employment. Employees who terminate employment due to (i) death, disability or retirement continue to vest in the RSUs on the same basis as active employees, or (ii) group termination become immediately vested in RSUs that would have vested within twelve months of termination. Messrs. Shawley and Teirlinck are retirement eligible.

(e) The market value was computed based on $30.47, the closing market price of the Company's ordinary shares on the NYSE at December 30, 2011, the last trading day of the year.

(f) This column represents unvested and unearned PSUs. PSUs vest upon the completion of a three-year performance period. The actual number of shares an NEO will receive, if any, is subject to achievement of the performance goals as certified by the Compensation Committee, and continued employment.

Employees who terminate employment due to (i) death or disability vest in a prorated portion of their PSUs based on the time worked during the performance period and the achievement of performance goals from the beginning of the performance period through the end of the calendar quarter in which employment terminated, or (ii) retirement, group termination or job elimination vest in a prorated portion of their PSUs based on the time worked during the performance period and the achievement of performance goals through the end of the performance period. Mr. Hochhauser's outstanding PSU awards were prorated based on the time worked during the applicable performance period and are subject to achievement of the performance goals at the end of the performance period, as certified by the Compensation Committee. Messrs. Shawley and Teirlinck are retirement eligible.

2011 Option Exercises and Stock Vested

The following table provides information regarding the amounts received by each NEO upon exercise of stock options and SARs or the vesting of stock during the fiscal year ended December 31, 2011:

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (a)	Stock Awards Number of Shares Acquired on Vesting (#)		Value Realized on Vesting ($) (b)	
M. W. Lamach	—	—	48,097		2,186,089	
S. R. Shawley	—	—	45,663	(c)	2,085,901	(c)
R. L. Katz	—	—	—		—	
D. P. M. Teirlinck	15,000	526,580	31,984	(c)	1,460,959	(c)
R. Gs. Zafari	17,153	549,412	10,702		489,604	
S. B. Hochhauser	43,952	492,319	35,791	(c)	1,633,692	(c)

(a) This column reflects the aggregate dollar amount realized by the NEO upon the exercise of the stock options and SARs by determining the difference between (i) for stock options, the market price of the Company’s ordinary shares at exercise and the exercise price of the stock options or (ii) for SARs, the opening stock price of the Company’s ordinary shares on the date of exercise and the exercise price of the SARs.

(b) This column reflects the value of the RSU and PSU awards that vested on February 12, 2011 and February 16, 2011, based on the average of the high and low stock price of the Company’s ordinary shares on the vesting date.

(c) Messrs. Shawley, Teirlinck and Hochhauser elected to defer the shares acquired upon the vesting of their PSU awards on February 28, 2011 into the Company’s EDCP II. Mr. Shawley deferred 36,408 shares having a value of $1,649,282, Mr. Teirlinck deferred 25,486 shares having a value of $1,154,516, and Mr. Hochhauser deferred 29,126 shares having a value of $1,319,408. Messrs. Shawley’s, Teirlinck’s and Hochhauser’s cash dividends of $28,398, $19,879 and $22,718, respectively, that had accrued on the PSU awards were also deferred under the EDCP II. Please see “2011 Non-Qualified Deferred Compensation” for more information about the terms of the Company’s EDCP Plans.

2011 Pension Benefits

The active NEOs participate in the following defined benefit plans:

- the Pension Plan;
- the Supplemental Pension Plans; and
- the EOSP.

The Pension Plan is a funded, tax qualified, non-contributory defined benefit plan that covers the majority of the Company's salaried U.S. employees. The Pension Plan provides for normal retirement at age 65. Vesting occurs after five years of service, regardless of age. The formula to determine the lump sum benefit under the Pension Plan is: 5% of final average pay (the five highest consecutive years out of the last ten years of eligible compensation) for each year of credited service. A choice for distribution between an annuity and a lump sum option is available.

The Supplemental Pension Plans are unfunded, nonqualified, non-contributory defined benefit restoration plans. Since the IRS limits the annual compensation recognized when calculating benefits under the qualified Pension Plan, the Supplemental Plans restore what is lost in the Pension Plan due to these limits. The Supplemental Pension Plans cover all employees of the Company who participate in the Pension Plan and who are impacted by the IRS compensation limits. A participant must meet the vesting requirements of the qualified Pension Plan to qualify for benefits under the Supplemental Pension Plans. Benefits under the Supplemental Pension Plans are available only as a lump sum distribution after termination.

The EOSP, which was closed to new participants effective April 2011, is an unfunded, nonqualified, non-contributory defined benefit plan, designed to replace a percentage of an officer's final average pay based on his or her age and years of service at the time of retirement. Final average pay is defined as the sum of the officer's current annual salary plus the average of his or her three highest AIM awards during the most recent six years. No other elements of compensation (other than salary and AIM awards) are included in final average pay. The EOSP provides a benefit pursuant to a formula in which 1.9% of an officer's final average pay is multiplied by the officer's years of service (up to a maximum of 35 years) and then reduced by the value of other retirement benefits the officer will receive that are provided by the Company under certain qualified and nonqualified retirement plans as well as Social Security. If additional years of service were granted to an officer as part of his or her employment agreement, those additional years of service are reflected in the Pension Benefits table below. Vesting occurs at the earlier of the attainment of age 55 and the completion of 5 years of service or age 62. Unreduced benefits under the EOSP are available at age 62 and benefits are only available as a lump sum after termination.

The table below represents the estimated present value of defined benefits for the plans in which each active NEO participates. Mr. Hochhauser left the Company prior to vesting in any defined benefit plan and therefore no values are shown for him.

Name	Plan Name	Number of Years Credited Service (#) (a)		Present Value of Accumulated Benefit ($) (b)		Payments During Last Fiscal Year ($)
M.W. Lamach	Pension Plan	7.917		61,624		—
	Supplemental Pension Plan II	7.917		316,599		—
	EOSP	25.00	(c)	8,805,446		—
S. R. Shawley	Pension Plan	37.50		620,607		—
	Supplemental Pension Plan I	6.00	(d)	150,709		—
	Supplemental Pension Plan II	13.00	(d)	300,108		—
	EOSP	35.00	(e)	11,540,217	(f)	—
R. L. Katz	Pension Plan	1.17		9,615		—
	Supplemental Pension Plan II	1.17		18,355		—
	EOSP	1.17		127,862		—

D. Teirlinck	Pension Plan	3.33	(g)	35,615	—
	Supplemental Pension Plan II	3.33	(g)	90,705	—
	EOSP	7.00	(h)	1,365,514	—
R. Gs. Zafari	Pension Plan	1.42	(g)	13,980	—
	Supplemental Pension Plan II	1.42	(g)	36,745	—
	EOSP	11.75	(h)	1,916,975	—

(a) Under the EOSP, for officers covered prior to May 19, 2009, a full year of service is credited for any year in which they work at least one day. In the Pension Plan, the Supplemental Pension Plans and the EOSP for officers covered on or after May 19, 2009, including Messrs. Katz and Zafari, the number of years of credited service is based on elapsed time (i.e., credit is given for each month in which a participant works at least one day). The Supplemental Pension Plan II was established as a mirror plan, effective January 1, 2005. The years of credited service used for calculating benefits under (i) the Supplemental Pension Plan I are the years of credited service through December 31, 2004, and (ii) the Pension Plan, EOSP and Supplemental Pension Plan II are the years of credited service through December 31, 2011. The benefits earned under the Supplemental Pension Plan I serve as offsets to the benefits earned under the Supplemental Pension Plan II.

(b) The amounts in this column reflect the estimated present value of each NEO's accumulated benefit under the plans indicated. The calculations reflect the value of the benefits assuming that each NEO was fully vested under each plan. The benefits were computed as of December 31, 2011, consistent with the assumptions described in Note 10, "Pensions and Postretirement Benefits Other than Pensions," to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2011.

A present value of benefits for the Supplemental Pension Plan I is reported for those NEOs who were vested in that plan at December 31, 2004, the date on which that plan was frozen. If an NEO was not vested in the Supplemental Pension Plan I at December 31, 2004, that NEO is not entitled to any benefit under that plan. See the section above under "2011 Pension Benefits" for more information on the material terms and conditions of payments and benefits available under the plans, including each plan's normal retirement payment and benefit formula, and the specific elements of compensation included in applying the payment and benefit formula.

(c) Mr. Lamach's credited years of service exceed his actual years of service by 17 years pursuant to the provisions of his employment arrangement. The increase in present value of benefits due to those additional years of credited service is $6,140,399. Mr. Lamach's benefit will be reduced by the pension benefit he receives from his former employer.

(d) Mr. Shawley's service in the Supplemental Plans began in January 1999 when he transferred from Thermo King.

(e) Under the provisions of the EOSP, Mr. Shawley's service is capped at 35 years.

(f) On June 4, 2008, the Compensation Committee of the Board of Directors agreed that if Mr. Shawley remains with the Company until age 60, any reduction for early retirement will be waived. The increase in present value of benefits resulting from this provision is $1,563,388.

(g) Service in the Pension Plan and the Supplemental Pension Plan II for Messrs. Teirlinck and Zafari began in September 2008 and August 2010, respectively, when they transferred to the United States.

(h) Benefits for both Messrs. Teirlinck and Zafari under the EOSP use all their service with the Company, not just the service in the United States. The benefit will be reduced by any and all benefits accrued or accumulated while covered under any non-U.S. plan in respect to any period of service that is counted as a year of service in this plan. The value of these non-U.S. benefits is not readily accessible until retirement, and therefore the amount shown for EOSP reflects the value of this benefit prior to these reductions.

2011 Nonqualified Deferred Compensation

The Company's EDCP Plans are unfunded, nonqualified plans that permit certain employees, including the NEOs, to defer receipt of up to 50% of their annual salary and up to 100% of their AIM awards, PSP awards and shares of restricted stock received upon commencement of employment ("Employment Shares"). Elections to defer must be made prior to the beginning of the performance period. The Company has established a nonqualified grantor trust (the "trust"), with a bank as the trustee, to hold certain assets deferred under the EDCP Plans. These assets are considered general assets of the Company and are available to its creditors in the event of the Company's insolvency. Amounts held in the trust are invested by the trustee using various investment vehicles.

Participants are offered certain investment options (approximately 60 mutual fund investments and ordinary share equivalents), and can choose how they wish to allocate their cash deferrals among those investment options. Participants are 100% vested in all amounts deferred, and bear the risk of any earnings and losses on such deferred amounts.

Generally, deferred amounts may be distributed following termination of employment or at the time of a scheduled in-service distribution date chosen by the participant. If a participant has completed 5 or more years of service at the time of termination, or is terminated due to long-term disability, death or retirement, the distribution is paid in accordance with the participant's election. If a participant terminates without meeting these requirements, the account balance for all plan years will be paid in a lump sum in the year following the year of termination. A participant can elect to receive distributions at termination over a period of 5, 10, or 15 annual installments, or in a single lump sum. A participant can elect to receive scheduled in-service distributions in future years that are at least 2 years after the end of the plan year for which they are deferring. In-service distributions can be received in 2 to 5 annual installments, or if no election is made, in a lump sum. For those participants who have investments in ordinary shares, the distribution of these assets will be in the form of ordinary shares, not cash.

The stock grant plan is a frozen long-term incentive plan pursuant to which participants received performance-based stock awards. Stock awards pursuant to this plan have not been awarded since fiscal year 2001. Participants had the option of deferring those awards until retirement. Mr. Shawley deferred receipt of substantially all his stock awards. Until the time of distribution, the stock awards accrue dividends in the form of ordinary shares. These dividends are also deferred and are paid out in ordinary shares following retirement. Please refer to Compensation Discussion and Analysis for a description of the Supplemental ESP.

The following table provides information regarding contributions, distributions, earnings and balances for each NEO under our nonqualified deferred compensation plans:

Name	Executive Contributions in Last Fiscal Year ($) (a)	Registrant Contributions in Last Fiscal Year ($) (b)	Aggregate Earnings in Last Fiscal Year ($) (c)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($) (d)
M. W. Lamach					
EDCP II	—	—	(721,245)	—	1,369,504
Supplemental ESP	—	142,941	(179,788)	—	446,546
S. R. Shawley					
EDCP Plan I	—	—	(495,784)	—	941,397
EDCP Plan II	1,677,269	—	(535,194)	—	1,142,075
Supplemental ESP	—	58,413	(148,065)	—	383,454
Stock Grant Plan	—	—	(273,525)	—	527,289
R. L. Katz					
EDCP II	—	—	—	—	—
Supplemental ESP	—	28,800	(4,828)	—	23,972
D. P. M. Teirlinck					
EDCP II	1,174,107	—	(374,642)	—	799,465

Supplemental ESP	—	45,856	(43,593)	—	116,844
R. Gs. Zafari					
EDCP II	—	—	—	—	—
Supplemental ESP	—	39,644	(7,695)	—	31,948
S. B. Hochhauser					
EDCP II	1,341,797	—	(469,454)	—	1,249,102
Supplemental ESP	—	30,286	(59,126)	—	117,566

(a) The annual deferrals (salary, AIM & PSP) are all reflected in the Salary column, the Non-Equity Incentive Plan column and the Stock Awards column, respectively of the Summary Compensation Table.

(b) All of the amounts reflected in this column are included in the All Other Compensation column of the Summary Compensation Table.

(c) Amounts in this column include gains and losses on investments, as well as dividends on ordinary shares or ordinary share equivalents. None of the earnings or losses reported in this column are included in the Summary Compensation Table.

(d) The following table reflects the amounts reported in this column previously reported as compensation to the NEOs in the Company’s Summary Compensation Table in proxy statements for prior years. Each of Messrs. Lamach, Shawley, Teirlinck, Zafari, Katz and Hochhauser first became NEOs and therefore had their compensation reported in the Company’s proxy statements for fiscal years 2005 (Lamach), 2007 (Shawley), 2010 (Teirlinck), 2011 (Katz and Zafari) and 2009 (Hochhauser).

Name	EDCP Plans ($)	Supplemental ESP ($)
M. W. Lamach	1,529,086	327,989
S. R. Shawley	1,768,794	163,324
R. L. Katz	—	—
D. P. M. Teirlinck	1,174,107	38,146
R. Gs. Zafari	—	—
S. B. Hochhauser	1,569,020	83,207

Post-Employment Benefits

The following discussion describes the compensation to which each of the active NEOs would be entitled in the event of termination of such executive’s employment, including termination following a change in control.

Employment Arrangements and Severance. All of the NEOs are entitled to benefits upon termination of their employment following a change in control. Messrs. Lamach and Katz are also entitled to severance in the event of their involuntary termination without cause due to the terms of their employment agreements. Under the terms of their employment agreements, Messrs. Lamach and Katz are eligible for 24 and 12 months, respectively, of base annual salary plus a prorated AIM award earned for the year of termination as determined and paid at the conclusion of the full performance year in accordance with the terms of the plan. In addition, any unvested PSP awards from completed performance periods would vest and Messrs. Lamach and Katz would also receive prorated PSP awards (not to exceed target) for the open performance periods at the end of the respective performance periods. These awards would be based on actual performance in accordance with the terms of the plan. Mr. Lamach would also fully vest in the remaining 50,000 option grant that was part of his special retention grant of 100,000 options awarded to him on June 6, 2008.

Mr. Hochhauser was provided with the following benefits in connection with his departure from the Company, in accordance with the terms of his employment agreement: 18 months of base annual salary plus a prorated AIM award earned for the year of termination as determined and paid at the conclusion of the full performance year in accordance with the terms of the plan. In addition, Mr. Hochhauser will receive prorated PSP awards (not to exceed target) for the open performance periods based on actual performance at the end of the respective performance periods.

Although the Company does not have a formal severance policy for officers, NEOs who are terminated by the Company other than for cause will generally be entitled to received up to 12 months’ base salary as severance and, depending on the circumstances and timing of the termination, a pro-rated portion of their AIM award, not to exceed target.

Change in Control. The Company has entered into a change-in-control agreement with each NEO. The change-in-control agreement provides for certain payments if the employment is terminated by the Company without “cause” (as defined in the change-in-control agreements) or by the NEO for “good reason” (as defined in the change-in-control agreements), in each case, within two years following a change in control of the Company. For officers who first became eligible for a change-in-control agreement on or after May 19, 2009, including Messrs. Katz and Zafari, the Company eliminated a severance payment based on outstanding PSP awards and eliminated a payment to cover the impact to the executive of certain incremental taxes incurred in connection with the payments made following a change in control.

Following a change in control, each NEO is entitled to continue receiving his or her current base salary and is entitled to an annual bonus in an amount not less than the highest annual bonus paid during the prior three years.

If an NEO's employment is terminated "without cause" or by the NEO for "good reason" following a change in control, the NEO is entitled to the following:

- any base salary and annual bonus for a completed fiscal year that had not been paid;
- an amount equal to the NEO's annual bonus for the last completed fiscal year pro-rated for the number of full months employed in the current fiscal year;
- an amount equal to the NEO's base salary pro-rated for any unused vacation days;
- a lump sum severance payment from the Company equal to the three times (for CEO and CFO) or two and one-half times (for other NEOs) the sum of:
  - the NEO's annual salary in effect on the termination date, or, if higher, the annual salary in effect immediately prior to the reduction of the NEO's annual salary after the change in control; and
  - the NEO's target AIM award for the year of termination or, if higher, the average of the AIM award amounts beginning three years immediately preceding the change in control and ending on the termination date; and
- for the NEOs other than Messrs. Katz and Zafari, a lump sum payment equal to three times (for CEO and CFO) or two and one-half times (for other NEOs) of: (a) the cash value of the target amount of the most recent PSU award; or (b) if higher, the average amounts of the last three PSU awards granted and paid to the NEO immediately preceding termination. This payment is in lieu of any rights the individual might have with respect to unvested PSU awards.

In addition to the foregoing, the NEOs would also be eligible to participate in the Company's welfare employee benefit programs for the severance period (three years for the CEO and CFO and two and one-half years for the other NEOs). The Company would also provide each NEO up to $100,000 of outplacement services. For purposes of calculating the NEO's nonqualified pension benefits, three years would be added to both the officer's age and service with the Company under the EOSP. In addition, the "final average pay" under the EOSP would be calculated as 50% of the lump sum severance payment. For purposes of determining eligibility for post-retirement welfare benefits, the NEO would be credited with any combination of additional years of service and age, not exceeding 10 years, to the extent necessary to qualify for such benefits.

A "change in control" is defined as the occurrence of any of the following events: (i) any person unrelated to the Company becomes the beneficial owner of 30% or more of the combined voting power of the Company's voting stock; (ii) the directors serving at the time the change-in-control agreements were executed (or the directors subsequently elected by the shareholders of the Company whose election or nomination was duly approved by at least two-thirds of the then serving directors) fail to constitute a majority of the Board of Directors; (iii) the consummation of a merger or consolidation of the Company with any other corporation in which the Company's voting securities outstanding immediately prior to such merger or consolidation represent 50% or less of the combined voting securities of the Company immediately after such merger or consolidation; (iv) any sale or transfer of all or substantially all of the Company's assets, other than a sale or transfer with a corporation where the Company owns at least 80% of the combined voting power of such corporation or its parent after such transfer; or (v) any other event that the continuing directors determine to be a change in control; provided however, with respect to (i), (iii) and (iv) above, there shall be no change in control if shareholders of the Company own more than 50% of the combined voting power of the voting securities of the Company or the surviving entity or any parent immediately following such transaction in substantially the same proportion to each other as prior to such transaction.

Enhanced Retirement Benefits. An officer is vested in EOSP upon the earlier of: (i) the attainment of age 55 and the completion of 5 years of service; (ii) attainment of age 62; (iii) death; or (iv) change in control. A termination within two years following a change in control also triggers the payment of an enhanced benefit (as described above). Benefits under the EOSP are forfeited in the event of termination for cause. In order to be eligible for an EOSP benefit in the event of disability, a participant must remain disabled until age 65. An officer becomes vested in both the Pension Plan and the Supplemental Pension Plans upon the completion of 5 years of service. As of December 31, 2011, Messrs. Lamach and Zafari were not vested in the EOSP and Mr. Katz was not vested in the EOSP, the Supplemental Pension Plan II or the Pension Plan. Mr. Hochhauser left the Company prior to vesting in any retirement benefit.

Health Benefits. In the event of a change in control, health benefits are provided, which include the Company cost of both active health and welfare benefits for the severance period (three years for Messrs. Lamach and Shawley and two and one-half years for Messrs. Teirlinck, Zafari and Katz), as well as retiree medical, if applicable. Mr. Shawley is the only NEO eligible for retiree medical benefits due to his age and service as of December 31, 2002, when eligibility for the retiree medical benefit was frozen. In the event of death, Mr. Shawley's eligible dependents would be eligible to receive retiree medical health benefits.

Post-Employment Benefits Table
The following table describes the compensation to which each of the active NEOs would be entitled in the event of termination of such executive's employment on December 31, 2011, including termination following a change in control. The potential payments were determined under the terms of our plans and arrangements in effect on December 31, 2011. The table does not include the pension benefits or nonqualified deferred compensation amounts that would be paid to an NEO, which are set forth in the Pension Benefits table and the Nonqualified Deferred Compensation table above, except to the extent that the NEO is entitled to an additional benefit as a result of the termination. With respect to Mr. Hochhauser, the table represents the benefits he actually received or accrued upon his departure from the Company on September 1, 2011.

	Retirement ($)	Involuntary without Cause ($)	Involuntary with Cause ($)	Change in Control ($)	Disability ($)	Death ($)
M. W. Lamach						
Severance (a)	—	2,200,000	—	8,250,000	—	—
2011 Earned but Unpaid AIM Award(s) (b)	—	1,522,950	—	1,522,950	—	—
PSP Award Payout (c)	—	3,984,166	—	9,375,000	3,984,166	3,984,166
Value of Unvested Equity Awards (d)	—	—	—	1,114,113	1,114,113	1,114,113
Enhanced Retirement Benefits (e)	—	—	—	4,872,420	—	—
Outplacement (f)	—	14,100	—	100,000	—	—
Tax Assistance (g)	—	—	—	17,596,937	—	—
Health Benefits	—	—	—	30,062	—	—
Total	—	7,721,216	—	42,861,482	5,098,279	5,098,279
S. R. Shawley						
Severance (a)	—	600,000	—	3,600,000	—	—
2011 Earned but Unpaid AIM Award(s) (b)	—	553,800	—	553,800	—	—
PSP Award Payout (c)	2,149,232	2,149,232	—	2,775,000	2,149,232	2,149,232
Value of Unvested Equity Awards (d)	1,025,916	1,025,916	—	1,025,916	1,025,916	1,025,916
Enhanced Retirement Benefits (e)	—	—	—	857,065	—	—
Outplacement (f)	—	14,100	—	100,000	—	—
Tax Assistance (g)	—	—	—	4,593,723	—	—
Health Benefits (h)	138,000	138,000	138,000	130,062	138,000	75,000
Total	3,313,148	4,481,048	138,000	13,635,566	3,313,148	3,250,148
R. L. Katz						
Severance (a)	—	425,000	—	1,859,375	—	—
2011 Earned but Unpaid AIM Award(s) (b)	—	294,206	—	294,206	—	—
PSP Award Payout (c)	—	253,480	—	253,602	253,480	253,480
Value of Unvested Equity Awards (d)	—	—	—	96,559	96,559	96,559
Enhanced Retirement Benefits (e)	—	—	—	457,648	—	—
Outplacement (f)	—	14,100	—	100,000	—	—
Tax Assistance (g)	—	—	—	—	—	—
Health Benefits	—	—	—	25,052	—	—
Total	—	986,786	—	3,086,442	350,039	350,039

	Retirement ($)	Involuntary without Cause ($)	Involuntary with Cause ($)	Change in Control ($)	Disability ($)	Death ($)
D. P. M. Teirlinck						
Severance (a)	—	565,000	—	2,683,750	—	—
2011 Earned but Unpaid AIM Award(s) (b)	—	508,500	—	547,705	—	—
PSP Award Payout (c)	1,463,748	1,463,748	—	1,500,000	1,463,748	1,463,748
Value of Unvested Equity Awards (d)	714,313	714,313	—	714,313	714,313	714,313
Enhanced Retirement Benefits (e)	—	—	—	1,575,388	—	—
Outplacement (f)	—	14,100	—	100,000	—	—
Tax Assistance (g)	—	—	—	3,080,643	—	—
Health Benefits	—	—	—	25,052	—	—
Total	2,178,061	3,265,661	—	10,226,851	2,178,061	2,178,061
R. Gs. Zafari						
Severance (a)	—	455,000	—	2,047,500	—	—
2011 Earned but Unpaid AIM Award(s) (b)	—	364,000	—	460,100	—	—
PSP Award Payout (c)	—	—	—	581,337	516,863	516,863
Value of Unvested Equity Awards (d)	—	—	—	335,492	335,492	335,492
Enhanced Retirement Benefits (e)	—	—	—	1,167,020	—	—
Outplacement (f)	—	14,100	—	100,000	—	—
Tax Assistance (g)	—	—	—	—	—	—
Health Benefits	—	—	—	25,052	—	—
Total	—	833,100	—	4,716,501	852,355	852,355
S. B. Hochhauser						
Severance	—	832,500	—	—	—	—
2011 Earned but Unpaid AIM Award(s)	—	153,468	—	—	—	—
PSP Award Payout	—	1,465,119	—	—	—	—
Value of Unvested Equity Awards	—	—	—	—	—	—
Enhanced Retirement Benefits	—	—	—	—	—	—
Outplacement	—	14,100	—	—	—	—
Tax Assistance	—	—	—	—	—	—
Health Benefits	—	—	—	—	—	—
Total	—	2,465,187	—	—	—	—

(a) For the “Involuntary without Cause” column, for those NEOs who do not have a formal separation agreement, the current severance guidelines permit payment of up to one year’s base salary. For the amounts shown under the “Change in Control” columns, refer to the description of how severance is calculated in the section above, entitled Post-Employment Benefits.

(b) For the “Involuntary without Cause” column, these amounts represent the (i) AIM award earned by Messrs. Lamach and Katz in 2011 and paid pursuant to the terms of their employment agreements and (ii) prorated AIM award (up to target) that may be paid to the other NEOs depending on the circumstances and timing of the termination. For the amounts under “Change in Control”, these amounts represent the actual award earned for the 2011 performance period, which may be more or less than the target award.

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(c) For the “Involuntary without Cause” column, these amounts represent the cash value of the prorated PSU award payout to (i) Messrs. Lamach and Katz pursuant to the terms of their employment agreements and (ii) Messrs. Shawley and Teirlinck because they are retirement eligible. For the “Change in Control” column for Messrs. Lamach, Shawley and Teirlinck, these amounts represent the cash value of the PSU award payout, based on the appropriate multiple. For Messrs. Katz and Zafari, these values represent what would be provided under the terms of the Incentive Stock Plan of 2007, which provides a pro-rated payment for all outstanding awards. In addition, because Mr. Zafari had a grant that was covered under the previous version of the change-in-control provision under the Incentive Stock Plan, his 2010-2012 grant would be valued based on the full target award. For the “Retirement”, “Disability” and “Death” columns, amounts represent the cash value of the prorated portion of their PSUs that vest upon such events. Amounts for each column are based on the closing stock price of the ordinary shares on the last trading day before December 31, 2011 ($30.47).

(d) The amounts shown for “Retirement”, “Involuntary without Cause”, “Change in Control”, “Death” and “Disability” represe (i) the value of the unvested RSUs, which is calculated based on the number of unvested RSUs multiplied by the closing stock price of the ordinary shares on the last trading day before December 31, 2011 ($30.47), and (ii) the intrinsic value of the unvested stock options and SARs, which is calculated based on the difference between the closing stock price of the ordinary shares on the last trading day before December 31, 2011 ($30.47) and the relevant exercise price. However, only in the event of termination following a “Change in Control” is there accelerated vesting of unvested awards. For “Retirement”, “Involuntary without Cause”, “Disability” and “Death”, the awards do not accelerate but continue to vest on the same basis as active employees. Because Messrs. Shawley and Teirlinck are retirement eligible, they would continue to vest in stock options and RSUs after termination of employment for any reason other than cause.

(e) In the event of a change in control of the Company and a termination of the NEOs, the present value of the pension benefits under the EOSP and Supplemental Pension Plans would be paid out as lump sums. While there is no additional benefit to the NEOs as a result of either voluntary retirement/resignation and/or involuntary resignation without cause, there are differences (based on the methodology mandated by the SEC) between the numbers that are shown in the Pension Benefits Table and those that would actually be payable to the NEO under these termination scenarios.

(f) For the “Involuntary without Cause” column, each NEO is eligible for outplacement services for a twelve month period, not to exceed $14,100. For the “Change in Control” column, the amount represents the maximum expenses the Company would reimburse the NEO for professional outplacement services.

(g) Pursuant to the change-in-control agreements for Messrs. Lamach, Shawley and Teirlinck, if any payment or distribution by the Company to these NEOs creates certain incremental taxes, they would be entitled to receive from the Company a payment in an amount sufficient to place them in the same after-tax financial position as if such taxes had not been imposed.

(h) Represents the Company cost of health and welfare coverage. The cost for “Change in Control” is a combination of continued active coverage for three years followed by retiree coverage, while the cost shown under the other scenarios is retiree coverage only.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The Company does not generally engage in transactions in which its executive officers, directors or nominees for directors, any of their immediate family members or any of its 5% shareholders have a material interest. Pursuant to the Company’s written related person transaction policy, any such transaction must be reported to management, which will prepare a summary of the transaction and refer it to the Corporate Governance and Nominating Committee for consideration and approval by the disinterested directors. The Corporate Governance and Nominating Committee reviews the material terms of the related person transaction, including the dollar values involved, the relationships and interests of the parties to the transaction and the impact, if any, to a director’s independence. The Corporate Governance and Nominating Committee only approves those transactions that are in the best interest of the Company.

In addition, the Company’s Code of Conduct, which sets forth standards applicable to all employees, officers and directors of the Company, generally proscribes transactions that could result in a conflict of interest for the Company. Any waiver of the Code of Conduct for any executive officer or director requires the approval of the Company’s Board of Directors. Any such waiver will, to the extent required by law or the NYSE, be disclosed on the Company’s website at www.ingersollrand.com or on a current report on Form 8-K. No such waivers were requested or granted in 2011.

We have not made payments to directors other than the fees to which they are entitled as directors (described under the heading “Compensation of Directors”) and the reimbursement of expenses related to their services as directors. We have made no loans to any director or officer nor have we purchased any shares of the Company from any director or officer.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and officers, and persons who beneficially own more than ten percent of the Company’s ordinary shares, to file reports of ownership and reports of changes in ownership with the SEC and the NYSE. To the Company’s knowledge, based solely on its review of such forms received by the Company and written representations that no other reports were required, each officer, other than Mr. Paul Camuti, and each director, other than Mr. Bruton and Mr. Forsee, made late filings due to a determination that (i) our supplemental plans do not meet all of the requirements for an "Excess Benefit Plan", as defined by the SEC, and (ii) dividend equivalents were required to be reported following the termination of our dividend reinvestment plan in connection with our Irish reorganization.

SHAREHOLDER PROPOSALS AND NOMINATIONS

Any proposal by a shareholder intended to be presented at the 2013 Annual General Meeting of shareholders of the Company must be received by the Company at its registered office at 170/175 Lakeview Drive, Airside Business Park, Swords, Co. Dublin, Ireland, Attn: Secretary, no later than December 24, 2012, for inclusion in the proxy materials relating to that meeting. Any such proposal must meet the requirements set forth in the rules and regulations of the SEC, including Rule 14a-8, in order for such proposals to be eligible for inclusion in our 2013 proxy statement.

The Company’s Articles of Association set forth procedures to be followed by shareholders who wish to nominate candidates for election to the Board in connection with annual general meetings of shareholders or pursuant to written shareholder consents or who wish to bring other business before a shareholders’ general meeting. All such nominations must be accompanied by certain background and other information specified in the Articles of Association. In connection with the 2013 annual general meeting, written notice of a shareholder’s intention to make such nominations or bring business before the annual general meeting must be given to the Secretary of the Company not later than March 9, 2013. If the date of the 2013 annual general meeting occurs more than 30 days before, or 60 days after, the anniversary of the 2012 annual general meeting, then the written notice must be provided to the Secretary of the Company not later than the seventh day after the date on which notice of such annual general meeting is given.

The Corporate Governance and Nominating Committee will consider all shareholder recommendations for candidates for Board membership, which should be sent to the Committee, care of the Secretary of the Company, at the address set forth above. In addition to considering candidates recommended by shareholders, the Committee considers potential candidates recommended by current directors, Company officers, employees and others. As stated in the Company’s Corporate Governance Guidelines, all candidates for Board membership are selected based upon their judgment, character, achievements and experience in matters affecting business and industry. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means.

In order for you to bring other business before a shareholder general meeting, timely notice must be received by the Secretary of the Company within the time limits described above. The notice must include a description of the proposed item, the reasons you believe support your position concerning the item, and other specified matters. These requirements are separate from and in addition to the requirements you must meet to have a proposal included in our Proxy Statement. The foregoing time limits also apply in determining whether notice is timely for purposes of rules adopted by the SEC relating to the exercise of discretionary voting authority.

If a shareholder wishes to communicate with the Board of Directors for any other reason, all such communications should be sent in writing, care of the Secretary of the Company, or by email at irboard@irco.com.

HOUSEHOLDING

SEC rules permit a single set of annual reports and proxy statements to be sent to any household at which two or more shareholders reside if they appear to be members of the same family. Each shareholder continues to receive a separate proxy card. This procedure is referred to as householding. While the Company does not household in mailings to its shareholders of record, a number of brokerage firms with account holders who are Company shareholders have instituted householding. In these cases, a single proxy statement and annual report will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once a shareholder has received notice from his or her broker that the broker will be householding communications to the shareholder’s address, householding will continue until the shareholder is notified otherwise or until the shareholder revokes his or her consent. If at any time a shareholder no longer wishes to participate in householding and would prefer to receive a separate proxy statement and annual report, he or she should notify his or her broker. Any shareholder can receive a copy of the Company’s proxy statement and annual report by contacting the Company at its registered office at 170/175 Lakeview Drive, Airside Business Park, Swords, Co. Dublin, Ireland, Attention: Secretary or by accessing it on the Company’s website at www.ingersollrand.com.

Shareholders who hold their shares through a broker or other nominee who currently receive multiple copies of the proxy statement and annual report at their address and would like to request householding of their communications should contact their broker.

Dated: April 23, 2012

Appendix A

Directions to the Annual General Meeting

Dromoland Hotel is located beside the village of Newmarket-on-Fergus in County Clare, just north of Shannon International Airport.

Directions from Dublin to Dromoland Hotel (3 hours)

- On leaving Dublin, follow the signs for the N7 South (the main motorway that leads directly from Dublin to Limerick City)
- On entering Limerick City, follow the signs for the N18 (Shannon, Ennis & Galway)
- Continue on the N18 motorway until you come to The Dromoland Interchange and take slipway off on left hand side
- At first roundabout, take the fourth exit onto the R458 in the direction of Quin (you are now crossing over a bridge)
- At the next roundabout take the second exit (direction Newmarket-on-Fergus)
- Shortly you will approach the gates of Dromoland Hotel on your left-hand side

Directions from Shannon Airport to Dromoland Hotel (20 minutes)

- Take the N19 road out of Shannon Airport
- At the first roundabout, take the second exit onto the N19 (Limerick, Galway)
- At the next roundabout, take the second exit continuing on N19
- At the third roundabout, take the first exit, then merge onto the N18 (Ennis, Galway)
- Continue on the N18 until you come to The Dromoland Interchange and take the next left slipway road off the motorway
- At the roundabout, take the third exit onto the R458 in the direction of Quin (you are crossing over a bridge)
- At the next roundabout, take the second exit (direction of Newmarket-on-Fergus)
- Shortly you will approach the gates of Dromoland Hotel on your left-hand side