

WESTERN DIGITAL CORP
Form DEF 14A
September 23, 2015
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SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

WESTERN DIGITAL CORPORATION

(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):

Fee not required.

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- .. 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:

 - (2) Aggregate number of securities to which transaction applies:

 - (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):

 - (4) Proposed maximum aggregate value of transaction:

 - (5) Total fee paid:

- .. Fee paid previously with preliminary materials.

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 - (1) Amount Previously Paid:

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

 - (3) Filing Party:

 - (4) Date Filed:

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Dear Stockholder:

We cordially invite you to attend our 2015 Annual Meeting of Stockholders to be held at 3333 Michelson Drive, Irvine, California 92612 on Wednesday, November 4, 2015 at 8:00 a.m., local time. Our Board of Directors and management look forward to welcoming you there.

We are holding the Annual Meeting for the following purposes:

1. To elect the eight director nominees named in the attached Proxy Statement to serve until our next annual meeting of stockholders and until their respective successors are duly elected and qualified;
2. To approve on an advisory basis the named executive officer compensation disclosed in the attached Proxy Statement;
3. To approve an amendment and restatement of our 2004 Performance Incentive Plan that would, among other things, increase by seventeen million (17,000,000) the number of shares of our common stock available for issuance under that plan;
4. To approve an amendment and restatement of our 2005 Employee Stock Purchase Plan that would, among other things, increase by six million (6,000,000) the number of shares of our common stock available for issuance under that plan;
5. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending July 1, 2016; and
6. To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment of the meeting.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE:

FOR EACH OF THE EIGHT DIRECTOR NOMINEES NAMED IN PROPOSAL 1,

FOR PROPOSAL 2 TO APPROVE ON AN ADVISORY BASIS THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS,

FOR PROPOSAL 3 TO APPROVE THE AMENDMENT AND RESTATEMENT OF OUR 2004 PERFORMANCE INCENTIVE PLAN TO INCREASE BY SEVENTEEN MILLION (17,000,000) THE NUMBER OF SHARES OF OUR COMMON STOCK AVAILABLE FOR ISSUANCE UNDER THAT PLAN,

FOR PROPOSAL 4 TO APPROVE THE AMENDMENT AND RESTATEMENT OF OUR 2005 EMPLOYEE STOCK PURCHASE PLAN TO INCREASE BY SIX MILLION (6,000,000) THE

NUMBER OF SHARES OF OUR COMMON STOCK AVAILABLE FOR ISSUANCE UNDER THAT PLAN, AND

FOR PROPOSAL 5 TO RATIFY THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JULY 1, 2016.

Whether or not you are able to attend the meeting, it is important that your shares be represented, no matter how many shares you own. You may submit your proxy over the Internet or, if you receive a printed copy of the proxy materials, by telephone or by marking, signing, dating and mailing a proxy or voting instruction form in the pre-addressed return envelope provided. We urge you to promptly submit your proxy or voting instructions in order to ensure your representation and the presence of a quorum at the Annual Meeting.

On behalf of our Board of Directors, thank you for your continued support.

THOMAS E. PARDUN
Chairman of the Board
September 23, 2015

STEPHEN D. MILLIGAN
President and Chief Executive Officer

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3355 Michelson Drive, Suite 100

Irvine, California 92612

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON NOVEMBER 4, 2015

To the Stockholders of WESTERN DIGITAL CORPORATION:

Our 2015 Annual Meeting of Stockholders will be held at 3333 Michelson Drive, Irvine, California 92612 on Wednesday, November 4, 2015 at 8:00 a.m., local time, for the following purposes:

1. To elect the eight director nominees named in the attached Proxy Statement to serve until our next annual meeting of stockholders and until their respective successors are duly elected and qualified;
2. To approve on an advisory basis the named executive officer compensation disclosed in the attached Proxy Statement;
3. To approve an amendment and restatement of our 2004 Performance Incentive Plan that would, among other things, increase by seventeen million (17,000,000) the number of shares of our common stock available for issuance under that plan;
4. To approve an amendment and restatement of our 2005 Employee Stock Purchase Plan that would, among other things, increase by six million (6,000,000) the number of shares of our common stock available for issuance under that plan;
5. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending July 1, 2016; and
6. To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment of the meeting.

Any action on the items described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting is properly adjourned or postponed. Only stockholders of record at the close of business on September 8, 2015 are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements of the meeting.

We are using the Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials, or Notice, instead of a printed copy of the Proxy Statement and our Annual Report for the fiscal year ended July 3, 2015. The Notice contains instructions on how stockholders can access those documents over the Internet and vote their shares. The Notice also contains instructions on how each of those stockholders can receive a printed copy

of our proxy materials, including the Proxy Statement, our 2015 Annual Report and a proxy card or voting instruction form. All stockholders who do not receive a Notice will receive a printed copy of the proxy materials by mail. We believe this process will expedite stockholders' receipt of proxy materials, lower the costs of our Annual Meeting and conserve natural resources.

By Order of the Board of Directors,
MICHAEL C. RAY
*Senior Vice President, General Counsel and
Secretary*

Irvine, California

September 23, 2015

ALL OF OUR STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE URGED TO SUBMIT YOUR PROXY OR VOTING INSTRUCTIONS ELECTRONICALLY VIA THE INTERNET OR (IF YOU RECEIVE A PRINTED COPY OF THE PROXY MATERIALS) BY TELEPHONE OR BY COMPLETING, SIGNING, DATING AND RETURNING THE ACCOMPANYING PROXY CARD OR VOTING INSTRUCTION FORM IN THE PRE-ADDRESSED RETURN ENVELOPE PROVIDED. PLEASE SEE THE ACCOMPANYING INSTRUCTIONS FOR MORE DETAILS ON VOTING. SUBMITTING YOUR PROXY OR VOTING INSTRUCTIONS PROMPTLY WILL ASSIST US IN REDUCING THE EXPENSES OF ADDITIONAL PROXY SOLICITATION, BUT IT WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING (AND, IF YOU ARE NOT A STOCKHOLDER OF RECORD, YOU HAVE OBTAINED A LEGAL PROXY FROM THE BANK, BROKER, TRUSTEE OR OTHER NOMINEE THAT HOLDS YOUR SHARES GIVING YOU THE RIGHT TO VOTE THE SHARES IN PERSON AT THE ANNUAL MEETING).

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PROXY SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider. We encourage you to read the entire Proxy Statement for more information about these topics prior to voting.

Stockholder Voting Matters

Proposal	Board's Voting Recommendation	Page Reference
<u>1. Election of eight director nominees</u>	ü FOR	9
	EACH NOMINEE	
<u>2. Approval on an advisory basis of our named executive officers' compensation</u>	ü FOR	61
<u>3. Approval of an amendment and restatement of our 2004 Performance Incentive Plan to, among other things, increase shares available by an additional seventeen million shares</u>	ü FOR	63
<u>4. Approval of an amendment and restatement of our 2005 Employee Stock Purchase Plan to, among other things, increase shares available by an additional six million shares</u>	ü FOR	76
<u>5. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2016</u>	ü FOR	86

Annual Meeting of Stockholders

Time and Date:

November 4, 2015

8:00 am PST

Place:

3333 Michelson Drive

Irvine, California 92612

Record Date:

September 8, 2015

Board and Governance Highlights

Our Board of Director Nominees

You are being asked to vote on the election of the eight director nominees listed below, each of whom is currently serving on our Board of Directors. Directors are elected by a majority of votes cast. Detailed information about each director's background, skills and expertise can be found in Proposal 1 – Election of Directors. The chart below reflects each director's current committee membership. As further described below, due to the retirement of Thomas E. Pardun from our Board of Directors, certain changes to Board committee composition will be made, effective immediately following the Annual Meeting.

Name	Age	Director Since	Independent	Executive Committee	Audit Committee	Compensation Committee	Governance Committee
Martin I. Cole							
Former Group Chief Executive, Technology Accenture plc	59	2014	Yes				
Kathleen A. Cote							
Former Chief Executive Officer Worldport Communications, Inc.	66	2001	Yes				
Henry T. DeNero							
Former Chairman and Chief Executive Officer Homespace, Inc.	69	2000	Yes		Chair		
Michael D. Lambert							
Former Senior Vice President Dell Inc.	68	2002	Yes			Chair	
Len J. Lauer							
Chairman and Chief Executive Officer Memjet	58	2010	Yes				
Matthew E. Massengill							
Former Chairman, President and Chief Executive Officer Western Digital Corporation	54	2000	Yes				
Stephen D. Milligan							
President and Chief Executive Officer Western Digital Corporation	52	2013	No	Chair			
Paula A. Price							
Senior Lecturer	53	2014	Yes				

Harvard University

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Board of Directors Changes for Fiscal 2016

This year, Mr. Pardun, the current Chairman of our Board of Directors, reached the mandatory retirement age for directors and, based on the policy set forth in our Corporate Governance Guidelines, our Board of Directors has not nominated Mr. Pardun for reelection at the Annual Meeting. Our Board of Directors has appointed Mr. Massengill as the Chairman of our Board of Directors and Mr. Lauer as our Lead Independent Director, effective immediately following the Annual Meeting and subject to their reelection to our Board of Directors at the Annual Meeting. In addition, our Board of Directors has appointed, effective immediately following the Annual Meeting, Mr. Massengill to the Executive Committee, Ms. Cote to the Compensation Committee, Mr. Cole to the Governance Committee and Mr. Lauer as the Chair of the Governance Committee, in each case, subject to such director's reelection to our Board of Directors at the Annual Meeting. Ms. Cote will no longer serve as a member of the Audit Committee, effective immediately following the Annual Meeting.

Corporate Governance Information

No staggered board all directors elected annually by a simple majority of votes cast

No shareholder rights plan (poison pill)

No supermajority vote required for bylaws amendment or other shareholder votes

Independent Board leadership

Eight of nine board members are independent

Over 75% board meeting attendance in fiscal 2015 by each director nominated for election at the Annual Meeting

Mandatory director retirement policy

Board risk oversight

Succession planning for directors, chief executive officer and other key officers

Annual third-party facilitated Board and committee self-evaluations

Code of conduct for directors, officers and employees

All executive officers have achieved stock ownership requirements pursuant to our guidelines

For additional information, please also see our Governance Overview found at

<http://www.wdc.com/en/company/governance>.

Compensation

Key Business Performance Highlights

- ü Fiscal 2015 revenue was \$14.6 billion, with approximately 59% coming from our branded, consumer electronics and enterprise hard drive and solid-state drive businesses.
- ü Our enterprise solid state drive revenue grew 60% year-over-year to \$811 million for fiscal 2015, demonstrating the continued success and broadening customer acceptance of our products in this field.
- ü We strengthened our growth initiatives with the acquisitions of Skyera, Inc., a provider of enterprise solid-state storage systems, and Amplidata N.V., a developer of object storage software for public and private cloud data

centers.

- ü We continued to focus on executing and strengthening our core business. In fiscal 2015, we reported net income of \$1.5 billion, or \$6.18 per share.

- ü During fiscal 2015, we also generated \$2.2 billion in cash from operations and returned \$1.4 billion to stockholders in the form of stock repurchases and dividends.

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Pay Aligned with Performance

Our overriding executive compensation philosophy is clear and consistent – we pay for performance. Our executives are accountable for the performance of the company and the segments they manage and are compensated primarily based on that performance. Approximately 90% of our Chief Executive Officer’s target total direct compensation for fiscal 2015, and approximately 84% (on average) of our other named executive officers’ target total direct compensation for fiscal 2015, was at risk in that it was not guaranteed but rather was performance-based because it was linked to our stock price and achievement of other specified financial and non-financial performance goals.

Effective Corporate Governance Reinforces our Executive Compensation Program

We believe that other aspects of our executive compensation practices also help to drive performance and align with our stockholders’ long-term interests.

We do...

- ü Pay for performance by requiring that a substantial portion of our executives’ compensation be earned based on performance goals
- ü Use a mix of performance measures, as well as a mix of cash bonus opportunities and equity award vehicles, to balance short- and long-term incentives
- ü Cap maximum payout levels under performance-based and incentive awards
- ü Authorize the Compensation Committee to reduce payouts for performance-based and incentive awards in its discretion
- ü Review tally sheets when making compensation determinations

We do not...

- û Provide any tax gross-up payments in connection with severance or change in control pay
- û Reprice stock options without stockholder approval (other than certain equitable adjustments permitted under our equity incentive plans)
- û Automatically vest equity awards on a change in control
- û Permit hedging or short-sale transactions by executive officers or directors

ü Maintain executive share ownership guidelines

ü Require that stock option grants have exercise prices equal to the closing price of our stock on the date of grant of the award

ü Maintain a compensation recovery (clawback) policy applicable in the event an officer's misconduct leads to an accounting restatement

ü Maintain a share repurchase program, which helps mitigate the potential dilutive effect of equity awards

ü Provide only modest perquisites

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2014 Say-on-Pay Advisory Vote and Management Stockholder Outreach Efforts

- ii We received more than 94% stockholder approval of the fiscal 2014 compensation of our named executive officers at the 2014 annual meeting

- ii Management has reached out to numerous institutional stockholders to solicit feedback on our executive compensation program, among other items

- ii Stockholders will have an opportunity annually to cast an advisory vote in connection with named executive officer compensation

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3355 Michelson Drive, Suite 100

Irvine, California 92612

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

November 4, 2015

Our Board of Directors is soliciting your proxy for the 2015 Annual Meeting of Stockholders (the Annual Meeting), to be held at 8:00 a.m., local time, on November 4, 2015 at 3333 Michelson Drive, Irvine, California 92612, and at any and all adjournments or postponements of the Annual Meeting, for the purposes set forth in the Notice of Annual Meeting of Stockholders.

Unless the context otherwise requires, references in this Proxy Statement to Western Digital, company, we, our, and similar terms refer to Western Digital Corporation, a Delaware corporation. Western Digital is the parent company of our storage business, which operates under two independent subsidiaries HGST and WD.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON NOVEMBER 4, 2015

This Proxy Statement and our 2015 Annual Report for the fiscal year ended July 3, 2015 are available on the Internet at www.proxyvote.com. These materials are also available on our corporate website at investor.wdc.com. The other information on our corporate website does not constitute part of this Proxy Statement.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why did I receive a Notice of Internet Availability of Proxy Materials in the mail instead of a full set of proxy materials?

We are using the Securities and Exchange Commission (SEC) rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials (the Notice), instead of a printed copy of this Proxy Statement and our Annual Report for the fiscal year ended July 3, 2015. The Notice contains instructions on how stockholders can access those documents over the Internet and vote their shares. The Notice also contains instructions on how each of those stockholders can receive a printed copy of our proxy materials, including this Proxy Statement, our 2015 Annual Report and a proxy card or voting instruction form. All stockholders who do not receive a Notice will receive a printed copy of the proxy

materials by mail. We believe this process will expedite stockholders' receipt of proxy materials, lower the costs of our Annual Meeting and conserve natural resources.

We are first mailing the Notice to our stockholders on or about September 23, 2015. For stockholders who have affirmatively requested printed copies of proxy materials, we intend to first mail printed copies of this Proxy Statement, the accompanying proxy card or voting instruction form and our 2015 Annual Report on or about September 23, 2015.

Q: What information is contained in these materials?

The information included in this Proxy Statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of directors and our most highly compensated executive officers, corporate governance and information on our Board of Directors, and certain other required information. Our 2015 Annual Report, which includes our audited consolidated financial statements, has also been made available to you.

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Q: What items of business will be voted on at the Annual Meeting?

The items of business scheduled to be voted on at the Annual Meeting are:

1. The election of the eight director nominees named in this Proxy Statement to serve until our next annual meeting of stockholders and until their respective successors are duly elected and qualified (Proposal 1);
2. The approval on an advisory basis of the compensation of our named executive officers disclosed in this Proxy Statement (Proposal 2);
3. The approval of an amendment and restatement of our 2004 Performance Incentive Plan that would, among other things, increase by seventeen million (17,000,000) the number of shares of our common stock available for issuance under that plan (Proposal 3);
4. The approval of an amendment and restatement of our 2005 Employee Stock Purchase Plan that would, among other things, increase by six million (6,000,000) the number of shares of our common stock available for issuance under that plan (Proposal 4); and
5. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending July 1, 2016 (Proposal 5).

Stockholders will also be asked to consider and transact such other business as may properly come before the Annual Meeting or any postponement or adjournment of the meeting.

Q: How does the Board of Directors recommend I vote on these proposals?

Our Board of Directors recommends that you vote your shares:

1. FOR each of the eight director nominees named in this Proxy Statement to be elected to the Board of Directors (Proposal 1);
2. FOR the approval on an advisory basis of the compensation of our named executive officers disclosed in this Proxy Statement (Proposal 2);
3. FOR the approval of an amendment and restatement of our 2004 Performance Incentive Plan that would, among other things, increase by seventeen million (17,000,000) the number of shares of common stock available for issuance under that plan (Proposal 3);
4. FOR the approval of an amendment and restatement of our 2005 Employee Stock Purchase Plan that would, among other things, increase by six million (6,000,000) the number of shares of common stock available for issuance under that plan (Proposal 4); and
5. FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending July 1, 2016 (Proposal 5).

Q: Who is entitled to vote?

Only stockholders of record at the close of business on September 8, 2015, the record date, will be entitled to notice of and to vote at the Annual Meeting.

Q: How many shares are eligible to vote at the Annual Meeting?

At the close of business on the record date, 231,242,874 shares of our common stock were outstanding and entitled to vote.

Q: What is the difference between a beneficial stockholder and a stockholder of record ?

Whether you are a beneficial stockholder or a stockholder of record depends on how you hold your shares:

Beneficial Stockholders: Most of our stockholders hold their shares through a broker, bank, trustee or other nominee (that is, in street name) rather than directly in their own name. If you hold your shares in street name, you are a beneficial stockholder, and the proxy materials were made available to you by the organization holding your account. This organization is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial stockholder, you have the right to instruct that organization on how to vote the shares held in your account. If you requested a printed copy of the proxy materials by mail, you will receive a voting instruction form from your bank, broker, trustee or other nominee.

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Stockholders of Record: If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered the stockholder of record with respect to those shares, and the proxy materials were made available directly to you by the company. If you requested a printed copy of the proxy materials by mail, you will receive a proxy card from the company.

Q: How can I vote my shares in person at the Annual Meeting?

If you are a stockholder of record, you have the right to vote in person at the Annual Meeting. If you choose to do so, you can vote using the ballot that will be provided at the Annual Meeting, or, if you received a printed copy of the proxy materials by mail, you can complete, sign and date the proxy card enclosed with the proxy materials you received and submit it at the Annual Meeting. If you are a beneficial stockholder, you may not vote your shares in person at the Annual Meeting unless you obtain a legal proxy from the bank, broker, trustee or other nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting. **Even if you plan to attend the Annual Meeting, we recommend that you submit your proxy or voting instructions in advance of the meeting as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.**

Q: How can I vote my shares without attending the Annual Meeting?

Whether you are a stockholder of record or a beneficial stockholder, you may direct how your shares are voted without attending the Annual Meeting. If you are a stockholder of record, you may submit a proxy to authorize how your shares are voted at the Annual Meeting. You can submit a proxy over the Internet by following the instructions provided in the Notice, or, if you received a printed copy of the proxy materials, you can also submit a proxy by mail or telephone pursuant to the instructions provided in the proxy card enclosed with the proxy materials. If you are a beneficial stockholder, you may submit your voting instructions over the Internet by following the instructions provided in the Notice, or, if you received a printed copy of the proxy materials, you can also submit voting instructions by telephone or mail by following the instructions provided in the voting instruction form sent by your bank, broker, trustee or other nominee.

Submitting your proxy or voting instructions via the Internet, by telephone or by mail will not affect your right to vote in person should you decide to attend the Annual Meeting, although beneficial stockholders must obtain a legal proxy from the bank, broker, trustee or nominee that holds their shares giving them the right to vote the shares in person at the Annual Meeting.

Q: How do I vote my shares held in the Western Digital Corporation 401(k) Plan (the 401(k) Plan)? What happens if I do not vote my 401(k) Plan shares?

If you are one of our employees or former employees who participates in the Western Digital Common Stock Fund under the 401(k) Plan, you will receive a request for voting instructions with respect to all of the shares allocated to your plan account. You are entitled to direct T. Rowe Price Company, the plan trustee, how to vote your plan shares. If T. Rowe Price does not receive voting instructions for shares in your plan account, your shares will not be voted.

Q: What is the deadline for voting my shares?

If you are a stockholder of record, your proxy must be received by telephone, the Internet or mail by 11:59 p.m. Eastern time on November 3, 2015 in order for your shares to be voted at the Annual Meeting. If you are a beneficial stockholder, please follow the voting instructions provided by the bank, broker, trustee or nominee who holds your shares. **If you hold shares in the 401(k) Plan, to allow sufficient time for voting by the plan trustee, your voting instructions must be received by telephone, the Internet or mail by 11:59 p.m. Eastern time on November 1, 2015.**

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Q: Can I change or revoke my proxy or voting instructions?

You have the power to revoke your proxy or voting instructions before your shares are voted at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy by submitting a written notice of revocation to our Secretary or, to change how your shares will be voted at the Annual Meeting, by mailing a duly executed written proxy bearing a date that is later than the date of your original proxy or by submitting a later dated proxy via the Internet or by telephone. A previously submitted proxy will not be voted if the stockholder of record who executed it is present at the Annual Meeting and votes the shares represented by the proxy in person at the Annual Meeting. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your bank, broker, trustee or nominee, or, if you have obtained a legal proxy from your bank, broker, trustee or nominee giving you the right to vote your shares, by attending the Annual Meeting and voting in person. Please note that attendance at the Annual Meeting will not by itself constitute revocation of a proxy. Any change to your proxy or voting instructions that is provided by telephone, the Internet or mail must be received by 11:59 p.m. Eastern time on November 3, 2015, unless you are voting shares held in our 401(k) Plan, in which case the deadline is 11:59 p.m. Eastern time on November 1, 2015.

Q: How will my shares be voted if I do not provide specific voting instructions in the proxy or voting instruction form I submit?

If you submit a signed proxy or voting instruction form but do not indicate your specific voting instructions on one or more of the proposals listed above in the notice of the meeting, your shares will be voted as recommended by our Board of Directors on those proposals and as the proxyholders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

Q: How many shares must be present or represented to conduct business at the Annual Meeting?

The holders of a majority of our shares of common stock outstanding on the record date and entitled to vote at the Annual Meeting, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting and any adjournments or postponements thereof. If you submit a proxy or voting instructions, your shares will be counted for purposes of determining the presence or absence of a quorum, even if you abstain from voting your shares. If a broker indicates on a proxy that it lacks discretionary authority to vote your shares on a particular matter, commonly referred to as broker non-votes, those shares will also be counted for purposes of determining the presence of a quorum at the Annual Meeting. If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

Q: What happens if additional matters are presented at the Annual Meeting?

The deadline under our By-laws for stockholders to notify us of any proposals or director nominations to be presented at the Annual Meeting has passed. Our Board of Directors does not know of any other matters to be presented for action at the Annual Meeting. Should any other matters come before the Annual Meeting or any adjournments or postponements thereof, the proxyholders will have discretionary authority to vote all proxies received with respect to such matters in accordance with their judgment.

Q: What vote is required to approve each of the proposals?

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Each share of our common stock outstanding at the close of business on the record date is entitled to one vote on each of the eight director nominees and one vote on each other matter that may be presented for consideration and action by the stockholders at the Annual Meeting.

For purposes of Proposal 1 (election of directors), you may vote FOR, AGAINST or ABSTAIN with respect to each director nominee. Each director nominee receiving the affirmative approval of a majority of the votes cast with respect to his or her election (that is, the number of shares voted for the nominee exceeds the number of votes cast against that nominee) will be elected as a director.

For purposes of Proposal 2 (advisory vote on executive compensation), Proposal 3 (amendment and restatement of our 2004 Performance Incentive Plan), Proposal 4 (amendment and restatement of our 2005 Employee Stock Purchase Plan) and Proposal 5 (ratification of the appointment of KPMG LLP as our

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independent registered public accounting firm), you may vote FOR, AGAINST or ABSTAIN. Each of these proposals requires the affirmative approval of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal at the Annual Meeting.

Please be aware that Proposals 2 and 5 are advisory only and are not binding on the company. Our Board of Directors will consider the outcome of the vote on each of these proposals in considering what action, if any, should be taken in response to the advisory vote by stockholders.

Q: What effect do abstentions and broker non-votes have on the proposals?

For Proposal 1 (election of directors), shares voting abstain will be entirely excluded from the vote and will not be counted in determining the outcome of a director nominee's election. For Proposal 2 (advisory vote on executive compensation), Proposal 3 (amendment and restatement of our 2004 Performance Incentive Plan), Proposal 4 (amendment and restatement of our 2005 Employee Stock Purchase Plan) and Proposal 5 (ratification of the appointment of KPMG LLP as our independent registered public accounting firm), we treat abstentions as shares present or represented and entitled to vote on that proposal, so abstaining has the same effect as a vote against the proposal.

If you are a beneficial stockholder that holds your shares through a brokerage account and you do not submit voting instructions to your broker, your broker may generally vote your shares in its discretion on routine matters. However, a broker cannot vote shares held for a beneficial stockholder on non-routine matters, unless the broker receives voting instructions from the beneficial stockholder. Proposal 1 (election of directors), Proposal 2 (advisory vote on executive compensation), Proposal 3 (amendment and restatement of our 2004 Performance Incentive Plan) and Proposal 4 (amendment and restatement of our 2005 Employee Stock Purchase Plan) are each considered a non-routine matter. However, Proposal 5 (ratification of KPMG LLP as our independent registered public accounting firm) is considered routine and may be voted upon by your broker if you do not submit voting instructions.

Consequently, if you hold your shares through a brokerage account and do not submit voting instructions to your broker, your broker may exercise its discretion to vote your shares on Proposal 5, but will not be permitted to vote your shares on any of the other proposals at the Annual Meeting. If your broker exercises this discretion, your shares will be counted as present for determining the presence of a quorum at the Annual Meeting and will be voted on Proposal 5 in the manner directed by your broker, but your shares will constitute broker non-votes on each of the other proposals at the Annual Meeting and will not be counted for purposes of determining the outcome of each such proposal.

Q: Can I attend the Annual Meeting? What do I need for admission?

You are entitled to attend the Annual Meeting if you were a stockholder of record or a beneficial stockholder as of the close of business on September 8, 2015, the record date, or you hold a valid legal proxy for the Annual Meeting. You should be prepared to present photo identification for admission.

Q: Who will bear the costs of solicitation?

The accompanying proxy is being solicited on behalf of our Board of Directors. The cost of preparing, assembling and mailing the Notice of Annual Meeting of Stockholders, the Notice of Internet Availability of Proxy Materials, this

Proxy Statement and form of proxy and the Annual Report, the cost of making such materials available on the Internet and the cost of soliciting proxies will be paid by us. In addition to use of the mails, we may solicit proxies in person or by telephone, facsimile or other means of communication by certain of our directors, officers, and regular employees who will not receive any additional compensation for such solicitation. We have also engaged Morrow & Co., LLC to assist us in connection with the solicitation of proxies for the Annual Meeting for a fee that we do not expect to exceed \$15,000 plus a reasonable amount to cover expenses. We have agreed to indemnify Morrow & Co., LLC against certain liabilities arising out of or in connection with this engagement. We will also reimburse brokers or other persons holding our common stock in their names or the names of their nominees for the expenses of forwarding soliciting material to their principals.

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Q: Where can I find the voting results of the Annual Meeting?

We intend to announce preliminary voting results at the Annual Meeting and disclose final results in a Current Report on Form 8-K filed with the SEC no later than four business days following the date of the Annual Meeting.

Q: May I propose actions for consideration at next year's annual meeting or nominate individuals to serve as directors?

Yes. The following requirements apply to stockholder proposals and director nominations for the 2016 annual meeting of stockholders.

Proposals for Inclusion in Proxy Materials. For your proposal to be considered for inclusion in the proxy statement and form of proxy for our 2016 annual meeting of stockholders, your written proposal must be received by our Secretary at our principal executive offices no later than May 26, 2016 and must comply with Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act), regarding the inclusion of stockholder proposals in company-sponsored proxy materials. If we change the date of the 2016 annual meeting of stockholders by more than 30 days from the date of this year's Annual Meeting, your written proposal must be received by our Secretary at our principal executive offices a reasonable time before we begin to print and mail our proxy materials for our 2016 annual meeting of stockholders.

Nomination of Director Candidates and Proposals Not Intended for Inclusion in Proxy Materials. If you intend to nominate an individual for election to our Board of Directors at our 2016 annual meeting of stockholders or wish to present a proposal at the 2016 annual meeting of stockholders but do not intend for such proposal to be included in the proxy statement for such meeting, our By-laws require that, among other things, stockholders give written notice of the nomination or proposal to our Secretary at our principal executive offices no earlier than the close of business on July 7, 2016 (the 120th day prior to the first anniversary of the Annual Meeting) and no later than the close of business on August 6, 2016 (the 90th day prior to the first anniversary of the Annual Meeting). Notwithstanding the foregoing, in the event that we change the date of the 2016 annual meeting of stockholders to a date that is more than 30 days before or more than 70 days after the anniversary of the Annual Meeting, written notice by a stockholder must be given no earlier than the close of business 120 days prior to the date of the 2016 annual meeting of stockholders and no later than the close of business on the later of 90 days prior to the date of the 2016 annual meeting of stockholders or the tenth day following the day on which public announcement of the 2016 annual meeting of stockholders is made. Stockholder proposals not intended to be included in the proxy statement or nominations for director candidates that do not meet the notice requirements set forth above and further described in Section 2.11 of our By-laws will not be acted upon at the 2016 annual meeting of stockholders.

Q: I share an address with another stockholder, and we received only one printed copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

We have adopted a procedure called "householding," which the SEC has approved. Under this procedure, stockholders of record who have the same address and last name and did not receive a Notice of Internet Availability or otherwise receive their proxy materials electronically will receive only one copy of our proxy materials unless we receive contrary instructions from one or more of such stockholders. Upon oral or written request, we will deliver promptly a separate copy of the proxy materials to a stockholder at a shared address to which a single copy of proxy materials was delivered. If you are a stockholder of record at a shared address to which we delivered a single copy of the proxy materials and you desire to receive a separate copy of the proxy materials for the Annual Meeting or for our future meetings, or if you are a stockholder at a shared address to which we delivered multiple copies of the proxy materials

and you desire to receive one copy in the future, please submit your request to the Householding Department of Broadridge Financial Solutions, Inc. at 51 Mercedes Way, Edgewood, New York 11717, or at 1-866-540-7095. If you are a beneficial stockholder, please contact your bank, broker, trustee or other nominee directly if you have questions, require additional copies of the proxy materials, wish to receive multiple reports by revoking your consent to householding or wish to request single copies of the proxy materials in the future.

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The following table sets forth certain information regarding the beneficial ownership of our common stock, as of August 13, 2015, by (1) each person known by us to own beneficially more than 5% of our outstanding common stock, (2) each director and each nominee for election as a member of our Board of Directors, (3) each of the named executive officers named in the Fiscal Years 2013–2015 Summary Compensation Table herein and (4) all current directors and executive officers as a group. This table is based on information supplied to us by our executive officers, directors and principal stockholders or included in a Schedule 13G or Schedule 13D filed with the SEC.

Beneficial Owner	Amount and Nature of Beneficial Ownership(8)	Percent of Class(9)
<i>Greater than 5% Stockholders:</i>		
BlackRock Inc.(1) 40 East 52nd Street, New York, NY 10022	16,516,089	7.1%
The Vanguard Group, Inc.(2) 100 Vanguard Blvd., Malvern, PA 19355	14,182,472	6.1%
<i>Directors:</i>		
Martin I. Cole		*
Kathleen A. Cote(3)	42,043	*
Henry T. DeNero(3)	61,695	*
Michael D. Lambert(3)	20,402	*
Len J. Lauer(3)	58,312	*
Matthew E. Massengill(3)	8,747	*
Thomas E. Pardun(3)	54,945	*
Paula A. Price	1,019	*
<i>Named Executive Officers:</i>		
Stephen D. Milligan(4)(5)	122,045	*
Olivier C. Leonetti(5)	14,353	*
Michael D. Cordano(5)	69,447	*
James J. Murphy(5)	53,033	*
Mark P. Long(5)	25,871	*
Timothy M. Leyden(6)	98,880	*
All Directors and Current Executive Officers as a group (14 persons)(7)	556,806	*

* Represents less than 1% of the outstanding shares of our common stock.

- (1) Beneficial and percentage ownership information is based on information contained in a Schedule 13G filed with the SEC on January 26, 2015, by BlackRock Inc. (BlackRock). According to the schedule, as of December 31, 2014, BlackRock has sole voting power with respect to 12,750,352 shares, shared voting power with respect to zero shares, sole dispositive power with respect to 16,516,089 shares and shared dispositive

power with respect to zero shares.

- (2) Beneficial and percentage ownership information is based on information contained in a Schedule 13G/A filed with the SEC on February 10, 2015, by The Vanguard Group, Inc. (Vanguard). According to the schedule, as of December 31, 2014, Vanguard has sole voting power with respect to 378,648 shares, shared voting power with respect to zero shares, sole dispositive power with respect to 13,828,930 shares and shared dispositive power with respect to 353,542 shares. Vanguard Fiduciary Trust Company, a wholly owned subsidiary of Vanguard, is the beneficial owner of 295,842 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly owned subsidiary of Vanguard, is the beneficial owner of 140,506 shares as a result of its serving as investment manager of Australian investment offerings.

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- (3) Includes shares of our common stock that may be acquired as of or within 60 days after August 13, 2015 through the exercise of stock options as follows: Ms. Cote (7,809), Mr. DeNero (6,303), Mr. Lambert (11,884), Mr. Lauer (45,142), Mr. Massengill (1,443) and Mr. Pardun (13,327). Also includes shares representing deferred stock units credited to accounts in our Deferred Compensation Plan as of August 13, 2015 as follows: Ms. Cote (29,188), Mr. DeNero (50,654) and Mr. Pardun (35,900). Deferred stock units are payable in an equivalent number of shares of common stock in connection with the retirement or other separation from service of the director, or earlier in connection with the director's deferral election.
- (4) Mr. Milligan is also a member of our Board of Directors.
- (5) Includes shares of our common stock that may be acquired as of or within 60 days after August 13, 2015 through the exercise of stock options as follows: Mr. Milligan (43,727), Mr. Leonetti (7,204), Mr. Cordano (27,755), Mr. Murphy (25,594) and Mr. Long (14,532). Includes shares of our common stock that may be acquired within 60 days after August 13, 2015 through the vesting of restricted stock unit (RSU) awards as follows: Mr. Milligan (51,884), Mr. Leonetti (7,149), Mr. Cordano (41,292), Mr. Murphy (27,439) and Mr. Long (11,339).
- (6) Mr. Leyden retired as our Chief Financial Officer, effected as of September 8, 2014, and continued in a transition role with us through January 2, 2015.
- (7) Includes 216,765 shares of our common stock that may be acquired as of or within 60 days after August 13, 2015 through the exercise of stock options by our directors and our current executive officers. Includes 151,944 shares of our common stock that may be acquired within 60 days after August 13, 2015 through the vesting of RSU awards by our directors and our current executive officers. Also includes 115,742 shares of our common stock representing deferred stock units as described in footnote (3) above.
- (8) We determine beneficial ownership in accordance with the rules of the SEC. We deem shares subject to options that are exercisable as of or within 60 days after August 13, 2015, as well as shares subject to RSU awards scheduled to vest within 60 days after August 13, 2015, as outstanding for purposes of computing the share amount and the percentage ownership of the person holding such awards, but we do not deem them outstanding for purposes of computing the percentage ownership of any other person. We also deem shares representing deferred stock units credited to accounts in our Deferred Compensation Plan as of August 13, 2015 as outstanding for purposes of computing the share amount and the percentage ownership of the person to whose account those units are credited, but we do not deem them outstanding for purposes of computing the percentage ownership of any other person.
- (9) Except as otherwise noted below, we determine applicable percentage ownership based on 230,402,975 shares of our common stock outstanding as of August 13, 2015. To our knowledge, except as otherwise indicated in the footnotes to this table and subject to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name.

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PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors currently consists of nine directors. Each director serves a one-year term and is subject to reelection at each annual meeting of stockholders. This year, Mr. Thomas Pardun reached the mandatory retirement age for directors and, based on the policy set forth in our Governance Guidelines, our Board of Directors has not nominated Mr. Pardun for reelection at the Annual Meeting. Upon the recommendation of the Governance Committee, our Board of Directors has nominated each of the remaining eight directors for reelection to our Board of Directors to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified. Our Board of Directors intends to reduce the size of our Board of Directors from nine to eight directors immediately following the Annual Meeting.

Nominees for Election

Our nominees for election to our Board of Directors at the Annual Meeting include seven independent directors, as defined by the applicable listing standards of The NASDAQ Stock Market LLC (the "NASDAQ Stock Market"), and one current member of our senior management. Each of the nominees is currently a member of our Board of Directors and has consented to serve as a director if elected.

In the event that, before the Annual Meeting, any of the nominees for director should become unable or unwilling for good cause to serve if elected, the persons named as proxies may vote for a substitute nominee designated by our existing Board of Directors to fill the vacancy or for the balance of the nominees, leaving a vacancy, unless our Board of Directors chooses to reduce the number of directors serving on our Board of Directors. Our Board of Directors has no reason to believe that any of its director nominees for election at the Annual Meeting will be unwilling or unable to serve if elected as a director.

In recommending director nominees for selection to our Board of Directors, the Governance Committee considers a number of factors, which are described in more detail in the Corporate Governance section below under "Committees Governance Committee Director Candidates." In considering these factors, the Governance Committee and our Board of Directors consider the fit of each individual's experience, qualifications, attributes and skills with those of our other directors, to build a board of directors that, as a whole, is effective, collegial and responsive to the company and our stockholders.

The following biographical information for each of the eight nominees includes information about the director's age, his or her principal occupations and employment during at least the last five years, the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years, and the specific experience, qualifications, attributes or skills that led our Board of Directors to conclude that the individual should serve as a director. We value their service to the company and their business experience and acumen.

Martin I. Cole, 59, has been a director since December 2014. From March 2012 until he retired in August 2014, Mr. Cole served as the chief executive of Accenture plc's technology group, with responsibility for the full range of Accenture's technology consulting and outsourcing solutions and delivery capabilities, including its global delivery network. Prior to that, Mr. Cole served as the chief executive of Accenture's communications, media and technology operating group from September 2006 to March 2012, the chief executive of its government operating group from September 2004 to August 2006, and the managing partner of its outsourcing and infrastructure delivery group from September 2002 to August 2004. Prior to that, Mr. Cole served Accenture in a variety of capacities since 1980.

Mr. Cole currently serves as a director for The Western Union Company, Cloudera, and the Avon Old Farms School in Avon, CT.

Mr. Cole brings to our Board of Directors extensive senior executive leadership experience across a variety of operating groups and geographies. This demonstrates his ability to provide strategic advice and lead multiple teams across a variety of business sectors, and provides him with wide-ranging insights, including technology solutions, which are an important part of our business. His financial skills and prior experience as a chief executive officer qualify him as an audit committee financial expert under SEC rules. We believe these experiences, qualifications, attributes and skills qualify him to serve as a member of our Board of Directors.

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Kathleen A. Cote, 66, has been a director since January 2001. She was the chief executive officer of Worldport Communications, Inc., a European provider of Internet managed services, from May 2001 to June 2003. From September 1998 until May 2001, she served as president of Seagrass Partners, a provider of expertise in business planning and strategic development for early stage companies. From November 1996 until January 1998, she served as president and chief executive officer of Computervision Corporation, an international supplier of product development and data management software. She is currently a director of VeriSign, Inc. and GT Advanced Technologies, Inc., and, within the last five years, also served as a director of Asure Software, Inc. (formerly Forgent Networks, Inc.) and 3Com Corporation.

Ms. Cote is a seasoned business executive with numerous years of experience overseeing global companies focused on technology and operations, which is directly relevant to our business. Her financial and accounting skills qualify her as an audit committee financial expert under SEC rules. She has served on numerous public company boards of directors, including on the audit and governance committees of those boards, providing our Board of Directors with valuable board-level experience. Her tenure on our Board of Directors also provides us with specific expertise and insight into our business. We believe these experiences, qualifications, attributes and skills qualify her to serve as a member of our Board of Directors.

Henry T. DeNero, 69, has been a director since June 2000. He was chairman and chief executive officer of Homespace, Inc., a provider of Internet real estate and home services, from January 1999 until substantially all of its assets were acquired by LendingTree, Inc. in August 2000. From July 1995 to January 1999, he was executive vice president for First Data Corporation, a provider of information and transaction processing services. Prior to 1995, he was vice chairman and chief financial officer of Dayton Hudson Corporation, a general merchandise retailer, and was previously a director of McKinsey & Company, a management consulting firm. He currently serves as a director of DataDirect Networks, Inc. Within the last five years, Mr. DeNero has served as a director of THQ, Inc.

Mr. DeNero has executive level experience in a broad range of industries, which demonstrates to our Board of Directors his ability to lead and provide strategic input on a wide range of issues. His extensive experience at McKinsey & Company, a respected consulting firm, provides our Board of Directors with valuable insights into corporate strategy and problem resolution. He has significant experience working in Japan and Europe in his positions with McKinsey & Company, which are two important geographic locations for our company. His financial skills and prior experience as a chief financial officer qualify him as an audit committee financial expert under SEC rules. We believe these experiences, qualifications, attributes and skills qualify him to serve as a member of our Board of Directors.

Michael D. Lambert, 68, has been a director since August 2002. From 1996 until he retired in May 2002, he served as senior vice president for the enterprise systems group of Dell Inc., a computer system company. During that period, he also participated as a member of a six-man operating committee at Dell, which reported to the office of the chairman. Mr. Lambert served as vice president, sales and marketing for Compaq Computer Corporation, a global information technology company, from 1993 to 1996. Prior to that, for four years, he ran the large computer products division at NCR/AT&T Corporation as vice president and general manager. Mr. Lambert began his career with NCR Corporation, where he served for 16 years in product management, sales and software engineering capacities.

Mr. Lambert has extensive experience serving in numerous executive positions with several technology companies, which provides our Board of Directors with valuable executive-level insights. He has particular expertise in areas of sales, marketing and operations, especially in the enterprise systems business, which is an important segment for the company. He also has direct experience managing merger and acquisition transactions gained through his positions at Dell and NCR/AT&T Corporation. We believe these experiences, qualifications, attributes and skills qualify him to serve as a member of our Board of Directors.

Len J. Lauer, 58, has been a director since August 2010. He is the chairman and chief executive officer of Memjet, a color printing technology company. Prior to joining Memjet in January 2010, Mr. Lauer was executive vice president and chief operating officer of Qualcomm, Inc., a developer and manufacturer of digital telecommunications products and services, from August 2008 through December 2009, and he was executive

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vice president and group president from December 2006 through July 2008. Prior to joining Qualcomm, Inc., Mr. Lauer was chief operating officer of Sprint Nextel Corp., a global communications company, from August 2005 to December 2006, and he was president and chief operating officer of Sprint Corp. from September 2003 until the Sprint-Nextel merger in August 2005. Prior to that, he was president-Sprint PCS from October 2002 until October 2004, and was president-long distance (formerly the global markets group) from September 2000 until October 2002. Mr. Lauer also served in several executive positions at Bell Atlantic Corp. from 1992 to 1998 and spent the first 13 years of his business career at IBM in various sales and marketing positions. Within the last five years, Mr. Lauer served as a director of H&R Block, Inc.

Mr. Lauer brings to our Board of Directors significant senior executive leadership experience from large, multi-national public technology companies, which provides a valuable perspective to our Board of Directors. Mr. Lauer's experience provides our Board of Directors with insight into the role of technology solutions for the consumer products market, which is an important part of our business. He has also served on other public company boards and board committees, providing our Board of Directors with important board-level experience. We believe these experiences, qualifications, attributes and skills qualify him to serve as a member of our Board of Directors.

Matthew E. Massengill, 54, has been a director since January 2000. He joined us in 1985 and served in various executive capacities with us until January 2007. From October 1999 until January 2000, he served as Chief Operating Officer, from January 2000 until January 2002, he served as President, and from January 2000 until October 2005, he served as Chief Executive Officer. Mr. Massengill served as Chairman of our Board of Directors from November 2001 until March 2007. He is currently a director of Microsemi Corporation and GT Advanced Technologies, Inc.

Mr. Massengill's 29 years of service to Western Digital, including 15 years as either an executive or Board member, provide our Board of Directors with extensive and significant experience directly relevant to our business. As our former Chief Executive Officer, he has a deep understanding of our operations, provides valuable knowledge to our Board of Directors on the issues we face to achieve our strategic objectives and has extensive international experience. His service on numerous other public company boards of directors also provides our Board of Directors with important board-level perspective. We believe these experiences, qualifications, attributes and skills qualify him to serve as a member of our Board of Directors.

Stephen D. Milligan, 52, has been a director since January 2013. He re-joined us in March 2012 to serve as President following our acquisition of HGST in March 2012 and was appointed Chief Executive Officer in January 2013. He served as HGST's President from March 2009 to December 2009 and as its President and Chief Executive Officer from December 2009 until our acquisition of HGST in March 2012. From September 2007 to October 2009, Mr. Milligan served as HGST's Chief Financial Officer. From January 2004 to September 2007, Mr. Milligan served as our Chief Financial Officer and from September 2002 to January 2004, Mr. Milligan served as our Senior Vice President, Finance. From April 1997 to September 2002, Mr. Milligan held various financial and accounting roles of increasing responsibility at Dell. Prior to joining Dell, Mr. Milligan was employed at Price Waterhouse for 12 years, most recently as senior manager. Mr. Milligan has served on the board of directors of Ross Stores, Inc. since January 2015.

Mr. Milligan's experience in our industry, including more than five years as President and Chief Executive Officer of HGST, contributes indispensable knowledge and expertise to our Board of Directors. He has served Western Digital and HGST in numerous executive capacities, providing our Board of Directors with valuable operations, manufacturing and finance experience. We believe these experiences, qualifications, attributes and skills qualify him to serve as a member of our Board of Directors.

Paula A. Price, 53, has been a director since July 2014. Ms. Price has served as a senior lecturer for Harvard Business School in the Accounting and Management Unit since July 2014. From May 2009 until January 2014, she was executive vice president and chief financial officer at Ahold USA, a retailer that operates more than 700 supermarkets and an online grocery delivery service, where she was responsible for finance and accounting, strategic planning, real estate and information technology. From July 2006 until August 2008, Ms. Price was the senior vice president, controller and chief accounting officer at CVS Caremark. From August

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2002 until September 2005, Ms. Price was the senior vice president and chief financial officer for the institutional trust services division of JPMorgan Chase. Prior to that, she held several other senior management positions in the U.S. and the U.K. in the financial services and consumer products industries at Prudential Insurance Co. of America, Diageo and Kraft Foods. Ms. Price is a certified public accountant. Ms. Price currently serves on the corporate boards of directors of Dollar General Corporation and Accenture plc. She is a board director of Financial Guaranty Insurance Company, Blue Cross Blue Shield of Massachusetts, and Big Brothers Big Sisters of Massachusetts, and on the board of overseers for the Museum of Fine Arts, Boston.

Ms. Price's numerous years of experience as a certified public accountant, former chief financial officer and former chief accounting officer provide our Board of Directors with valuable experience and insight into accounting and finance matters, and that experience qualifies her as an audit committee financial expert under SEC rules. She also brings expertise and knowledge of the complexities of growing and managing a global business. She has extensive experience overseeing and integrating merger and acquisition transactions at the executive level, which is experience highly valued by our Board of Directors. We believe these experiences, qualifications, attributes and skills qualify her to serve as a member of our Board of Directors.

Vote Required and Recommendation of our Board of Directors

Under our By-laws, in an uncontested election, each director nominee will be elected as a director if the nominee receives the affirmative vote of a majority of the votes cast with respect to his or her election (in other words, the number of shares voted for a director must exceed the number of votes cast against that director). In a contested election where the number of nominees exceeds the number of directors to be elected as of ten days before the proxy statement is mailed to stockholders, a plurality voting standard will apply and the nominees receiving the greatest number of votes at the Annual Meeting, up to the number of directors to be elected, will be elected as directors. In the case of an uncontested election, if a nominee who is serving as a director is not elected at the Annual Meeting by the requisite majority of votes cast, under Delaware law, the director would continue to serve on our Board of Directors as a holdover director. However, under our By-laws, any incumbent director who fails to be elected must offer to tender his or her resignation to our Board of Directors. If the director conditions his or her resignation on acceptance by our Board of Directors, the Governance Committee will then make a recommendation to our Board of Directors on whether to accept or reject the resignation or whether other action should be taken. Our Board of Directors will act on the Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who tenders his or her resignation will not participate in our Board's or the Governance Committee's decision. A nominee who was not already serving as a director and is not elected at the Annual Meeting by a majority of the votes cast with respect to such director's election will not be elected to our Board of Directors.

OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR ELECTION TO OUR BOARD OF DIRECTORS OF EACH OF THE ABOVE NOMINEES FOR DIRECTOR.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines and Code of Business Ethics

Our Board of Directors has adopted Corporate Governance Guidelines, which provide the framework for the governance of our company and represent our Board of Directors' current views with respect to selected corporate governance issues considered to be of significance to stockholders. Our Board of Directors has also adopted a Code of Business Ethics that applies to all of our directors, employees and officers, including our President and Chief Executive Officer, Chief Financial Officer (our principal financial and accounting officer), Subsidiary Presidents and Controller. The current versions of the Corporate Governance Guidelines and the Code of Business Ethics are available on our website under the Investor Relations section at investor.wdc.com. To the extent required by applicable rules adopted by the SEC or the NASDAQ Stock Market, we intend to promptly disclose future amendments to certain provisions of the Code of Business Ethics, or waivers of such provisions granted to executive officers and directors, on our website under the Investor Relations section at investor.wdc.com.

Director Independence

Our Board of Directors has reviewed and discussed information provided by the directors and our company with regard to each director's business and personal activities, as well as those of the director's immediate family members, as they may relate to Western Digital or its management. The purpose of this review is to determine whether there are any transactions or relationships that would be inconsistent with a determination that a director is independent under the listing standards of the NASDAQ Stock Market. Based on its review, our Board of Directors has affirmatively determined that, except for serving as a member of our Board of Directors, none of Messrs. Cole, DeNero, Lambert, Lauer, Massengill or Pardun or Ms. Cote or Price has any relationship that, in the opinion of our Board of Directors, would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities as a director, and that each of such directors qualifies as "independent" as defined by the listing standards of the NASDAQ Stock Market. Our Board of Directors previously determined that, except for serving as a member of our Board of Directors, each of Messrs. Kimsey, Moore, Shakeel and Yamamoto, during his service on our Board of Directors until immediately prior to the 2014 annual meeting of stockholders, and Mr. Yamamura, during his service on our Board of Directors until November 13, 2014, did not have any relationship that, in the opinion of our Board of Directors, would interfere with the director's exercise of independent judgment in carrying out his responsibilities as a director, and that each qualified as "independent" as defined by the listing standards of the NASDAQ Stock Market. Mr. Milligan is a current full-time, executive-level employee of Western Digital and, therefore, is not "independent" as defined by the listing standards of the NASDAQ Stock Market.

Board Leadership Structure

Our Board of Directors does not have a policy with respect to whether the role of the Chairman and the Chief Executive Officer should be separate and, if it is to be separate, whether the Chairman should be selected from the non-employee directors or be an employee. We currently separate the roles of Chief Executive Officer and Chairman. Our Board of Directors believes this is the appropriate leadership for our company at this time because it permits our Chief Executive Officer to focus on setting the strategic direction of the company and the day-to-day leadership and performance of the company, while permitting the Chairman to focus on providing guidance to the Chief Executive Officer and setting the agenda for Board meetings. Our Board also believes that the separation of the Chief Executive Officer and Chairman roles assists our Board of Directors in providing robust discussion and evaluation of strategic goals and objectives.

Our Corporate Governance Guidelines provide that our Board of Directors will appoint a Lead Independent Director if the Chairman of our Board of Directors is not an independent director under the NASDAQ Stock Market listing standards or if our Board of Directors otherwise deems it appropriate. Our Board of Directors has appointed Mr. Massengill as the Chairman and Mr. Lauer as our Lead Independent Director, effective immediately following the Annual Meeting and subject to their reelection to our Board of Directors at the Annual Meeting. Although our Board of Directors has determined that Mr. Massengill is independent under the

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NASDAQ Stock Market listing standards, because he is a former Chairman, President and Chief Executive Officer of our company, our Board of Directors determined it appropriate to appoint a Lead Independent Director. The Lead Independent Director will act as a liaison between our independent directors and management and will be responsible for assisting the Chairman in establishing the agenda for meetings of our Board of Directors, for coordinating the agenda for, and chairing, the executive sessions of our independent directors, and for performing such other duties as may be specified by our Board of Directors from time to time. Our Board of Directors acknowledges that no single leadership model is right for all companies at all times. As such, our Board of Directors periodically reviews its leadership structure and may, depending on the circumstances, choose a different leadership structure in the future.

Risk Oversight and Compensation Risk Assessment

Board's Role in Risk Oversight. Our Board of Directors' role in risk oversight involves both our full Board of Directors and its committees. The Audit Committee, whose charter requires it to review and discuss the company's policies with respect to risk assessment and risk management, has primary responsibility for oversight of our enterprise risk management (ERM) program on behalf of our Board of Directors. Our chief audit executive, who reports independently to the Audit Committee, facilitates the ERM process as part of our strategic planning process. As part of the ERM process, each of our major business unit and functional area heads, with the assistance of their staff, meet on a quarterly basis with representatives from our internal audit department to identify risks that could affect achievement of our business goals and strategy, and the actions taken or to be taken to mitigate and/or respond to such risks. After input from these individuals is received, our internal audit function summarizes the results of these meetings and provides an analysis to a summary review committee for each of our HGST and WD subsidiaries consisting of each subsidiary president, all individuals reporting to such subsidiary president, and other relevant team members. At each summary review committee meeting, the risks for the respective subsidiary are reviewed and commented upon as to risk likelihood and impact. The analysis is updated based on input from the summary review committees, and an analysis is again performed to create a consolidated company risk profile. All three analyses are provided to our President and Chief Executive Officer and Chief Financial Officer for final review. Once the analysis is finalized, it is reviewed and discussed by the Audit Committee. Senior management then reviews the analysis with our Board of Directors on at least an annual basis. The final analyses, including the input from the Audit Committee and full Board, is then reviewed with the respective summary review committee for each subsidiary and used by our internal audit function in its internal audit planning. In addition to the formal ERM program, each of the other Board committees is charged with identifying potential risks to the company during the course of their respective committee work. If a committee identifies a potential risk during the course of its work, the potential risk is to be raised to the Audit Committee and full Board for inclusion in the ERM program discussed above. Finally, our Board of Directors as a whole is updated throughout the year on specific risks and mitigating controls in the course of its review of our strategy and business plan and through reports to our Board of Directors by its respective committees and senior members of management.

Our Board of Directors believes that the processes it has established for overseeing risk would be effective under a variety of leadership frameworks and therefore do not materially affect its choice of leadership structure as described under *Board Leadership Structure* above.

Compensation Risk Assessment. Consistent with SEC disclosure requirements, in August 2015, we reviewed our compensation policies and practices to determine whether they encourage excessive risk taking. Although all compensation programs worldwide were reviewed, the focus was on the programs with variability of payout. Based on this comprehensive review, we concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the company for the following reasons:

We believe our compensation programs appropriately balance short- and long-term incentives;

Our long-term incentive grants for senior management are allocated between stock options, RSUs and/or performance stock unit (PSU) awards, which provide a balance of incentives;

Our long-term incentive awards generally are granted on an annual basis with long-term, overlapping vesting periods to motivate eligible recipients to focus on sustained stock price appreciation;

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Cash and equity incentive plans contain a cap on the maximum payout;

The Compensation Committee (or other applicable program administrator) generally retains authority to reduce the incentive plan payouts in its discretion;

In determining whether to exercise its authority to reduce cash incentive plan payouts, the plan administrator may consider qualitative factors beyond the quantitative financial metrics, including compliance and ethical behaviors;

Our long-term incentive awards are not reliant on just one performance measure and generally include a mix of sales and profitability targets to mitigate the risk of employees focusing exclusively on short term top-line growth at the expense of sustained profitability;

Our President and Chief Executive Officer’s significant equity holdings help protect against short-term risk taking at the expense of long-term growth and stability;

Our executive stock ownership guidelines require that all of our senior executives hold a significant amount of our equity to further align their interests with stockholders over the long term, and all of our senior executives are in compliance with the guidelines;

We have a compensation recovery (clawback) policy applicable in the event an officer’s misconduct leads to an accounting restatement;

The Compensation Committee has retained an independent compensation consultant to provide objective advice and counsel to the Compensation Committee on matters related to the compensation of executive officers and directors, including best practices and governance issues; and

The Compensation Committee annually reviews competitive benchmarking data in setting the pay mix targets and long-term incentive vehicles used to compensate executives.

Committees

Our Board of Directors has standing Executive, Audit, Compensation and Governance Committees. The Governance Committee, among other things, performs functions similar to a nominating committee. The following table identifies the current members of the committees:

Director	Executive	Audit	Compensation	Governance
Martin I. Cole		ü		
Kathleen A. Cote		ü		ü

Henry T. DeNero	ü	Chair		
Michael D. Lambert			Chair	
Len J. Lauer(1)			ü	ü
Matthew E. Massengill(1)				
Stephen D. Milligan	Chair			
Thomas E. Pardun(2)	ü		ü	Chair
Paula A. Price		ü		

(1) As described under Board Leadership Structure above, if reelected at the Annual Meeting, Mr. Massengill will serve as the Chairman of our Board of Directors and Mr. Lauer will serve as our Lead Independent Director, effective immediately following the Annual Meeting.

(2) Mr. Pardun is the current Chairman of our Board of Directors. Mr. Pardun is an independent director under the listing standards of the NASDAQ Stock Market and presides at all executive sessions of our independent directors. This year, Mr. Pardun reached the mandatory retirement age for directors and is not standing for reelection at the Annual Meeting.

Mr. Pardun currently serves as a member of the Executive, Compensation and Governance Committees, and as Chair of the Governance Committee. To fill the vacancies that will be created by Mr. Pardun not standing for reelection at the Annual Meeting, our Board of Directors has appointed, effective immediately following the

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Annual Meeting, Mr. Massengill to the Executive Committee, Ms. Cote to the Compensation Committee, Mr. Cole to the Governance Committee and Mr. Lauer as the Chair of the Governance Committee, in each case, subject to such director's reelection to our Board of Directors at the Annual Meeting. In addition, Ms. Cote will no longer serve as a member of the Audit Committee, effective immediately following the Annual Meeting.

Executive Committee

The Executive Committee operates pursuant to a written charter that is available on our website under the Investor Relations section at investor.wdc.com. As described in further detail in the written charter of the Executive Committee, between meetings of our Board of Directors, the Executive Committee may exercise all of the powers of our Board of Directors (except those powers expressly reserved to our Board of Directors or to another committee by applicable law or the rules and regulations of the SEC or the NASDAQ Stock Market) in the management and direction of the business and conduct of the affairs of the company, subject to any specific directions given by our Board of Directors.

Audit Committee

Our Board of Directors has affirmatively determined that all members of the Audit Committee are independent as defined under the listing standards of the NASDAQ Stock Market and applicable rules of the SEC and all members are audit committee financial experts as defined by rules of the SEC. The Audit Committee operates pursuant to a written charter that is available on our website under the Investor Relations section at investor.wdc.com. As described in further detail in the written charter of the Audit Committee, the key responsibilities of the Audit Committee include: (1) sole responsibility for the appointment, compensation, retention and oversight of our independent registered public accounting firm and, where appropriate, the termination or replacement of the independent registered public accounting firm; (2) an annual evaluation of the independent registered public accounting firm's qualifications, performance and independence, including a review and evaluation of the lead partner; (3) pre-approval of all auditing services and permissible non-auditing services to be performed by the independent registered public accounting firm; (4) receipt and review of the reports from the independent registered public accounting firm required annually and prior to the filing of any audit report by the independent registered public accounting firm; (5) review and discussion with the independent registered public accounting firm of any difficulties they encounter in the course of their audit work; (6) establishment of policies for the hiring of any current or former employee of the independent registered public accounting firm; (7) review and discussion with management and the independent registered public accounting firm of our annual and quarterly financial statements prior to their filing or public distribution; (8) general review and discussion with management of the presentation and information to be disclosed in our earnings press releases; (9) periodic review of the adequacy of our accounting and financial personnel resources; (10) periodic review and discussion of our internal control over financial reporting and review and discussion with our principal internal auditor of the scope and results of our internal audit program; (11) review and discussion of our policies with respect to risk assessment and risk management; (12) preparation of the audit committee report included in this Proxy Statement; (13) oversight of our ethics and compliance program; (14) establishment of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of such complaints by company employees; (15) review of material pending legal proceedings involving the company and other material contingent liabilities; (16) review of significant conflicts of interest and related-party transactions to the extent required by our related person transaction policy or as required by applicable law; and (17) review of any other matters relative to the audit of our accounts and preparation of our financial statements that the Audit Committee deems appropriate.

Compensation Committee

Committee Composition and Responsibilities. Our Board of Directors has affirmatively determined that all members of the Compensation Committee are independent as defined under the listing standards of the NASDAQ Stock Market. In making its independence determination for each member of the Compensation Committee, our Board of Directors considered whether the director has a relationship with the company that is

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material to the director's ability to be independent from management in connection with the duties of a compensation committee member.

The Compensation Committee operates pursuant to a written charter that is available on our website under the Investor Relations section at investor.wdc.com. As described in further detail in the written charter of the Compensation Committee, the Compensation Committee assists our Board of Directors and our management in defining our executive compensation policy and in carrying out various responsibilities relating to the compensation of our executive officers and directors, including: (1) evaluating and approving compensation for the Chief Executive Officer and for all other executive officers; (2) reviewing and making recommendations to our Board of Directors regarding non-employee director compensation; (3) overseeing the development and administration of our incentive and equity-based compensation plans, including the Incentive Compensation Plan (the "ICP"), the 2004 Performance Incentive Plan, the Deferred Compensation Plan and the 2005 Employee Stock Purchase Plan; and (4) reviewing and making recommendations to our Board of Directors regarding changes to our benefit plans. The Compensation Committee is also responsible for reviewing and discussing with our management the "Compensation Discussion and Analysis" section included in this Proxy Statement, for determining whether to recommend to our Board of Directors that it be included in this Proxy Statement, and for preparing the Report of the Compensation Committee that sets forth the Compensation Committee's determination regarding the Compensation Discussion and Analysis section. The Compensation Committee charter authorizes the Compensation Committee to delegate any of its responsibilities to a subcommittee but the subcommittee must be comprised only of one or more members of the Compensation Committee. Under our equity award guidelines, however, the Compensation Committee may not delegate its authority to grant equity awards to any other committee, subcommittee or individual. The Compensation Committee has no current intention to delegate any of its other responsibilities to a subcommittee.

Role of Executive Officers in Administration of Compensation Program. While the Compensation Committee is responsible for approving all elements of compensation for our executive officers, certain of our executive officers and other employees assist the Compensation Committee in the administration of our executive compensation program, as explained in more detail in the "Compensation Discussion and Analysis" section under the heading "Role of Executive Officers." No executive participates in any discussions or decisions regarding his or her own compensation.

Relationship with Compensation Committee Consultant. The Compensation Committee's practice has been to retain compensation consultants to provide objective advice and counsel to the Compensation Committee on all matters related to the compensation of executive officers and directors. For fiscal 2015, the Compensation Committee retained Mercer (US) Inc. ("Mercer"), a wholly owned subsidiary of Marsh & McLennan Companies, Inc. ("MMC"), as its compensation consultant, with Mercer attending all in-person meetings of the Compensation Committee held during the year. Mercer's fees for executive compensation consulting to the Compensation Committee in fiscal 2015 were approximately \$661,429 (which included fees for the executive compensation assessments for both fiscal 2015 and fiscal 2016 due to a change in the timing in the Committee's agenda for reviewing the executive compensation assessment for fiscal 2016). A summary of the executive compensation services provided by Mercer during fiscal 2015 is included in the "Compensation Discussion and Analysis" section under the heading "Role of the Compensation Consultant."

During fiscal 2015, Mercer and certain MMC affiliates were retained by company management to provide other services. The aggregate fees paid for the other services in fiscal 2015, either directly by the company or via commissions from third party insurers, were approximately \$1,969,430. Of this total, approximately \$170,000 was related to workforce rewards consulting by Mercer that was preapproved by the Compensation Committee. The remainder of these other services (\$1,799,430) were conducted by MMC affiliates and unrelated to the individual compensation consultants conducting work under the authority of the Compensation Committee. These unrelated services included welfare plan consulting, insurance brokerage, and actuarial and plan administration services with

respect to the company's general health and welfare benefit plans and programs. These services were approved by company management in the ordinary course of business. As described in more detail in the Compensation Discussion and Analysis, Mercer and its affiliates have established and followed safeguards between the executive compensation consultants engaged by the Compensation Committee and the

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other MMC service providers to the company, which are designed to help ensure that the Compensation Committee's executive compensation consultants continue to fulfill their role in providing objective, unbiased advice. In August 2015, the Compensation Committee assessed the independence of Mercer in accordance with applicable rules of the SEC and NASDAQ Stock Market. Taking such safeguards into account, the Compensation Committee concluded that the engagement did not raise any conflicts of interest during fiscal 2015 and currently does not raise any conflicts of interest.

Additional information concerning the Compensation Committee's processes and procedures for consideration and determination of non-employee director compensation is included below under **Director Compensation**.

Governance Committee

Committee Composition and Responsibilities. Our Board of Directors has affirmatively determined that all members of the Governance Committee are independent as defined under the listing standards of the NASDAQ Stock Market. The Governance Committee, which (among other things) performs functions similar to a nominating committee, operates pursuant to a written charter that is available on our website under the Investor Relations section at investor.wdc.com. As described in further detail in the written charter of the Governance Committee, the key responsibilities of the Governance Committee include: (1) developing and recommending to our Board of Directors a set of corporate governance principles; (2) evaluating and recommending to our Board of Directors the size and composition of our Board of Directors and the size, composition and functions of the committees of our Board of Directors; (3) developing and recommending to our Board of Directors a set of criteria for membership; (4) identifying, evaluating, attracting, and recommending director candidates for membership on our Board of Directors, including directors for election at the annual meeting of stockholders; (5) making recommendations to our Board of Directors on such matters as the retirement age, tenure and resignation of directors; (6) managing our Board of Directors performance review process and reviewing the results with our Board of Directors on an annual basis; (7) overseeing the evaluation of the Chief Executive Officer by the Compensation Committee; and (8) reviewing and making recommendations to our Board of Directors regarding proposals of stockholders that relate to corporate governance.

Board Succession. Our Board of Directors is focused on ensuring it has individuals with the right skills and experience to exercise independent judgment in overseeing our business. The Governance Committee regularly evaluates the size and composition of our Board of Directors, giving consideration to evolving skills, perspective and experience needed on our Board of Directors to perform its governance role and provide oversight as the challenges facing our company change over time. The Governance Committee and our Board of Directors regularly consider succession plans for the members of our Board of Directors and its committees and committee chairs. The Governance Committee's ongoing process reflects both a deliberate search for specific skills and experiences, as needed, as well as appropriate additions when high-caliber individuals become available.

Director Candidates. The Governance Committee is responsible for recommending candidates for membership on our Board of Directors, including nominees for election or reelection to our Board of Directors at each annual meeting of stockholders. The Governance Committee is authorized to use any methods it deems appropriate for identifying candidates for Board of Directors membership, including considering recommendations from incumbent directors and stockholders. The Governance Committee is authorized to engage the services of an outside search firm to identify suitable potential director candidates. In fiscal 2015, the Governance Committee utilized the services of Spencer Stuart, an outside search firm, to help identify potential director candidates and to assist by providing background information and assessments of qualifications on potential candidates. The Governance Committee then reviewed the results of Spencer Stuart's evaluation and screening, discussed potential nominees and recommended Mr. Cole to our Board of Directors, which appointed Mr. Cole as a director effective as of December 1, 2014.

Once a list of potential candidates is collected, the Governance Committee evaluates the candidates through committee discussions, the assistance of a third party search firm and/or candidate interviews to identify the candidate(s) most likely to advance the interests of our stockholders. While the Governance Committee has no specific minimum qualifications in evaluating a director candidate, our Corporate Governance Guidelines set forth critical factors to be considered in selecting director nominees, which include: the nominee's personal and professional ethics, integrity and values; the nominee's intelligence, judgment, foresight, skills, experience (including understanding of marketing, finance, our technology and other elements relevant to the success of a company such as ours) and

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achievements, all of which the Governance Committee views in the context of the overall composition of our Board of Directors; the absence of any conflict of interest (whether due to a business or personal relationship) or legal impediment to, or restriction on, the nominee serving as a director; having a majority of independent directors on our Board of Directors; and representation of the long-term interests of the stockholders as a whole and a diversity of backgrounds and expertise which are most needed and beneficial to our Board of Directors and to Western Digital. While our Corporate Governance Guidelines do not prescribe specific diversity standards, the Governance Committee considers diversity in the context of our Board of Directors as a whole and takes into account the personal characteristics, experience and skills of current and prospective directors to ensure that a broad range of perspectives are represented on our Board of Directors. The Governance Committee and the entire Board of Directors conducts a review of the composition of our Board of Directors in light of the factors described above at least annually.

Stockholder Recommendations. A stockholder may recommend a director candidate to the Governance Committee by delivering a written notice to our Secretary at our principal executive offices and including the following in the notice: (1) the name and address of the stockholder as they appear on our books or other proof of share ownership; (2) the class and number of shares of our common stock beneficially owned by the stockholder as of the date the stockholder gives written notice; (3) a description of all arrangements or understandings between the stockholder and the director candidate and any other person(s) pursuant to which the recommendation or nomination is to be made by the stockholder; (4) the name, age, business address and residence address of the director candidate and a description of the director candidate's business experience for at least the previous five years; (5) the principal occupation or employment of the director candidate; (6) the class and number of shares of our common stock beneficially owned by the director candidate; (7) the consent of the director candidate to serve as a member of our Board of Directors if elected; and (8) any other information required to be disclosed with respect to such director candidate in solicitations for proxies for the election of directors pursuant to applicable rules of the SEC. The Governance Committee may require additional information as it deems reasonably required to determine the eligibility of the director candidate to serve as a member of our Board of Directors.

The Governance Committee will evaluate director candidates recommended by stockholders for election to our Board of Directors in the same manner and using the same criteria as used for any other director candidate. If the Governance Committee determines that a stockholder-recommended candidate is suitable for membership on our Board of Directors, it will include the candidate in the pool of candidates to be considered for nomination upon the occurrence of the next vacancy on our Board of Directors or in connection with the next annual meeting of stockholders. Stockholders recommending candidates for consideration by our Board of Directors in connection with the next annual meeting of stockholders should submit their written recommendation no later than June 1 of the year of that meeting.

Stockholders who wish to nominate a person for election as a director in connection with an annual meeting of stockholders (as opposed to making a recommendation to the Governance Committee as described above) must deliver written notice to our Secretary in the manner described in Section 2.11 of our By-laws and within the time periods set forth under the section *Questions and Answers About the Proxy Materials and the Annual Meeting* above in response to the question, *May I propose actions for consideration at next year's annual meeting or nominate individuals to serve as directors?*

Meetings and Attendance

During fiscal 2015, there were eight meetings of our Board of Directors, twelve meetings of the Audit Committee, ten meetings of the Compensation Committee, four meetings of the Governance Committee and no meetings of the Executive Committee. Each of the directors attended 75% or more of the aggregate number of meetings of our Board of Directors and the committees of our Board of Directors on which he or she served during the period that he or she

served in fiscal 2015, except for Mr. Yamamoto and Mr. Shakeel, who each attended 67% of the aggregate number of meetings of the Board of Directors during the period that he served in fiscal 2015.

Our Board of Directors strongly encourages each director to attend our annual meeting of stockholders. All of our directors standing for reelection at last year's annual meeting of stockholders were in attendance.

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Communicating with Directors

Our Board of Directors provides a process for stockholders to send communications to our Board of Directors or to individual directors or groups of directors. In addition, interested parties may communicate with our Chairman of the Board or Lead Independent Director (who presides over executive sessions of our independent directors) or with our independent directors as a group. Our Board of Directors recommends that stockholders and other interested parties initiate any communications with our Board of Directors (or individual directors or groups of directors) in writing. These communications should be sent by mail to the company's Secretary at Western Digital Corporation, 3355 Michelson Drive, Suite 100, Irvine, California 92612. This centralized process will assist our Board of Directors in reviewing and responding to stockholder and interested party communications in an appropriate manner. The name of any specific intended Board of Directors recipient or recipients should be clearly noted in the communication (including whether the communication is intended only for our non-executive Chairman of the Board or for the non-management directors as a group). Our Board of Directors has instructed the Secretary to forward such correspondence only to the intended recipients; however, our Board of Directors has also instructed the Secretary, prior to forwarding any correspondence, to review such correspondence and not to forward any items deemed to be of a purely commercial or frivolous nature (such as spam) or otherwise obviously inappropriate for the intended recipient's consideration. In such cases, the Secretary may forward some of the correspondence elsewhere within Western Digital for review and possible response.

DIRECTOR COMPENSATION

Executive Summary

We believe that it is important to attract and retain exceptional and experienced directors who understand our business, and to offer compensation opportunities that further align the interests of those directors with the interests of our stockholders. To that end, for non-employee directors other than the Hitachi Designated Directors (as defined below in the section entitled "Hitachi Designated Director Compensation Program"), we established a director compensation program for fiscal 2015 consisting of a combination of:

annual and committee retainer fees; and

equity incentive awards in the form of RSUs.

We also permit directors (other than the Hitachi Designated Directors) to participate in our Deferred Compensation Plan. Any director who is employed by us is not entitled to additional compensation under our director compensation program for serving as a director.

Our Compensation Committee reviews our non-employee director compensation on an annual basis. As part of this review, the Compensation Committee's compensation consultant, Mercer, reviews and evaluates the competitiveness of our director compensation program in light of general director compensation trends and director compensation programs of the peer group companies we use to evaluate our executive compensation program, which are listed in the "Compensation Discussion and Analysis" section below. After receiving input from its compensation consultant, the Compensation Committee makes recommendations to the full Board of Directors regarding any changes in our non-employee director compensation program that the Compensation Committee determines are advisable. Our director compensation program for fiscal 2015 is described in more detail in the tables and narrative that follow.

Pursuant to the internal requirements of Hitachi, the Hitachi Designated Directors did not receive any compensation for their services on our Board of Directors and did not participate in any of our non-employee director compensation programs described below. However, in August 2013, we agreed to pay Hitachi certain amounts in respect of the service of the Hitachi Designated Directors, which is summarized below under the heading Hitachi Designated Director Compensation Program.

Table of Contents**Director Compensation Table for Fiscal 2015**

The table below summarizes the compensation for fiscal 2015 for each of our directors who is not our employee (referred to in this Proxy Statement as non-employee directors). Mr. Milligan was one of our named executive officers for fiscal 2015 and information regarding his compensation for fiscal 2015 is presented below in the Fiscal Years 2013-2015 Summary Compensation Table and the related explanatory tables. As our employee, Mr. Milligan did not receive any additional compensation for his services as a director during fiscal 2015.

	Change in Pension Value and Non-Equity Nonqualified All Incentive Deferred Other Compensation					
	Fees Earned or Paid in Cash (\$)(6)	Stock Awards (\$)(7)(8)	Option Awards (\$)(9)	Plan Compensation (\$)	Earnings (\$)	Total (\$)
Martin I. Cole(1)	83,342	210,020				293,362
Kathleen A. Cote	97,500	224,943				322,443
Henry T. DeNero	115,000	224,943				339,943
William L. Kimsey(2)						
Michael D. Lambert	110,000	224,943				334,943
Len J. Lauer	95,000	224,943				319,943
Matthew E. Massengill	75,000	224,943				299,943
Roger H. Moore(2)						
Thomas E. Pardun(3)	207,500	274,975				482,475
Paula A. Price(4)	120,822	322,931				443,753
Arif Shakeel(2)						
Akio Yamamoto(2)	296,600					296,600
Masahiro Yamamura(5)	371,600					371,600

(1) In connection with Mr. Cole's appointment on December 1, 2014, he received prorated cash fees in the amount of \$83,342 and a prorated grant of 2,056 RSUs pursuant to our Non-Employee Director Restricted Stock Unit Grant Program. The grant date fair value of this RSU award was \$210,020.

(2) Messrs. Kimsey, Moore, Shakeel and Yamamoto did not stand for reelection at the 2014 annual meeting of stockholders.

(3) This year, Mr. Pardun reached the mandatory retirement age for directors and, based on the policy set forth in our Governance Guidelines, our Board of Directors has not nominated Mr. Pardun for reelection at the Annual Meeting.

- (4) In connection with Ms. Price's appointment on July 3, 2014, she received prorated cash fees in the amount of \$30,822 and a prorated grant of 1,015 RSUs pursuant to our Non-Employee Director Restricted Stock Unit Grant Program. The grant date fair value of this RSU award was \$97,988.
- (5) Under the Investor Rights Agreement, because Hitachi ceased to beneficially own at least 5% of our total issued and outstanding common stock upon the closing of the secondary public offering completed on November 13, 2014, the Hitachi Nomination Right (as defined below in the section entitled "Hitachi Designated Director Compensation Program") terminated and Mr. Yamamura resigned from our Board of Directors as of November 13, 2014.
- (6) For a description of the fees earned by the non-employee directors other than the Hitachi Designated Directors during fiscal 2015, see the disclosure under "Fiscal 2015 Director Compensation Program for Non-Hitachi Designated Directors" below. As indicated above, pursuant to the internal requirements of Hitachi, the Hitachi Designated Directors did not receive any compensation for their services on our Board of Directors. The compensation reported in the table above was paid to Hitachi in respect of the service of the Hitachi Designated Directors. See the disclosure under "Hitachi Designated Director Compensation Program" for a description of the compensation paid to Hitachi in respect of the service of the Hitachi Designated Directors.
- (7) The amounts shown reflect the aggregate grant date fair value of equity awards granted in fiscal 2015 computed in accordance with ASC 718 (formerly FAS 123(R)). These amounts were calculated using the closing stock price of a share of our common stock on the date of grant (as determined for accounting purposes), multiplied by the number of units granted to each director.

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(8) On November 5, 2014, each non-employee director at the time, other than the Hitachi Designated Directors and our Chairman, Mr. Pardun, was automatically granted an award of 2,221 RSUs under our Non-Employee Director Restricted Stock Unit Grant Program. The grant date fair value of each of these awards was \$224,943. On November 5, 2014, Mr. Pardun, as Chairman, was automatically granted an award of 2,715 RSUs under our Non-Employee Director Restricted Stock Unit Grant Program. The grant date fair value of Mr. Pardun's award was \$274,975. See footnote (7) above for the assumptions used to value these awards. Our Non-Employee Director Restricted Stock Unit Grant Program is more fully described below under Non-Employee Director Equity Awards. In addition, the following table presents the aggregate number of shares of our common stock covered by stock awards held by each of our non-employee directors on July 3, 2015:

Name	Aggregate Number of Unvested Restricted Stock Units	Aggregate Number of Deferred Stock Units(a)
Martin I. Cole	2,088	
Kathleen A. Cote	2,255	29,188
Henry T. DeNero	2,255	50,654
William L. Kimsey		
Michael D. Lambert	2,255	
Len J. Lauer	2,255	
Matthew E. Massengill	2,255	
Roger H. Moore		
Thomas E. Pardun	2,757	35,900
Paula A. Price	2,255	
Arif Shakeel		
Akio Yamamoto		
Masahiro Yamamura		

(a) This amount consists of stock units (and corresponding dividend equivalents) that the director has elected to defer under our Deferred Compensation Plan pursuant to (i) our Non-Employee Directors Stock-for-Fees Plan in lieu of all or a portion of annual retainer or meeting fees earned by the director during the year of the election, and/or (ii) our Non-Employee Director Restricted Stock Unit Grant Program under our 2004 Performance Incentive Plan. The deferred stock units are fully vested and payable in an equivalent number of shares of our common stock on the payment date specified in accordance with the non-employee director's deferral election. For a description of the Non-Employee Director Restricted Stock Unit Grant Program and the Deferred Compensation Plan, see Fiscal 2015 Director Compensation Program for Non-Hitachi Designated Directors below. The Non-Employee Directors Stock-for-Fees Plan expired on December 31, 2012, and no new awards are permitted under that plan.

(9) We terminated our Non-Employee Director Option Grant Program in fiscal 2013. Accordingly, no stock options were granted to non-employee directors in fiscal 2015. The following table presents the aggregate number of shares of our common stock covered by stock options granted in prior years and held by each of our non-employee directors on July 3, 2015:

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Name	Aggregate Number of Securities Underlying Stock Options		
	Vested and Exercisable (#)	Unvested (#)	Total (#)
Martin I. Cole			
Kathleen A. Cote	7,087	1,443	8,530
Henry T. DeNero	5,581	1,443	7,024
William L. Kimsey	4,328		4,328
Michael D. Lambert	11,162	1,443	12,605
Len J. Lauer	44,420	1,443	45,863
Matthew E. Massengill	721	1,443	2,164
Roger H. Moore			
Thomas E. Pardun	12,605	1,443	14,048
Paula A. Price			
Arif Shakeel			
Akio Yamamoto			
Masahiro Yamamura			

Fiscal 2015 Director Compensation Program for Non-Hitachi Designated Directors

The following section describes the elements and other features of our director compensation program for fiscal 2015 for non-employee directors other than the Hitachi Designated Directors.

Non-Employee Director Fees

Annual Retainer and Committee Retainer Fees. The director retainer fees are payable based on Board of Directors and committee service from annual meeting to annual meeting and are paid in a lump sum immediately following the annual meeting marking the start of the year. Directors who are appointed to our Board of Directors during the year are paid a pro-rata amount of the annual director retainer fees based on service to be rendered for the remaining part of the year after appointment.

The following table sets forth the schedule of the annual retainer and committee membership fees for non-employee directors for fiscal 2015.

Type of Fee	Current Annual Fee
Annual Retainer	\$ 75,000
Lead Independent Director Retainer	\$ 20,000
Non-Executive Chairman of the Board Retainer	\$ 100,000
Additional Committee Retainers	
Audit Committee	\$ 15,000
Compensation Committee	\$ 12,500
Governance Committee	\$ 7,500
Additional Committee Chairman Retainers	
Audit Committee	\$ 25,000
Compensation Committee	\$ 22,500
Governance Committee	\$ 12,500

If our Chairman of the Board is not one of our employees, the Chairman is entitled to the additional Non-Executive Chairman of the Board Retainer referred to above.

Non-employee directors do not receive a separate fee for each Board of Directors or committee meeting they attend. However, we reimburse our non-employee directors for reasonable out-of-pocket expenses incurred to attend each Board of Directors or committee meeting.

Non-Employee Director Equity Awards

Non-Employee Director Restricted Stock Unit Grant Program. Our Board of Directors has adopted a Non-Employee Director Restricted Stock Unit Grant Program under our 2004 Performance Incentive Plan. For fiscal 2015, the Non-Employee Director Restricted Stock Unit Grant Program provided that each of our non-

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employee directors automatically receive, immediately following each annual meeting of stockholders if he or she has been reelected as a director at that annual meeting, an award of RSUs equal in value to \$225,000 (or, in the case of our non-employee director serving as Chairman, \$275,000), based on the closing market value of an equivalent number of shares of our common stock on the grant date, rounded down to the nearest whole share. We award non-employee directors who are newly elected or appointed to our Board of Directors after the date of the annual meeting for a given year a prorated award of RSUs for that year. We also award members of our Board of Directors a prorated award of RSUs upon or as soon as practical after first becoming a non-employee director by virtue of retiring or otherwise ceasing to be employed by us after the annual meeting for a given year. The number of RSUs subject to this prorated award is equal to the following, rounded down to the nearest whole share: (i) the number of units subject to the immediately preceding annual unit award, divided by (ii) 365, multiplied by (iii) the number of days from the date such individual first becomes a non-employee director until the anticipated date for the immediately following annual meeting of stockholders. Each award of RSUs represents the right to receive an equivalent number of shares of our common stock on the applicable vesting date.

The RSUs granted in fiscal 2015 vest 100% upon the earlier of (i) the first anniversary of the grant date, or (ii) immediately prior to the first annual meeting of stockholders held after the grant date. If dividends are paid prior to the vesting and payment of any RSUs granted to our non-employee directors, the director is credited with additional RSUs as dividend equivalents that are subject to the same vesting requirements as the underlying RSUs. Shares of common stock issued in respect of the Non-Employee Director Restricted Stock Unit Grant Program are subject to the applicable share limits specified in our 2004 Performance Incentive Plan.

Director Stock Ownership Guidelines. Under our director stock ownership guidelines, directors are prohibited from selling any shares of our common stock (other than in a same-day sale in connection with an option exercise to pay the exercise price of the option or to satisfy any applicable tax withholding obligations) unless they own qualifying shares with a market value of at least \$375,000. Common stock, RSUs, deferred stock units and common stock beneficially owned by the director by virtue of being held in a trust, by a spouse or by the director's minor children are considered qualifying shares for purposes of the stock ownership requirement. Shares the director has a right to acquire through the exercise of stock options (whether or not vested) are not counted towards the stock ownership requirement.

Deferred Compensation Plan for Non-Employee Directors

For each calendar year, we permit each non-employee director to defer payment of between a minimum of \$2,000 and a maximum of 80% of any cash compensation to be paid to the director during that calendar year in accordance with our Deferred Compensation Plan. We also permit non-employee directors to defer payment of any RSUs awarded under our Non-Employee Director Restricted Stock Unit Grant Program beyond the vesting date of the award. Restricted stock units and other amounts deferred in cash by a director are generally credited and payable in the same manner as amounts deferred by our executive officers and other participants in our Deferred Compensation Plan as further described below under the Fiscal 2015 Non-Qualified Deferred Compensation Table .

Hitachi Designated Director Compensation Program

On August 14, 2013, we entered into an agreement with Hitachi by which we agreed to make certain payments to Hitachi in lieu of our prior undertaking in the Investor Rights Agreement to compensate the Hitachi Designated Directors on the same basis that we compensate other non-employee directors. For each year of service commencing with our 2013 Annual Meeting of Stockholders, Hitachi was entitled to a cash payment with respect to each continuing Hitachi Designated Director equal to the base annual retainer otherwise payable to one of our other non-employee directors pursuant to our non-employee director compensation policy then in effect (which is summarized above and reported in the Director Compensation Table for Fiscal 2015 above). Hitachi also was entitled

to an additional cash payment(s) determined by reference to the grants of RSUs the Hitachi Designated Directors would have been granted had such Hitachi Designated Directors participated in our Non-Employee Director Restricted Stock Unit Grant Program under our 2004 Performance Incentive Plan. Such cash payment(s) were payable to Hitachi within ten (10) days after the date on which such hypothetical RSUs would

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have vested had such units actually been granted to the Hitachi Designated Directors under the terms of the program and were calculated based on the number of units that would have vested multiplied by the closing price of a share of our common stock on the vesting date.

Under the terms of the Investor Rights Agreement, Hitachi had the right, subject to certain conditions, to designate two directors to our Board of Directors (the Hitachi Designated Directors) through the end of calendar year 2014, decreasing to one director thereafter (the Hitachi Nomination Right). The two directors designated by Hitachi during part of fiscal 2015 were Mr. Yamamura and Mr. Yamamoto. Because the Hitachi Nomination Right remained in effect for a second director only through calendar year 2014, Mr. Yamamoto determined not to stand for reelection at the 2014 annual meeting of stockholders. The Hitachi Nomination Right, by its terms, terminated on November 13, 2014, the date on which Hitachi sold a number of shares of our common stock it received in the Transaction (as defined under the section below entitled Transactions with Related Persons) that resulted in Hitachi ceasing to beneficially own at least 5% of our total issued and outstanding common stock and ceasing to beneficially own at least 50% of the shares of our common stock it received in the Transaction. Under the Investor Rights Agreement, upon termination of the Hitachi Nomination Right, Hitachi agreed to cause the remaining Hitachi Designated Director to resign promptly from our Board of Directors. Accordingly, on November 13, 2014, Mr. Yamamura resigned as a member of our Board of Directors. For the Hitachi Designated Directors, Hitachi received a payment of \$296,600 (for Mr. Yamamoto) and \$371,600 (for Mr. Yamamura) for fiscal 2015. As indicated above, the Hitachi Designated Directors were not entitled to any compensation from us for their service on our Board of Directors but were entitled to the same travel and expense reimbursement as our other non-employee directors.

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COMPENSATION DISCUSSION AND ANALYSIS

When we refer to our named executive officers, executives or executive officers in this section, we mean:

Stephen D. Milligan, our President and Chief Executive Officer;

Timothy M. Leyden, our former Chief Financial Officer, who retired as our Chief Financial Officer effective as of September 8, 2014;

Olivier C. Leonetti, who was appointed by our Board of Directors as our Executive Vice President and Chief Financial Officer effective as of September 8, 2014;

Michael D. Cordano, President of our HGST Subsidiary;

James J. Murphy, President of our WD Subsidiary; and

Mark P. Long, our Executive Vice President, Chief Strategy Officer.

Under SEC rules, the individuals listed above are our named executive officers for fiscal 2015 and are listed below in the Fiscal Years 2013 - 2015 Summary Compensation Table.

Executive Summary

Business Highlights

We are a leading developer, manufacturer and provider of data storage solutions that enable consumers, businesses, governments and other organizations to create, manage, experience and preserve digital content. Managing our global business to provide long-term value for our stockholders requires a team of passionate, innovative, dedicated and experienced executives. Our overriding executive compensation philosophy is clear and consistent – we pay for performance. Our executives are accountable for the performance of the company and the segments they manage and are compensated primarily based on that performance. We believe that our executive compensation program contributes to a high-performance culture where executives are expected to deliver results that drive sustained profitable growth.

Fiscal 2015 was another exciting year for the company and our industry. The storage industry is experiencing dramatic change as a result of what we believe are long-term secular growth trends in the rapidly changing storage industry – the ongoing expansion in digital content and the growth in the amount of that content being stored. We are participating in the high growth storage markets of the future through innovation and strategic acquisitions, resulting in a more diversified mix of revenue.

Fiscal 2015 revenue was \$14.6 billion, with approximately 59% coming from our branded, consumer electronics and enterprise hard drive and solid-state drive businesses.

Our enterprise solid state drive revenue grew 60% year-over-year to \$811 million for fiscal 2015, demonstrating the continued success and broadening customer acceptance of our products in this field.

We strengthened our growth initiatives with the acquisitions of Skyera, Inc., a provider of enterprise solid-state storage systems, and Amplidata N.V., a developer of object storage software for public and private cloud data centers.

We continued to focus on executing and strengthening our core business. In fiscal 2015, we reported net income of \$1.5 billion, or \$6.18 per share.

During fiscal 2015, we also generated \$2.2 billion in cash from operations and returned \$1.4 billion to stockholders in the form of stock repurchases and dividends.

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We believe that executive officer compensation for fiscal 2015 was consistent with the objectives of our compensation philosophy and with our performance as described above. The key compensation actions taken by the Compensation Committee in fiscal 2015 are summarized below.

Base Salary Adjustments. In August 2014, the Compensation Committee approved increases in the base salary levels of each of Mr. Murphy from \$550,000 to \$625,000, and Mr. Long from \$450,000 to \$475,000, to bring each executive's compensation closer in line with our pay positioning strategy. The base salary levels for our remaining named executive officers did not change in fiscal 2015.

Semi-Annual Bonus Payments. No adjustments were made to any named executive officer's target bonus level under our Incentive Compensation Plan, or ICP, for fiscal 2015. The target bonus level for each semi-annual period is expressed as a percentage of the executive's base salary for that six-month performance period. For Messrs. Milligan, Leonetti and Long, these ICP bonus opportunities were earned based on achievement against pre-established adjusted earnings per share goals. For Messrs. Murphy and Cordano, these ICP bonus opportunities were earned based on achievement of pre-established adjusted operating income goals for the respective subsidiary businesses for which they are principally responsible.

- i *First half of fiscal 2015:* Payouts under the ICP were approved at 124% of target for Messrs. Milligan, Leonetti and Long, 152% of target for Mr. Cordano and 100% of target for Mr. Murphy.

- i *Second half of fiscal 2015:* Payouts under the ICP were approved at 66% of target for Messrs. Milligan, Leonetti and Long and 86% of target for Mr. Cordano. Mr. Murphy did not receive a payout under the ICP for the second half of fiscal 2015.

Annual Long-Term Incentive Grants. In September 2014, the Compensation Committee approved the grant of long-term incentive (LTI) awards to our named executive officers in the form of stock options, RSUs and, for Messrs. Milligan and Leonetti, PSUs. The Compensation Committee approved awards at approximately the mid-point of the pre-established grant guidelines for Messrs. Milligan, Cordano, Murphy and Long and between the mid-point and maximum for Mr. Leonetti.

Key Talent Long-Term Incentive Grants. In September 2014, the Compensation Committee approved the grant of additional RSUs to Messrs. Cordano, Murphy and Long under our Key Talent LTI Program. The Key Talent LTI Program is designed to motivate and reward critical talent throughout the company who we consider to be essential to drive business continuity and success. Restricted stock units granted under the Key Talent LTI Program are scheduled to cliff vest two years following the grant date, subject to the executive's continued service through such period.

Long-Term Performance Stock Units Payouts for Fiscal Years 2014-2015. In 2013, the Compensation Committee approved the grant of a PSU award to Mr. Milligan with a performance period of fiscal 2014 and 2015. In July 2015, the Compensation Committee approved a payout under the two-year PSU award granted to Mr. Milligan at 82.1% of the target number of shares based on achievement against pre-established cumulative revenue and operating income goals over fiscal 2014 and 2015.

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Effective Corporate Governance Reinforces our Executive Compensation Program

We believe that other aspects of our executive compensation practices also help to drive performance and align with our stockholders' long-term interests.

We do...

We do not...

- | | |
|---|--|
| <ul style="list-style-type: none"> ü Pay for performance by requiring that a substantial portion of our executives' compensation be earned based on performance goals ü Use a mix of performance measures, as well as a mix of cash bonus opportunities and equity award vehicles, to balance short- and long-term incentives ü Cap maximum payout levels under performance-based and incentive awards ü Authorize the Compensation Committee to reduce payouts for performance-based and incentive awards in its discretion ü Review tally sheets when making compensation determinations ü Maintain executive share ownership guidelines ü Require that stock option grants have exercise prices equal to the closing price of our stock on the date of grant of the award ü Maintain a compensation recovery (clawback) policy applicable in the event an officer's misconduct leads to an accounting restatement ü Maintain a share repurchase program, which helps mitigate the potential dilutive effect of equity awards ü Provide only modest perquisites | <ul style="list-style-type: none"> û Provide any tax gross-up payments in connection with severance or change in control pay û Reprice stock options without stockholder approval (other than certain equitable adjustments permitted under our equity incentive plans) û Automatically vest equity awards on a change in control û Permit hedging or short-sale transactions by executive officers or directors |
|---|--|

Our Executive Compensation Philosophy and Objectives

Our compensation philosophy for our executive officers is based on the belief that the interests of our executives should be closely aligned with our long-term performance and return to our stockholders. To support this philosophy, a large portion of each executive officer's compensation is placed at risk and linked to the accomplishment of specific financial or operational goals that are expected to lead to increased value for our stockholders.

Our compensation policies and programs are designed to:

attract, develop, reward and retain highly qualified and talented individuals;

motivate executives to improve the overall performance and profitability of our company as well as the business group for which each executive is responsible, and reward executives when specific measurable results have been achieved;

encourage accountability by giving the Compensation Committee flexibility to take each executive's individual contribution and performance into account in determining salaries and incentive awards;

tie incentive awards to financial and non-financial metrics that we believe drive the performance of the company over the long term to further reinforce the linkage between the interests of our stockholders and our executives; and

help ensure compensation levels are both externally competitive and internally equitable.

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Analysis of Direct Compensation Allocation

The Compensation Committee does not use a specific formula for allocating total direct compensation between variable and fixed compensation, between annual and long-term compensation or between cash and non-cash compensation. However, the Compensation Committee believes that a substantial portion of total direct compensation should be at-risk compensation (with the percentage of the executive's compensation that is at risk increasing as the executive's responsibility increases). The Compensation Committee believes that this philosophy assists in achieving the compensation objectives of motivating executives to improve our overall performance over the long term, encouraging accountability and better linking the interests of our stockholders with those of our executives.

As illustrated in the charts below, approximately 90% of Mr. Milligan's target total direct compensation for fiscal 2015, and approximately 84% (on average) of our other named executive officers' target total direct compensation for fiscal 2015, was at risk in that it was not guaranteed but rather was performance-based because it was linked to our stock price and achievement of other specified financial and non-financial performance goals. We use target total direct compensation to mean the executive's base salary for fiscal 2015, semi-annual incentive compensation target bonus opportunity for fiscal 2015 and long-term incentive compensation grant at midpoint of fiscal 2015 grant guidelines, as discussed below.

Determination of Executive Compensation

Role of the Compensation Committee

Our executive compensation program is administered by our Compensation Committee. The Compensation Committee is responsible for approving all elements of compensation for our executive officers. The Compensation Committee generally reviews the performance and compensation of our executive officers on an annual basis and at the time of hiring, promotion or other change in responsibilities. The Compensation Committee's annual review typically occurs shortly after the completion of each fiscal year, with the review for fiscal 2015 compensation commencing in August 2014 and continuing during the Compensation Committee's meeting in September 2014.

Except as otherwise noted in this Compensation Discussion and Analysis, the Compensation Committee's executive compensation decisions are subjective and the result of the Compensation Committee's business judgment. The Compensation Committee's business judgment is informed by the experiences of the Compensation Committee members as well as input from Mercer, its independent compensation consultant. In addition, in setting the compensation for our executives, the Compensation Committee generally considers a variety of factors, with no one factor being determinative or carrying a specified weight. These factors include our target pay positioning strategy (described below), all elements of compensation, our compensation philosophy and objectives and a subjective evaluation of other relevant facts and circumstances, including the following:

the executive's experience, performance and judgment;

survey and peer company market data prepared by the Compensation Committee's independent compensation consultant, as explained in more detail below;

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for executives other than the Chief Executive Officer, the Chief Executive Officer's recommendations;

internal pay equity;

summaries of prior and potential future compensation levels (referred to as "tally sheets");

succession planning and retention objectives;

past and expected future contributions of the executive; and

current company and economic conditions.

Role of Executive Officers

While no executive participates in any discussions or decisions regarding his or her own compensation, certain of our executive officers and other employees assist the Compensation Committee in the administration of our executive compensation process. Our Chief Executive Officer works with our Senior Vice President, Global Human Resources, in reviewing the performance of the other named executive officers and developing recommendations to the Compensation Committee regarding the base salaries, bonuses, equity awards and other incentive compensation to these executives for consideration by the Compensation Committee at its annual review. While the Compensation Committee considers these recommendations, the Compensation Committee is solely responsible for making the final decision regarding the compensation of our executive officers.

Our Senior Vice President, Global Human Resources, also may provide internal and external compensation data to the Compensation Committee and Mercer. Our Chief Financial Officer or his designee may provide input to the Compensation Committee on the financial targets for our performance-based compensation programs and may present data regarding the impact of compensation programs on our financial statements. Our General Counsel or his designee generally assesses and advises the Compensation Committee regarding the legal implications or considerations involving our compensation program.

The Compensation Committee alone is charged with approving the compensation of our Chief Executive Officer, although the Compensation Committee confers with other members of our Board of Directors in evaluating the Chief Executive Officer's performance and determining the Chief Executive Officer's compensation. Our Chief Executive Officer does not participate in discussions concerning his own compensation.

Role of the Compensation Consultant

The Compensation Committee's practice has been to retain a compensation consultant to provide objective advice and counsel to the Compensation Committee on matters related to the compensation of our executive officers and our compensation programs generally. Mercer has been retained by the Compensation Committee as its compensation consultant. The Compensation Committee's relationship with Mercer is reviewed annually and was continued in fiscal 2015. Mercer attended all in-person meetings of the Compensation Committee held during fiscal 2015. Mercer's responsibilities for fiscal 2015 generally included:

providing recommendations regarding the composition of our peer group (described below);

gathering and analyzing publicly available data for the peer group;

analyzing pay survey data;

providing advice regarding executive compensation practices and trends, including proxy advisory firms evolving positions on executive pay;

reviewing and advising on director compensation;

reviewing and advising on the structure and design of, including the performance measures to be used in, bonus and incentive plans;

reviewing and advising on management recommendations regarding target bonus levels, actual bonuses paid and the design and size of equity awards for our executive officers; and

advising on the Compensation Committee's charter.

Mercer communicates regularly with management to gather information and review management proposals but is retained by and reports directly to the Compensation Committee. During fiscal 2015, certain affiliates of

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MMC, the parent company of Mercer, also provided welfare plan consulting, insurance brokerage, and actuarial and plan administration services to the company with respect to the company's general employee benefit plans and programs, as explained in more detail in the section above entitled "Corporate Governance - Committees - Compensation Committee." However, MMC and its affiliates committed to establish and follow safeguards between the executive compensation consultants engaged by the Compensation Committee and the other service providers to the company. Specifically, Mercer provided to the Compensation Committee an annual update on Mercer's financial relationship with the company, as well as written assurances that, within the MMC organization, the Mercer consultants who perform executive compensation services for the Compensation Committee have a reporting relationship and compensation determined separately from MMC's other lines of business and from its other work for the company. These safeguards were designed to help ensure that the Compensation Committee's executive compensation consultants continued to fulfill their role in providing objective, unbiased advice. In addition, the Compensation Committee has assessed Mercer's independence pursuant to applicable SEC and NASDAQ rules. Taking such safeguards into account, the Compensation Committee concluded that the engagement did not raise any conflicts of interest during fiscal 2015 and currently does not raise any conflicts of interest.

Comparative Market Data

To assist the Compensation Committee during its annual review of the competitiveness of compensation levels and the appropriate mix of compensation elements to our executive officers, Mercer uses comparative market data on compensation practices and programs and provides guidance on industry practices. The Compensation Committee, with guidance from Mercer and input from management, determines the composition of our peer group and reevaluates this group on an annual basis. In May 2014, the Compensation Committee determined that no changes would be made to our peer group for the fiscal 2015 annual compensation review. The peer group consists of 14 U.S.-based technology companies with size (primarily based on revenue) and business characteristics that we believe are comparable to us and who compete with us for executive talent. Most of the companies included in our fiscal 2015 peer group are, like us, included in the Dow Jones US Technology, Hardware & Equipment Index, which the company has selected as the industry index for purposes of the stock performance graph appearing in our Annual Report for fiscal 2015. Below is a list of the companies in our peer group for fiscal 2015:

Fiscal 2015 Peer Group Companies

	Revenue(1) (\$MM)	Market Value(2) (\$MM)	Employees(3)
Advanced Micro Devices, Inc.	\$ 4,640	\$ 1,867	9,687
Applied Materials Inc.	\$ 9,330	\$ 23,679	14,000
Broadcom Corp.	\$ 8,557	\$ 30,791	10,650
Cisco Systems, Inc.	\$ 48,675	\$ 139,854	74,042
EMC Corporation.	\$ 24,767	\$ 51,249	70,000
Intel Corporation	\$ 55,251	\$ 144,228	106,700
Micron Technology Inc.	\$ 16,819	\$ 20,272	30,400
NetApp Inc.	\$ 6,123	\$ 9,661	12,810
Qualcomm	\$ 26,517	\$ 102,275	31,300
SanDisk Corporation	\$ 6,051	\$ 12,103	8,696
Seagate Technology	\$ 14,112	\$ 15,109	52,350
TE Connectivity.	\$ 12,824	\$ 26,176	83,000
Texas Instruments Incorporated	\$ 13,152	\$ 53,798	31,003

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Xerox Corporation	\$ 18,887	\$ 11,727	147,500
75 th Percentile	\$ 23,297	\$ 53,161	73,031
50 th Percentile	\$ 13,632	\$ 24,927	31,151
25 th Percentile	\$ 8,750	\$ 12,855	13,108
<i>Western Digital Corporation</i>	\$ 14,572	\$ 18,115	76,449

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(1) Represents the most recent four quarters of revenue as of the June 30, 2015 quarter for which public data was available through quarterly and annual reports filed by each company with the SEC.

(2) Market value as of June 30, 2015 based on publicly traded common stock prices.

(3) Number of employees as disclosed in the most recent Form 10-K filed with the SEC as of August 31, 2015. The company's revenue approximates the 55th percentile of the peer group. Peer group compensation data is taken from each company's most recent proxy statement and other SEC filings.

For fiscal 2015, market data was also collected from the following independent published surveys:

Mercer US Premium Executive Remuneration Suite

Radford Executive Survey

For fiscal 2015, the survey data was filtered for high-technology companies (where such data was not available, the surveys were filtered for durable manufacturing companies or general industry), and adjusted to screen for companies with revenue levels comparable to ours. In reviewing this market data, the Compensation Committee did not focus on any particular company used in the survey (other than the peer companies noted above). For individuals who were executive officers at the time of the annual review, the survey data and the peer group data were averaged (with the survey and peer group data weighted equally) to create what we refer to in this section as composite market data. The composite market data, along with our target pay positioning strategy outlined below, provided the Compensation Committee a reference point, which was one of several factors (as described above) that it used to make subjective compensation decisions during its fiscal 2015 annual compensation review.

Consideration of Say-on-Pay Advisory Vote and Management Stockholder Outreach Efforts

At our 2014 annual meeting of stockholders, more than 94% of the votes cast on the advisory Say-on-Pay proposal indicated approval of the fiscal 2014 compensation of our named executive officers. The Compensation Committee believes that the vote outcome is an indication that stockholders generally approve of the structure of our executive compensation program. In addition, the company has reached out to numerous institutional stockholders to solicit feedback on our executive compensation program, among other items. In light of the 2014 advisory Say-on-Pay vote results, as well as direct feedback received from stockholders during the company's stockholder outreach efforts, the Compensation Committee determined it was appropriate to structure our executive compensation program for fiscal 2015 in a manner generally similar to the program in place for fiscal 2014. Stockholders will have an opportunity annually to cast an advisory vote in connection with named executive officer compensation.

Elements of Our Executive Compensation Program

Our current executive compensation program consists of several elements. The following chart briefly summarizes the general characteristics of each element of direct compensation, the compensation objectives we believe the element helps us achieve and the Compensation Committee's target pay positioning for such element based on the relevant composite market data. Actual pay for individual executive officers can and does vary from our target pay positioning as discussed below.

Element of Direct

Compensation

Base Salary

Characteristics

Fixed component.
Annually reviewed by
Compensation Committee
and adjusted, if and when
appropriate.

Purpose

To attract, develop, reward
and retain highly-qualified
executive talent and to
maintain a stable
management team. To
compensate executives for
sustained individual
performance.

Target Pay Positioning

Generally targeted at the
median based on
composite market data.

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Compensation	Characteristics	Purpose	Target Pay Positioning
Semi-Annual Incentive Compensation	Performance-based semi-annual cash bonus opportunity. Payable based on level of achievement of Compensation Committee-approved semi-annual company performance goals.	To motivate executives to achieve specified performance goals. To encourage accountability by rewarding based on performance. To attract, develop, reward and retain highly-qualified executive talent.	Targeted at a level such that, when added to base salary, target total annual cash compensation is between the median and the 75 th percentile based on composite market data.
Long-Term Incentive Compensation	Performance-based long-term component. Generally granted annually in the form of a combination of stock options, RSUs and/or PSUs. Amounts actually realized under awards will vary based on stock price appreciation and, in the case of performance vesting awards, performance relative to Compensation Committee-approved performance goals.	To tie incentives to performance of our common stock over the long term. To reinforce the linkage between the interests of stockholders and our executives. In the case of awards with performance-based vesting conditions, to motivate executives to achieve specified performance goals. To attract, develop, reward and retain highly-qualified executive talent.	Targeted at a level such that, when added to target total annual cash compensation, target total direct compensation is between the median and the 75 th percentile based on composite market data.

In addition to these elements of our direct compensation program, we also provide executives with relatively modest perquisites and certain other indirect benefits, including participation in certain post-employment compensation arrangements. For a description of these other features of our compensation program, please refer to the section below entitled *Other Features of our Executive Compensation Program*.

The following sections describe each element of our direct compensation program in more detail.

Base Salary

Executive officers are paid a base salary that the Compensation Committee believes is competitive to attract highly-qualified executive talent and to maintain a stable management team. Base salaries are generally reviewed by the Compensation Committee as part of its annual compensation review and at the time of hiring, a promotion or other change in responsibilities. Base salary levels for our executive officers are determined by the Compensation Committee after considering our pay positioning strategy and a subjective evaluation of such factors as the competitive environment, our financial performance, the executive's experience level and scope of responsibility, and the overall need and desire to retain the executive in light of current performance, expected future performance, future potential and the overall contribution of the executive. The Compensation Committee exercises its judgment based on all of these factors in making its decisions. No specific formula is applied to determine the weight of each criterion.

Semi-Annual Incentive Compensation

Our ICP formally links cash bonuses for executive officers and other participating employees to our semi-annual financial performance. We believe that the ICP is a valuable component of our overall compensation program because it assists us in achieving our compensation objective of motivating our executives to achieve financial and non-financial goals that help to drive our overall financial performance during the course of the fiscal year. The ICP also encourages accountability by rewarding executives based both on the actual financial performance achieved as well as a subjective evaluation by the Compensation Committee of other discretionary factors such as individual and business group performance.

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The Compensation Committee establishes target bonus opportunities under the ICP for each executive officer that are expressed as a percentage of each executive's base salary for the semi-annual performance period. In establishing these target bonus opportunities, the Compensation Committee refers to our target pay positioning strategy for short-term incentives and its own subjective evaluation of the executive's position and responsibility.

Shortly after the start of each semi-annual performance period, the Compensation Committee establishes ICP achievement levels of specific operating and/or financial performance goals that correspond to payout opportunities that range from 0% to 200% of the target bonus opportunity for executive officers. At the end of the applicable performance period, the Compensation Committee determines the ICP achievement level for executive officers based upon our performance against the goals established for the period. The achievement rate ranges from a threshold of 80% to a maximum of 126% of achievement. If performance results in an achievement rate that is less than 80%, no bonus is payable under the ICP with respect to that performance goal. The Compensation Committee may adjust the achievement rate percentage upward (subject to a cap of 200%) or downward in its discretion based upon the recommendation of the Chief Executive Officer (other than with respect to the Chief Executive Officer's bonus) and/or a subjective evaluation of the company's performance as well as changes in the business and industry that occur during the performance period and how well we and our executive officers were able to adapt to those changes. The ICP achievement rate, as adjusted by the Compensation Committee, determines the overall funding level for bonus payments to our executives for the applicable semi-annual performance period. The ICP achievement rate corresponds to the ICP payout rate using the following leverage curve:

Actual bonus amounts to the executive officers for each semi-annual performance period under the ICP are calculated by multiplying the executive's target semi-annual bonus opportunity by the ICP payout rate percentage approved by the Compensation Committee based on achievement of the applicable performance metrics, subject to any individual adjustment approved by the Compensation Committee in its sole discretion based upon a subjective evaluation of the executive's individual and business group performance.

Long-Term Incentive Compensation

Annual Long-Term Incentive Award Program. Under our annual LTI program, a combination of stock options, RSUs and/or PSUs are generally granted on an annual basis to our executive officers. The Compensation Committee has established annual LTI grant guidelines for the grant date fair value (as determined for purposes of financial reporting) of the LTI awards granted to each of our executive officers in a particular fiscal year, which are based on the individual's position level and are expressed as a percentage range of the individual's

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annual base salary level. The annual LTI grant guidelines are reviewed and approved by the Compensation Committee during its annual compensation review after review of the composite market data and consultation with Mercer and management. The following table presents the fiscal 2015 LTI grant guidelines for our named executive officers:

Position	LTI Grant Guideline As % of Base Salary
Chief Executive Officer	600% - 1,000%
Subsidiary Presidents	400% - 600%
Executive Vice Presidents	200% - 500%

These long-term incentive ranges provide a guideline for the Compensation Committee when determining the grant value of the annual awards to each executive under the LTI program. In determining the actual grants made to each executive, the Compensation Committee also considers our target pay positioning strategy, the recommendation of our Chief Executive Officer (other than for the Chief Executive Officer's LTI award), the current compensation package and the value of unvested equity awards, as well as a subjective evaluation of the executive's individual performance, current responsibilities, expected future contributions and value to the company. No specific formula is applied to determine the weight of each criterion.

Once the grant values for these executives are determined, the Compensation Committee determines the appropriate allocation of the grant value among our LTI award types. The following table explains in more detail the award types we used in fiscal 2015 and how they help accomplish our compensation objectives.

Element of Annual LTI

Program	Characteristics	Purpose
Stock Options	Granted with an exercise price equal to the closing price of our common stock on the NASDAQ Stock Market on the date of grant. Generally vest in periodic installments over a four-year period, contingent upon continued employment.	Inherently performance-based by providing value only if our stock price increases over time after the grant of an award. Motivate executives to contribute to long-term growth and profitability of the company thereby creating value for stockholders. Serve as a retention incentive.
RSUs	Represent the right to receive shares at the time the award vests. Value of RSUs fluctuates as the value of our common stock increases or decreases. Primarily vest over a 3-year period, contingent upon continued employment.	Help align executives' interests with those of our stockholders. Serve as a retention incentive.
PSUs	Represent right to receive a target number of shares based on achievement of certain performance milestones approved by the Compensation Committee. The actual number of shares that may become earned and payable under the awards granted in fiscal 2015 will generally	Focus executives on the achievement of key financial operating objectives over a multi-year period. Total stockholder return threshold

range from 0% to 200% of the target number of units based on achievement of the specified goal(s) over a two-year period. No amount payable in excess of 150% of target unless the company's total stockholder return over the performance period is equal to or greater than the 60 th percentile of its peer group. Compensation Committee also retains authority to reduce (but not increase) amounts payable under the award in its discretion. The performance goals are	helps further align executives interests with those of our stockholders. TAM adjustment factor helps ensure that we are paying for performance relative to the market demand and opportunity available to us and achievement of the goals is not affected by swings in the
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generally subject to automatic adjustment at the end of the performance period in the same proportion by which the total available market (TAM) for hard drives during the period exceeds or falls short of the TAM forecasted by our Board of Directors at the time the goals are established. In fiscal 2015, PSUs were granted to the Chief Executive Officer and Chief Financial Officer.

Purpose

available market for hard drives. Serve as a retention incentive.

RSUs and/or PSUs are also generally included in the mix because, compared to stock options, they have value even if our stock price does not appreciate. This helps to mitigate risk by ensuring that our executives have downside risk that is aligned with our stockholders' interests and also helps enhance the retentive value of the awards. Since the grant date fair value of one stock unit is generally greater than the grant date fair value of one stock option, fewer stock units can be granted (relative to stock options) to convey the same grant date fair value and thus are potentially less dilutive.

Special Long-Term Incentive Awards. In addition to our annual LTI award program, special LTI cash and/or equity awards outside of our annual LTI program may be granted from time to time to achieve specific objectives.

Executive Officer Compensation for Fiscal 2015***Base Salary***

For fiscal 2015, the Compensation Committee reviewed the base salary levels for our executive officers during its annual review in August 2014. After a review of the relevant comparative market data and a subjective evaluation of their expected contributions to the company and the other factors listed above under the heading *Determination of Executive Compensation* *Role of the Compensation Committee*, the Compensation Committee approved an increase in the base salary level for Mr. Murphy from \$550,000 to \$625,000 to better align his total annual compensation with the market median for his position based on composite market data. The Compensation Committee also approved an increase in the base salary level of Mr. Long from \$450,000 to \$475,000 to position his base salary between the median and 75th percentile for his position based on composite market data. The Compensation Committee believed that such increases were appropriate based on each executive's increased responsibilities, our pay positioning strategy and competitive pay levels for similar positions within our peer group. The Compensation Committee believed that the existing base salary levels for Messrs. Milligan and Cordano continued to be appropriate, and as a result, did not change their base salary levels during fiscal 2015.

Effective as of September 8, 2014, our Board of Directors appointed Mr. Leonetti to the role of Executive Vice President and Chief Financial Officer. In connection with his appointment, the Compensation Committee approved an annual base salary level of \$500,000 to position his base salary below the median for his position based on composite market data given that he was new in the role, internal pay equity considerations at the time of his hiring and consideration of his other elements of pay.

Semi-Annual Incentive Compensation

In its fiscal 2015 review for the named executive officers, the Compensation Committee concluded that target bonus levels for our named executive officers were within a reasonable range of our stated pay positioning strategy and, as a result, no adjustments were made to the target bonus levels for our named executive officers. Effective with Mr. Leonetti's appointment to the role of Executive Vice President and Chief Financial Officer, the Compensation Committee approved a target bonus level of 100% of his base salary to align his target bonus level with our pay

positioning strategy for his position.

For both the first and second halves of fiscal 2015, the Compensation Committee selected adjusted earnings per share as the financial measure for Messrs. Milligan, Leonetti, Long and Leyden under the ICP because it believed that adjusted earnings per share is an appropriate holistic metric for corporate-level

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executives in order to measure the level of the company's overall short-term performance. For fiscal 2015, the Compensation Committee provided that adjusted earnings per share was calculated as earnings per share under generally accepted accounting principles, adjusted to exclude certain material, non-recurring expenses that were unrelated to the day-to-day execution of our business, including accounting charges relating to certain acquisitions and the other items noted below.

For both the first and second halves of fiscal 2015, the Compensation Committee selected subsidiary operating income as the appropriate goal for Messrs. Cordano and Murphy, our subsidiary presidents, because it believed subsidiary operating income is an appropriate metric to measure short-term operating performance at the subsidiary level. The goal for each of these subsidiary-level executives was based on the subsidiary for which the executive had principal responsibility. For fiscal 2015, subsidiary operating income was calculated as subsidiary revenue less cost of goods sold and operating expenses.

First Half of Fiscal 2015. For the first half of fiscal 2015, the Compensation Committee noted that the company's operating results were strong. Specifically, the Compensation Committee noted that the company's non-generally accepted accounting principles (non-GAAP) earnings per share for the first half of fiscal 2015 was \$4.31, exceeding the target of \$4.01, resulting in an achievement rate of 108% and a payout rate of 124% for Messrs. Milligan, Leonetti and Long after applying the leverage curve. The Compensation Committee noted that the non-GAAP operating income for the HGST subsidiary was \$486 million, resulting in an achievement rate of 115% and a payout rate of 152% for Mr. Cordano after applying the leverage curve, based on a target of \$422 million. The Compensation Committee also noted that the WD Subsidiary's achievement rate under the ICP of \$709 million in operating income, or 99% of the target of \$711 million, would have resulted in a payout rate of 98% due to the leverage curve applied under the ICP. The Compensation Committee determined that it would be appropriate to round the ICP payout rate for Mr. Murphy, from 98% to 100%, to reflect the positive performance of the WD Subsidiary during the second fiscal quarter, noting that the achievement rate would have exceeded 100% had certain liabilities not been booked in the second fiscal quarter financials. The Compensation Committee further noted that this rounding resulted in an incremental, modest adjustment to Mr. Murphy's bonus payout, resulting in an additional payment of \$6,875.

The following table reflects the target goals under the ICP for the first half of fiscal 2015, the achievement rates of the goals, the resulting bonus payout rates and the actual bonus payments to each named executive officer for the first half of fiscal 2015.

First Half of Fiscal 2015 ICP Bonus Awards

Name	Metric	Target Goal	Achievement(4)	Plan Achievement Rate	Bonus Payout Rate	Target Semi-Annual ICP Bonus %	Target Semi-Annual ICP Bonus	Actual ICP Bonus Amount
Stephen D. Milligan	Adj. EPS	\$4.01	\$4.31	108%	124%	150%	\$787,500	\$976,500
Timothy M. Hayden(1)	Adj. EPS	\$4.01	\$4.31	108%		110%	\$385,000	
Stevie C. Leonetti(2)	Adj. EPS	\$4.01	\$4.31	108%	124%	100%	\$157,104	\$194,809
Michael D. Cordano	HGST Sub Op. Inc.	\$422 million	\$486 million	115%	152%	110%	\$385,000	\$585,200
	WD Sub Op. Inc.	\$711 million	\$709 million	100%	100%	110%	\$343,750	\$343,750

James J. Murphy(3)								
Mark P. King	Adj. EPS	\$4.01	\$4.31	108%	124%	85%	\$201,875	\$250,325

- (1) Mr. Leyden did not earn a payout under the ICP as a result of his retirement as Chief Financial Officer in September 2014 prior to the completion of the performance period.
- (2) Mr. Leonetti's target ICP bonus amount and actual ICP bonus payout for the first half of fiscal 2015 were prorated from September 8, 2014, his employment commencement date.
- (3) As explained in more detail above and in the footnotes to the Fiscal Years 2013-2015 Summary Compensation Table, the amount (\$6,875) paid under the ICP for the first half of fiscal 2015 over and above the amount earned by Mr. Murphy by meeting the performance measures in the ICP is reported in the Bonus column of the Fiscal Years 2013-2015 Summary Compensation Table. The remaining amount (\$336,875) is included in the Non-Equity Incentive Plan Compensation column of the Fiscal Years 2013-2015 Summary Compensation Table.
- (4) Actual earnings per share under generally accepted accounting principles for the first half of fiscal 2015 was \$3.60, which included a net \$182 million, or \$0.76 per share, in charges related to the amortization

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of intangibles from our acquisitions of HGST, sTec and Virident, litigation charges, acquisition-related expenses (including stock appreciation right expenses) and employee termination, asset impairment and other charges, partially offset by a gain on an insurance recovery. As such, the actual adjusted earnings per share for the first half of fiscal 2015 for purposes of ICP bonuses was \$4.31.

Second Half of Fiscal 2015. For the second half of fiscal 2015, the company's non-GAAP earnings per share was \$3.42 compared to the target of \$3.95, resulting in an achievement rate of 87% and a payout rate of 66% for Messrs. Milligan, Leonetti and Long after applying the leverage curve. The Compensation Committee also noted that the non-GAAP operating income for the HGST subsidiary was \$463 million compared to a target of \$491 million, resulting in an achievement rate 94% and payout rate of 86% for Mr. Cordano after applying the leverage curve. The non-GAAP operating income for the WD subsidiary was \$466 million compared to a target of \$610 million, resulting in an achievement rate of 76% and payout rate of 0% after applying the leverage curve. Accordingly, no ICP payout was made to Mr. Murphy for the second half of fiscal 2015.

The following table reflects the target goals under the ICP for the second half of fiscal 2015, the achievement rates of the goals, the resulting bonus payout rates and the actual bonus payments to each named executive officer for the second half of fiscal 2015.

Second Half of Fiscal 2015 ICP Bonus Awards

Name	Metric	Target Goal	Achievement(1)	Plan Achievement Rate	Bonus Payout Rate	Target Semi-Annual ICP Bonus %	Target Semi-Annual ICP Bonus	Actual ICP Bonus Amount
Stephen D. Milligan	Adj. EPS	\$3.95	\$3.42	87%	66%	150%	\$787,500	\$519,750
Olivier C. Leonetti	Adj. EPS	\$3.95	\$3.42	87%	66%	100%	\$250,000	\$165,000
Michael D. Cordano	HGST Sub Op. Inc.	\$491 million	\$463 million	94%	86%	110%	\$385,000	\$331,100
James J. Murphy	WD Sub Op. Inc.	\$610 million	\$466 million	76%	0%	110%	\$343,750	
Mark P. Long	Adj. EPS	\$3.95	\$3.42	87%	66%	85%	\$201,875	\$133,238

- (1) Actual earnings per share under generally accepted accounting principles for the second half of fiscal 2015 was \$2.58, which included a net \$193 million, or \$0.82 per share, in charges related to the amortization of intangibles from our acquisitions of HGST, sTec, Virident and Amplidata, litigation charges, acquisition-related expenses (including stock appreciation right expenses) and employee termination, asset impairment and other charges. As such, the actual adjusted earnings per share for the second half of fiscal 2015 for purposes of ICP bonuses was \$3.42.

Long-Term Incentive Compensation

Fiscal 2015 Annual LTI Awards. After reviewing the annual LTI grant guidelines for each executive officer, our target pay positioning strategy, the recommendation of our Chief Executive Officer (other than with respect to the Chief Executive Officer's LTI award), current compensation package, value of unvested equity awards and expected future contributions and value to the company, as well as a subjective evaluation of the executive's responsibilities and individual performance, the Compensation Committee determined the annual LTI grant values for each executive officer and the allocation of those grant values among the LTI vehicles, as indicated in the table below. Special LTI awards granted to Messrs. Cordano, Murphy and Long under the Key Talent LTI Program are discussed separately in the section below entitled "Special LTI Awards."

Name	Annual LTI Grant Guideline Range as % of Salary	Approximate Annual LTI Grant Value Approved(2)	Annual LTI Grant Value as % of		Value Allocated to	
			Base Salary	Value Allocated to Stock Options	RSUs	PSUs(3)
Stephen D. Milligan	600% - 1,000%	\$ 9.0 million	857%	25%	25%	50%
Olivier C. Leonetti(1)	200% - 500%	\$ 2.4 million	480%	36.5%	36.5%	27%
Michael D. Cordano	400% - 600%	\$ 3.5 million	500%	50%	50%	
James J. Murphy	400% - 600%	\$ 3.1 million	500%	50%	50%	
Mark P. Long	200% - 500%	\$ 1.7 million	350%	50%	50%	

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- (1) In connection with Mr. Leonetti's appointment as Executive Vice President and Chief Financial Officer, the Compensation Committee approved new hire long-term incentive awards comprised of RSUs (which are scheduled to vest, subject to Mr. Leonetti's continued employment, as to 80% of the RSUs on the first anniversary of the grant date and 20% of the RSUs on the second anniversary of the grant date) and stock options (which are scheduled to vest according to our standard vesting schedule for employee stock options). The terms of Mr. Leonetti's LTI awards were negotiated with Mr. Leonetti to induce him to accept our offer of employment. The Compensation Committee also approved a PSU award for Mr. Leonetti as part of the fiscal 2015 annual LTI awards (which is scheduled to vest at the end of the two-year measurement period, subject to Mr. Leonetti's continued employment and the achievement of pre-established revenue and operating income goals, as described herein).
- (2) For Messrs. Milligan, Cordano, Murphy and Long, the Compensation Committee set each executive's LTI grant value at approximately the mid-point of each executive's LTI grant guideline primarily as a result of his performance, expected contributions to the company and his compensation relative to the composite market data. For Mr. Leonetti, the Compensation Committee set his LTI grant value between the mid-point and maximum guideline to induce him to accept our offer of employment and as a result of his expected contributions to the company, his compensation relative to the composite market data for his position and other elements of his pay.
- (3) With respect to the cumulative revenue and operating income goals applicable to the PSU awards, the Compensation Committee believed that, at the time they were established, the targets corresponding to a 100% payout were challenging yet achievable based on expectations regarding market opportunities and contributions by our executives, and that the maximum revenue and operating income targets would be achievable only with extraordinary efforts and exceptional company results.

Please see the table under the section above entitled "Long-Term Incentive Compensation - Annual Long-Term Incentive Award Program" for more information on the terms and conditions applicable to the LTI vehicles described in the table above. Also, please see "Fiscal 2015 Grants of Plan-Based Awards Table" below for additional details on each named executive officer's LTI grants during fiscal 2015. Mr. Leyden did not receive an annual LTI award in fiscal 2015 because of his retirement.

Special LTI Awards. The Compensation Committee approved the grant of additional RSUs during fiscal 2015 to Messrs. Cordano, Murphy and Long under our Key Talent LTI Program, which is designed to motivate and reward critical talent throughout the company who we believe are essential to drive business continuity and success. The Compensation Committee determined it was appropriate to grant RSUs to Messrs. Cordano, Murphy and Long under the Key Talent LTI Program given each executive's current responsibilities, expected future contributions and value to the company. Restricted stock units granted under the Key Talent LTI Program are scheduled to cliff vest two years following the grant date, subject to the executive's continued service through such period. The Key Talent LTI Program grant values for RSUs granted to each of Messrs. Cordano, Murphy and Long are reflected in the table below:

Name	Approximate Key Talent LTI Program Grant Value Approved	Key Talent LTI Grant Value as % of Base Salary
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Michael D. Cordano	\$ 700,000	100%
James J. Murphy	\$ 625,000	100%
Mark P. Long	\$ 712,500	150%

Fiscal 2015 Payout under PSU Awards. In August 2013, the Compensation Committee approved the grant of a PSU award to Mr. Milligan with a performance period comprised of fiscal 2014 and fiscal 2015. The PSU award was granted with a pre-established cumulative revenue goal of \$30.7 billion and cumulative operating income goal of \$4.47 billion over fiscal 2014 and 2015, each goal with an equal weighting of 50%.

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As described in our proxy statement for our 2014 annual meeting of stockholders, the fiscal 2014-2015 PSU award represents the right to receive a target number of shares of our common stock based on our cumulative revenue and operating income for the performance period against a pre-established milestone. Between 0% and 200% of the target number of units covered by this award could have been earned based on the level of achievement of the milestones. No amount could be paid in excess of 150% of target unless our total stockholder return over the performance period is equal to or greater than the 60th percentile of our peer group. The achievement level of each performance goal corresponds to a pre-established performance level for each goal, with a minimum performance level of 85% for each goal. A performance level that is less than 85% for any performance goal would result in 0% achievement for that goal. The PSU award achievement rate corresponds to the payout rate using the following leverage curves:

The performance goals generally are subject to automatic adjustment at the end of the performance period in the same proportion by which the TAM for hard drives during the period exceeds or falls short of the TAM forecast included in the two-year plan approved by our Board of Directors at the time the goals are established. The TAM adjustment factor helps to ensure that (i) we are paying for performance relative to the market demand and opportunity available to us and (ii) achievement of the goals is not affected by swings in the available market for hard drives. The actual TAM for hard drives for the performance period was slightly less than the TAM forecasted when the PSU award goals were established, with a difference of 0.7%. Accordingly, in fiscal 2015, the revenue and operating income goals were linearly adjusted by applying the TAM modifier, causing the target cumulative revenue goal to be adjusted from \$30.7 billion to \$30.5 billion, and the target cumulative operating income goal to be adjusted from \$4.47 billion to \$4.44 billion.

In July 2015, the Compensation Committee approved a payout under the fiscal 2014-2015 PSU award granted to Mr. Milligan at 82.1% of the target number of shares based on its determination of the achievement of the milestones, resulting in a payout of 52,187 shares to Mr. Milligan after interpolating the achievement rate for the goals. After excluding expenses relating to the amortization of intangibles of certain acquisitions and certain expenses relating to nonrecurring items, including litigation, restructuring and acquisition expenses, in accordance with the terms and conditions of the 2004 Performance Incentive Plan and the PSU award, the actual performance over fiscal 2014 and 2015 resulted in revenue of \$29.7 billion and operating income of \$4.12 billion, or an achievement rate against the target goals of 97.5% and 92.7%, respectively, with a payout rate of 90.3% and 74%, respectively, with each payout rate weighted equally.

Signing Bonus

In connection with Mr. Leonetti's appointment as Executive Vice President and Chief Financial Officer, the Compensation Committee approved payment of a signing bonus for Mr. Leonetti in the amount of \$150,000, subject to repayment if he voluntarily terminates employment within two years following September 8, 2014. The terms of Mr. Leonetti's signing bonus were negotiated with Mr. Leonetti to induce him to accept our offer of employment.

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Retirement of Mr. Leyden as Chief Financial Officer

Mr. Leyden retired as our Chief Financial Officer, effective as of September 8, 2014, and continued in a transition role with the company through January 2, 2015 (the Separation Date).

In connection with Mr. Leyden's retirement, we entered into a Separation and General Release Agreement (the Separation Agreement) with Mr. Leyden. The terms of the Separation Agreement were negotiated with Mr. Leyden. Pursuant to the Separation Agreement, Mr. Leyden agreed to comply with certain non-solicitation, non-interference and cooperation provisions. The Separation Agreement also provides for a customary general release of claims, as well as certain other standard terms. Pursuant to the Separation Agreement, Mr. Leyden is entitled to the following benefits:

for a period of twenty-four consecutive months following the Separation Date, we will pay Mr. Leyden an amount equal to his salary of \$58,333 per month, less standard withholding and authorized deductions; provided, however, that such payments will cease in the event Mr. Leyden becomes employed or otherwise provides services for compensation to any other person or entity, except as otherwise agreed to by us;

a lump sum payment of \$385,000, less standard withholding and authorized deductions, which represented Mr. Leyden's target bonus opportunity under the ICP for the first half of fiscal 2015, assuming 100% of the performance targets had been achieved;

payment of Mr. Leyden's COBRA premiums for eighteen months following the Separation Date, subject to mitigation if Mr. Leyden becomes eligible for alternative equivalent coverage; and

accelerated vesting of Mr. Leyden's then-outstanding options and RSUs as if Mr. Leyden had remained employed through July 2, 2015, the six-month anniversary of the Separation Date.

Please see the Potential Payments Upon Termination or Change in Control section below for additional details relating to payments under the Separation Agreement.

Other Features of our Executive Compensation Program

In addition to direct compensation, we also provide executives with relatively modest perquisites and certain other benefits, including participation in certain post-employment compensation arrangements, which are described in more detail below.

Perquisites; Relocation Expenses

We provide our executive officers with modest perquisites, consisting principally of a \$5,000 annual allowance for financial planning services (net of taxes). In addition, executives are entitled to various other benefits that are available to all employees generally, including health and welfare benefits and participation in our 2005 Employee Stock Purchase Plan, a stockholder-approved plan that is intended to be tax-qualified and which allows employees to purchase a limited number of shares of our common stock at a discount.

We provided Mr. Leonetti with reimbursement of certain relocation expenses (net of taxes) during fiscal 2015 under a company-wide relocation policy.

We did not provide any tax gross-up payments to our executive officers, except as to the modest financial planning services and relocation benefits in accordance with the terms of these programs, to the extent permitted by applicable tax law and to the extent these benefits are taxable to the participant. Participation in these programs is not limited to our executive officers.

Post-Employment Compensation

Retirement Benefits. We provide retirement benefits to our executive officers and other eligible employees under the terms of our 401(k) Plan. Eligible employees may contribute up to 30% of their annual cash compensation up to a maximum amount allowed by the Internal Revenue Code of 1986, as amended (the Code), and are also eligible for matching contributions. These matching contributions vest over a five-year service period. Our executive officers participate in the 401(k) Plan on substantially the same terms as our other

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participating employees. The 401(k) Plan and our matching contributions are designed to assist us in achieving our compensation objectives of attracting and retaining talented individuals and ensuring that our compensation programs are competitive and equitable. We do not maintain any defined benefit supplemental retirement plans for our executive officers.

Deferred Compensation Opportunities. Our executives and certain other key employees who are subject to U.S. federal income taxes are eligible to participate in our Deferred Compensation Plan. Participants in the Deferred Compensation Plan can elect to defer certain compensation without regard to the tax code limitations applicable to tax-qualified plans. We did not make any company matching or discretionary contributions to the plan on behalf of participants in fiscal 2015. The Deferred Compensation Plan is intended to promote retention by providing employees with an opportunity to save for retirement in a tax-efficient manner. Please see the Fiscal 2015 Non-Qualified Deferred Compensation Table and related narrative section entitled Non-Qualified Deferred Compensation Plan below for a more detailed description of our Deferred Compensation Plan and the deferred compensation amounts that our executives have deferred under the plan.

Severance and Change in Control Benefits. Our executive officers are eligible to receive certain severance and change in control benefits under various severance plans or agreements with us. We only provide full acceleration of certain equity awards held by our executive officers in connection with a change in control in the event of a qualifying termination of employment (not merely because the change in control occurred) or in certain circumstances where the award is to terminate in connection with the change in control.

Our philosophy is that, outside of a change in control context, severance protections are only appropriate in the event an executive is involuntarily terminated by us without cause. In such circumstances, we provide severance benefits to our executive officers under our Executive Severance Plan. Severance benefits in these circumstances generally consist of two years base salary, a pro-rata target bonus for the bonus cycle in which the termination occurs, six months accelerated vesting of equity awards and certain continued health and welfare benefits.

We believe that the occurrence or potential occurrence of a change in control transaction will create uncertainty regarding the continued employment of our executive officers. This uncertainty results from the fact that many change in control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage executives to remain employed with us during an important time when their prospects for continued employment following the transaction are often uncertain, we provide our executives with additional severance protections under our Change of Control Severance Plan. We also provide severance protections under the plan to help ensure that executives can objectively evaluate change in control transactions that may be in the best interests of stockholders despite the potential negative consequences such transactions may have on them personally. Under the Change of Control Severance Plan, all of our executives are eligible to receive severance benefits if the executive is terminated by us without cause or if the executive voluntarily terminates his employment for good reason within one year after a change in control event occurs or prior to and in connection with, or in anticipation of, a change in control transaction. In the context of a change in control, we believe that severance is appropriate if an executive voluntarily terminates employment with us for a good reason because in these circumstances we believe that a voluntary termination for good reason is essentially equivalent to an involuntary termination by us without cause. Good reason generally includes certain materially adverse changes in responsibilities, compensation, benefits or location of work place. In such circumstances, we provide severance benefits to our named executive officers under our Change of Control Severance Plan generally consisting of an amount equal to two times the sum of the executive's annual base salary and target bonus, accelerated vesting of certain equity awards and certain continued health and welfare benefits.

We believe that the severance benefits provided to our executive officers under the Executive Severance Plan and the Change of Control Severance Plan are appropriate in light of severance protections available to executives at our peer

group companies and are an important component of each executive's overall compensation as they help us to attract and retain our key executives who could have other job alternatives that may appear to them to be more attractive absent these protections. Our severance arrangements do not include tax gross-up provisions.

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Executive officers are eligible for double trigger accelerated vesting of the equity awards only if there is both (1) a change in control event, and (2) the awards are to be terminated in connection with the change in control event or, within one year after the change in control event, the officer's employment is terminated by the company without cause or by the officer for good reason. We believe these provisions are appropriate so that, in these situations, executives will remain focused on our best interests and the best interests of our stockholders despite the fact that equity awards could be terminated and the future terms of executives' employment are often uncertain in change in control circumstances.

Please see the **Potential Payments Upon Termination or Change in Control** section below for a description and quantification of the potential payments that may be made to the executive officers in connection with their termination of employment or a change in control.

Other Executive Compensation Program Policies

Employment Agreements

The Compensation Committee does not have an established policy for entering into employment agreements with executive officers. Generally, absent other factors, the Compensation Committee's intent is to retain the flexibility to review and adjust compensation to our executive officers on at least an annual basis. In certain circumstances, however, we have entered into employment agreements with our executive officers where we determined that the retention of the executive during the term of the agreement was critical to our future success. In these cases, we may agree to fix some or all of the executive's compensation for the term of the agreement. The Compensation Committee determined that the employment agreements with Messrs. Milligan and Leyden were appropriate and advisable in order to help maintain a consistent executive leadership team following the acquisition of HGST.

In connection with Mr. Milligan's appointment as our President and Chief Executive Officer effective as of January 2013, we entered into an amended and restated employment agreement with Mr. Milligan in September 2012. Under Mr. Milligan's employment agreement, Mr. Milligan became entitled to an annual base salary of \$1 million (as may be increased from time to time), and to an annual target bonus under the ICP equal to 150% of his base salary. Mr. Milligan's employment agreement also provided for the grant of a PSU relating to our acquisition of HGST, which was paid out in July 2014, as described in the proxy statement for our 2014 annual meeting of stockholders. Mr. Milligan's agreement does not contain any severance protection (although he participates in our severance plans applicable to all executive officers), and it does not include any tax gross-up provisions.

On March 7, 2011, in connection with our entry into an agreement to acquire HGST from Hitachi, Ltd., we entered into a five-year employment agreement with Mr. Leyden, which became effective upon the closing of the transaction. Under Mr. Leyden's employment agreement, Mr. Leyden became entitled to an annual base salary of \$700,000 and to an annual target bonus under the ICP equal to 110% of his base salary. Mr. Leyden's employment agreement did not provide any guaranteed bonuses or long-term incentive compensation, other than the grant of a PSU award relating to our acquisition of HGST, which was paid out in July 2014, as described in the proxy statement for our 2014 annual meeting of stockholders. Mr. Leyden's agreement did not contain any severance protection (although he did participate in our severance plans applicable to all executive officers), and it did not include any tax gross-up provisions. As described earlier, in connection with Mr. Leyden's retirement as our Chief Financial Officer, we entered into the Separation Agreement, which superseded and replaced Mr. Leyden's employment agreement.

Compensation Recovery Policy

Our Board of Directors adopted by resolution a compensation recovery policy whereby in the event of a restatement of the company's audited financial statements involving misconduct by an executive officer, a committee of our Board of Directors will consider whether such officer engaged in intentional financial accounting misconduct such that the officer should disgorge any net option exercise profits or cash bonuses attributable to such misconduct.

Table of Contents***Equity Grant and Ownership Guidelines and Policies***

Equity Award Grant Policy. We recognize that the granting of equity awards presents specific accounting, tax and legal issues. In accordance with the equity award grant policy adopted by our Board of Directors, all equity awards to our executives and other employees will be approved and granted only by the Compensation Committee at telephonic or in-person meetings that are scheduled in advance and that occur outside of our established blackout periods. The authority to grant equity awards will not be delegated to any other committee, subcommittee or individual and will not occur by unanimous written consent. It is also our intent that all stock option grants will have an exercise price per share equal to the closing market price of a share of our common stock on the grant date.

Executive Stock Ownership Guidelines. To help achieve our compensation objective of linking the interests of our stockholders with those of our executive officers, we have established executive stock ownership guidelines covering our senior executives, including our named executive officers. The guidelines provide that each executive achieve ownership of a number of qualifying shares with a market value equal to the specified multiple of the executive's base salary (in effect upon the later of February 6, 2008 or the date he or she first becomes subject to the guidelines) shown below.

Position	Multiple
Chief Executive Officer	5 x Salary
Subsidiary Presidents	3 x Salary
Executive Vice Presidents	2 x Salary
Senior Vice Presidents	1 x Salary

Each executive must achieve ownership of the required market value of shares before February 6, 2013 (or, if later, within three years of becoming subject to the guidelines). Thereafter, the executive must maintain ownership of at least the number of shares that were necessary to meet the executive's required market value of ownership on the date the requirement was first achieved (subject to certain adjustments in the event of a change in base salary or position). Ownership that counts toward the guidelines includes common stock, RSUs, PSUs, restricted stock, deferred stock units and common stock beneficially owned by the executive by virtue of being held in a trust, by a spouse or by the executive's minor children. Shares the executive has a right to acquire through the exercise of stock options (whether or not vested) are not counted toward the stock ownership requirement. All of our current executive officers subject to the guidelines have met their required ownership level as of the date of this Proxy Statement.

IRC Section 162(m) Policy

Section 162(m) of the Code (Section 162(m)) generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to a company's chief executive officer and certain other highly compensated executive officers unless certain tests are met. It is our current intention that, so long as it is consistent with our overall compensation objectives and philosophy, executive compensation generally will be structured in a manner intended to be deductible for federal income tax purposes to the extent reasonably possible. However, there can be no assurance that compensation intended to qualify for deductibility under Section 162(m) will, in fact, be deductible and exempt from Section 162(m) limitations, and the Compensation Committee may award non-deductible compensation when it determines that these plans and policies are in our best interests and the best interests of our stockholders to help us to achieve our compensation objectives. The Compensation Committee will, however, continue to consider, among other relevant factors, the deductibility of compensation when it reviews our compensation plans and policies.

Subsequent Events

Base Salary and Target Bonus Level Adjustment

In August 2015, the Compensation Committee approved an increase to Mr. Long's annual base salary level, from \$475,000 to \$500,000, and his annual target bonus level, from 85% to 100%.

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Long-Term Incentive Awards

The following long-term incentive awards were granted to our named executive officers in August and September 2015:

Mr. Milligan was granted (i) 50,361 PSUs, (ii) 25,180 RSUs, and (iii) 104,539 stock options.

Mr. Leonetti was granted (i) 11,648 PSUs, (ii) 5,824 RSUs, and (iii) 24,179 stock options.

Mr. Cordano was granted (i) 10,774 PSUs, (ii) 21,549 RSUs, and (iii) 44,731 stock options.

Mr. Murphy was granted (i) 9,682 PSUs, (ii) 19,365 RSUs, and (iii) 40,198 stock options.

Mr. Long was granted 69,889 PSUs.

The terms of these RSU and stock option awards were substantially the same as the terms of our RSU and stock option awards granted under our fiscal 2015 annual LTI program, except that the per share exercise price of the new stock option awards reflects the closing price of our common stock on the NASDAQ Stock Market on the date of grant of the new awards. The terms of the new PSU awards granted to our named executive officers, other than to Mr. Long, generally were similar to the terms of our PSU awards granted under our fiscal 2015 LTI program. With respect to Mr. Long's PSUs, the Compensation Committee established performance goals, payout opportunities and vesting conditions specifically related to his role and area of responsibility.

LTI Grant Guidelines

In August 2015, the Compensation Committee approved adjusting the midpoint of the LTI grant guidelines for Messrs. Leonetti and Long, from a midpoint of 350% of the executive's base salary to a midpoint of 400% of the executive's base salary.

The following report of our Compensation Committee shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, nor shall any information in this report be incorporated by reference into any past or future filing under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, except to the extent that we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management, and based on that review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in the Proxy Statement for our 2015 Annual Meeting of Stockholders and incorporated by reference into our 2015 Annual Report on Form 10-K.

COMPENSATION COMMITTEE

Michael D. Lambert, Chairman

Len J. Lauer

Thomas E. Pardun

September 17, 2015

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All of the Compensation Committee members whose names appear on the Compensation Committee Report above were members of the Compensation Committee during all of fiscal 2015. In addition, Mr. Moore served as a member of the Compensation Committee during fiscal 2015 until his retirement immediately prior to our 2014 annual meeting of stockholders. All members of the Compensation Committee during fiscal 2015 were independent directors and none of them were our employees or former employees or had any relationship with us requiring disclosure under rules of the SEC requiring disclosure of certain transactions with related persons. There are no Compensation Committee interlocks between us and other entities in which one of our executive officers served on the compensation committee (or equivalent body) or the board of directors of another entity whose executive officer(s) served on our Compensation Committee or Board of Directors.

EXECUTIVE COMPENSATION TABLES AND NARRATIVES**Fiscal Years 2013 2015 Summary Compensation Table**

The following table presents information regarding compensation earned for fiscal years 2013, 2014 and 2015 by the individuals who served as our Chief Executive Officer or Chief Financial Officer during fiscal 2015 (Messrs. Milligan, Leyden and Leonetti) and our three other named executive officers who were serving as executive officers at the end of fiscal 2015 (Messrs. Cordano, Murphy and Long). In this Proxy Statement, we refer to these individuals as our named executive officers. Unless otherwise noted, the footnote disclosures apply to fiscal 2015 compensation. For an explanation of the amounts included in the table for fiscal years 2013 or 2014, please see the footnote disclosures in our proxy statement for our annual meeting of stockholders for the corresponding fiscal year.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)(3)	Stock Awards (\$)(4)(5)	Option Awards (\$)(4)	Change in Pension Value		All Other Compensation (\$)(7)	Total (\$)
						Non-Equity and Incentive Compensation (\$)(6)	Non-qualified Plan Deferred Compensation Earnings (\$)(6)		
Stephen D. Milligan	2015	1,050,000		6,761,354	2,392,740	1,496,250		7,819	11,708,163
President and	2014	1,050,000	14,962	6,307,313	2,177,257	1,733,288		7,742	11,290,562
Chief Executive Officer	2013	910,000	125,000	7,427,988	1,542,019	1,457,500		93,457	11,555,964
Timothy M. Leyden	2015	350,000						1,805,952	2,155,952
Former Chief Financial	2014	700,000	7,315	1,401,579	1,451,504	847,385		11,926	4,419,709
Officer(1)	2013	700,000	96,250	2,012,245	1,720,898	2,639,150		127,529	7,296,072
Nivier C. Leonetti	2015	408,219	150,000(8)	1,527,516	930,499	359,809		71,274	3,447,317
Executive Vice President									
and Chief Financial									
Officer(1)									
Michael D. Cordano	2015	700,000		2,454,072	1,861,030	916,300		6,625	5,938,027

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President, HGST	2014	700,000	14,245	1,877,174	1,943,964	852,005	12,985	5,400,373
Subsidiary	2013	592,212	130,400	3,748,995	1,475,049	674,850	41,091	6,662,597
James J. Murphy	2015	625,000	6,875	2,191,114	1,661,619	336,875	16,878	4,838,361
President, WD Subsidiary	2014	550,000	26,583	1,304,237	1,357,021	581,625	13,240	3,832,706
	2013	437,500	45,157	1,018,086	870,691	1,302,519	16,803	3,690,756
Mark P. Long(2)	2015	475,000		1,546,227	883,964	383,563	7,466	3,296,220
Executive Vice President, Chief Strategy Officer	2014	450,000	3,634	1,126,250	1,166,389	420,942	9,821	3,177,036

- (1) Mr. Leyden retired as our Chief Financial Officer effective as of September 8, 2014 and continued in a transition role through January 2, 2015. Mr. Leonetti was appointed to the role of Executive Vice President and Chief Financial Officer effective as of September 8, 2014. For purposes of this table, the amount shown reflects Mr. Leonetti's annual base salary level for fiscal 2015 (\$500,000), prorated from his employment commencement date of September 8, 2014.
- (2) Mr. Long was not a named executive officer of the company for fiscal 2013.
- (3) As required by SEC rules, the amount shown includes the amount paid to Mr. Murphy under our ICP for the first half of fiscal 2015 over and above the amount earned by meeting the performance measures of the ICP, as more fully described in the Compensation Discussion and Analysis section above and quantified in the

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Description of Compensation Arrangements for Named Executive Officers section below. The amounts earned by meeting the performance measures under the ICP are reported in the Non-Equity Incentive Plan Compensation column, as more fully described in footnote (6) below.

- (4) The amounts shown reflect the aggregate grant date fair value of stock and option awards granted in the applicable fiscal year computed in accordance with ASC 718 (formerly FAS 123(R)). These amounts were calculated based on the assumptions described in Note 8 in the Notes to Consolidated Financial Statements included in our Form 10-K for the applicable fiscal year, but exclude the impact of estimated forfeitures related to service-based vesting conditions. Mr. Leyden forfeited 43,802 unvested RSUs and 74,460 stock options in connection with his retirement. No other named executive officer forfeited any stock or option awards during fiscal 2015. See Fiscal 2015 Grants of Plan-Based Awards Table below for information on awards made in fiscal 2015.
- (5) Amounts shown for Messrs. Milligan and Leonetti include the grant date fair value for PSU awards granted during fiscal 2015, as more fully described in the Grants of Plan-Based Awards Table below and the narrative that follows that table. Consistent with ASC 718, the grant date fair value was based on target performance and the closing price of our common stock on the grant date. The following amounts represent the grant date value assuming maximum performance under the awards: Mr. Milligan (\$9,015,206) and Mr. Leonetti (\$1,302,181).
- (6) The table below summarizes the non-equity incentive plan compensation earned by our named executive officers in fiscal 2015. These amounts are more fully described in the Compensation Discussion and Analysis section above and in the Description of Compensation Arrangements for Named Executive Officers section below. As indicated in footnote (3), the amount paid to Mr. Murphy under the ICP for the first half of fiscal 2015 over and above the amount earned by meeting the performance measures in the ICP are reported in the Bonus column of the Fiscal Years 2013 - 2015 Summary Compensation Table and, therefore, are not included in the table provided below in this footnote.

Name	ICP-1 st Half FY15	ICP-2 nd Half FY15
Stephen D. Milligan	\$ 976,500	\$ 519,750
Timothy M. Leyden		
Olivier C. Leonetti	\$ 194,809	\$ 165,000
Michael D. Cordano	\$ 585,200	\$ 331,100
James J. Murphy	\$ 336,875	
Mark P. Long	\$ 250,325	\$ 133,238

- (7) The table below summarizes all other compensation to each of our named executive officers in fiscal 2015:

Name	Perquisites(a)	401(k) Plan Company Matching Contributions	Other
Stephen D. Milligan		\$ 6,577	

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Timothy M. Leyden		\$ 3,746	\$ 1,802,206(b)
Olivier C. Leonetti		\$ 9,029	\$ 61,189(c)
Michael D. Cordano		\$ 6,625	
James J. Murphy	\$10,253(d)	\$ 6,625	
Mark P. Long		\$ 6,625	

- (a) In accordance with applicable SEC rules, no amount is reflected if the aggregate amount of perquisites and other personal benefits paid to such individual during fiscal 2015 was less than \$10,000.
- (b) As described in more detail under the Compensation Discussion and Analysis section above, in connection with his retirement as Chief Financial Officer effective as of September 8, 2014, Mr. Leyden entered into the Separation Agreement, which provided for the following cash separation payments: (i) salary continuation of \$58,333 per month for 24 months, (ii) lump sum payment of approximately \$385,000, which represented Mr. Leyden's target bonus opportunity under the ICP for the first half of fiscal 2015, assuming 100% of the performance targets had been achieved; and (iii) payment of Mr. Leyden's COBRA premiums for 18 months, or \$17,206 in the aggregate, in each case, subject to standard withholding and authorized deductions.
- (c) The amount shown reflects \$61,189 of reimbursed relocation expenses, including \$4,904 for travel expenses, \$31,727 for temporary housing and living expenses, and a tax gross up payment of \$24,558, pursuant to our company-wide relocation policy.

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(d) The amount shown reflects a taxable life insurance benefit of \$2,411 and reimbursed financial planning services of \$7,842, including \$3,750 for financial services rendered and a tax gross up payment of \$4,092, pursuant to our financial services reimbursement policy.

(8) In connection with Mr. Leonetti's appointment as Executive Vice President and Chief Financial Officer, the Compensation Committee approved payment of a signing bonus of \$150,000, subject to repayment if he voluntarily terminates employment within two years following September 8, 2014.

Fiscal 2015 Grants of Plan-Based Awards Table

The following table presents information regarding all grants of plan-based awards made to our named executive officers during our fiscal year ended July 3, 2015.

Award Type(3)	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(4)	All Other Option Awards: Number of Securities or Underlying Options (#)(5)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Valuation (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
D. ICP											
1 st Half FY15 PSUs	6/28/14	393,750	787,500	1,575,000							
(FY15-16)(7) RSUs	9/11/14				22,524	45,049	90,098				4,500
Options	9/11/14							22,524			2,250
ICP 2 nd Half									74,094	100.06	2,300
FY15 ICP 3 rd Half	1/3/15	393,750	787,500	1,575,000							
(1) FY15 ICP 4 th Half	6/28/14	192,500	385,000	770,000							
(2) FY15 PSUs	9/8/14	78,552	157,104	314,208							
	9/11/14				3,253	6,507	13,014				6,000

(FY15-16)(7)									
RSUs	9/11/14					8,759			8
Options	9/11/14						28,814	100.06	9
ICP 1 st Half									
FY15	1/3/15	125,000	250,000	500,000					
D. ICP 1 st Half									
FY15	6/28/14	192,500	385,000	770,000					
RSUs	9/11/14					24,526			2,4
Options	9/11/14						57,629	100.06	1,8
ICP 2 nd Half									
FY15	1/3/15	192,500	385,000	770,000					
ICP 1 st Half									
FY15	6/28/14	171,875	343,750	687,500					
RSUs	9/11/14					21,898			2,1
Options	9/11/14						51,454	100.06	1,6
ICP 2 nd Half									
FY15	1/3/15	171,875	343,750	687,500					
ICP 1 st Half									
FY15	6/28/14	100,938	201,875	403,750					
RSUs	9/11/14					15,453			1,5
Options	9/11/14						27,373	100.06	8
ICP 2 nd Half									
FY15	1/3/15	100,938	201,875	403,750					

(1) As explained in more detail above, Mr. Leyden retired as our Chief Financial Officer effective as of September 8, 2014, and, therefore, he did not earn an ICP bonus for the first half of fiscal 2015.

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- (2) Mr. Leonetti's target ICP bonus for the first half of fiscal 2015 was prorated based on his employment commencement date of September 8, 2014.
- (3) To help explain this table and the awards granted to our named executive officers in fiscal 2015, we have included an additional column showing the type of award granted.
- (4) Represents RSUs awarded to the named executive officer under our 2004 Performance Incentive Plan. Mr. Milligan's RSUs are scheduled to vest ratably over three years. With respect to Mr. Leonetti's RSUs, 7,008 are scheduled to vest one year following the grant date and 1,751 are scheduled to vest two years following the grant date. With respect to Mr. Cordano's RSUs, 17,519 are scheduled to vest ratably over three years, and 7,007 are scheduled to cliff vest two years following the grant date. With respect to Mr. Murphy's RSUs, 15,642 are scheduled to vest ratably over three years, and 6,256 are scheduled to cliff vest two years following the grant date. With respect to Mr. Long's RSUs, 8,321 are scheduled to vest ratably over three years, and 7,132 are scheduled to cliff vest two years following the grant date. See *Description of Compensation for Named Executive Officers Equity-Based Awards* below for more information about these awards.
- (5) Represents stock options awarded to the named executive officer under our 2004 Performance Incentive Plan. See *Description of Compensation for Named Executive Officers Equity-Based Awards* below for more information about these awards.
- (6) The dollar value of the awards shown represents the grant date fair value of the award computed in accordance with ASC 718 (formerly FAS 123(R)). See Note 8 in the Notes to Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K for more information about the assumptions used to determine these amounts.
- (7) Represents a PSU award granted to the named executive officer under our 2004 Performance Incentive Plan for the performance period covering fiscal years 2015 and 2016. The award is subject to cliff vesting at the end of the two-year measurement period and will be payable in shares of our common stock at the end of the performance period based on our achievement of specified operating income and revenue goals that correspond to specific payment percentages ranging between 0% and 200% of the target number of units subject to the award.

Description of Compensation Arrangements for Named Executive Officers

Overview

The *Fiscal Years 2013–2015 Summary Compensation Table* above quantifies the value of the different forms of compensation earned by our named executive officers in fiscal years 2013, 2014 and 2015, and the *Fiscal 2015 Grants of Plan-Based Awards Table* table above provides information regarding the equity incentive awards and non-equity incentive awards granted to our named executive officers in fiscal 2015. These tables should be read in conjunction with the narrative descriptions and additional tables that follow.

Employment Agreement with Mr. Milligan

We are party to an amended and restated employment agreement with Mr. Milligan, effective as of September 6, 2012. Mr. Milligan's employment agreement continues through March 8, 2017. Under Mr. Milligan's employment agreement, Mr. Milligan is entitled to an annual base salary of \$1 million effective January 2, 2013, and an annual target bonus under the ICP equal to 150% of his base salary. Mr. Milligan's base salary and target bonus opportunity may be increased by the Compensation Committee in its sole discretion. Mr. Milligan's employment agreement also provided for the grant of a PSU award relating to our acquisition of HGST, which was paid out in July 2014, as described in the proxy statement for our 2014 annual meeting of stockholders. The agreement does not contain any severance protection, although Mr. Milligan participates in our severance plans applicable to all executive officers, as described below under Potential Payments upon Termination or Change in Control.

Employment Agreement with Mr. Leyden

We entered into a five-year employment agreement with Mr. Leyden, effective as of March 7, 2011. The agreement provided for a minimum annual base salary of \$700,000 and a minimum annual target bonus

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opportunity under the ICP of 110% of base salary. The agreement did not provide any fixed or guaranteed compensation or long-term incentive compensation, other than to provide for a PSU award relating to our acquisition of HGST, which was paid out in July 2014, as described in the proxy statement for our 2014 annual meeting of stockholders. The agreement did not contain any severance protection, although Mr. Leyden participated in our severance plans applicable to all executive officers, as described below under Potential Payments upon Termination or Change in Control.

In connection with Mr. Leyden's retirement as our Chief Financial Officer, we entered into the Separation Agreement, which superseded and replaced Mr. Leyden's employment agreement. Please see the Compensation Discussion and Analysis section for a description of the terms and conditions of the Separation Agreement.

Non-Equity Incentive Plan Compensation and Awards

Under our ICP, our executive officers and other participating employees are eligible to receive cash bonus awards on a semi-annual basis. The amount of the bonuses payable under our ICP are determined based on our achievement of operating and/or financial performance goals established by the Compensation Committee semi-annually as well as other discretionary factors, including non-financial and strategic operating objectives, business and industry conditions and individual and business group performance.

The executive is generally required to remain employed with us through the date on which the Compensation Committee determines, and we pay, the bonus amounts for the applicable semi-annual period to be eligible to receive payment of the bonus for that period. See the Compensation Discussion and Analysis section above for a more detailed description of our ICP and tables reflecting each executive's semi-annual target bonus opportunities and actual bonus payouts under the ICP for fiscal 2015.

Equity-Based Awards

Each stock option, RSU and PSU award reported in the Fiscal 2015 Grants of Plan-Based Awards Table was granted by the Compensation Committee under, and is subject to, the terms of our 2004 Performance Incentive Plan. Our Board of Directors has delegated general administrative authority for the 2004 Performance Incentive Plan to the Compensation Committee. The Compensation Committee has broad authority under the 2004 Performance Incentive Plan with respect to granting awards, including the authority to select participants and determine the type of award they are to receive, to determine the number of shares that are to be subject to awards and the terms and conditions of awards, to accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award upon the occurrence of certain corporate events such as reorganizations, mergers and stock splits, and to make provision for the payment of the purchase price of an award (if any) and ensure that any tax withholding obligations incurred in respect of awards are satisfied.

PSU Awards. The PSU awards granted to Messrs. Milligan and Leonetti in September 2014 were granted as part of our regular annual LTI award process. Each PSU award represents a contractual right to receive a target number of shares of our common stock based on achievement of certain goals over the performance period. For the PSU awards granted in September 2014, the Compensation Committee selected cumulative revenue and operating income as the performance goals over the two-year performance period covering fiscal years 2015 and 2016, with each PSU award subject to cliff vesting after the completion of the two-year performance period upon achievement of the pre-established performance goals. The actual number of shares of our common stock that may become earned and payable after the performance period will range from 0% to 200% of the target number of shares underlying these PSU awards based on the level of achievement of the milestones. The target number of PSUs subject to the award are

credited to a bookkeeping account that we have established on behalf of each executive officer.

Our named executive officers are not entitled to voting rights with respect to their PSUs. However, if we pay an ordinary cash dividend on our outstanding shares of common stock, the named executive officer will have the right to receive a dividend equivalent with respect to any unpaid PSUs (whether vested or not) held as of the record date for the dividend payment. A dividend equivalent is a credit to the named executive officer's bookkeeping account of an additional number of PSUs equal to (i) the per-share cash dividend, multiplied by

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(ii) the target number of PSUs held by the named executive officer as of the record date of the dividend payment, divided by (iii) the per-share closing market price of our common stock on the date the dividend is paid. Dividend equivalents will be subject to the same vesting, payment and other terms and conditions as the original PSUs to which they relate (except that dividend equivalents may be paid in cash based on the closing market price of a share of our common stock on the date of payment).

Stock Options. Each stock option reported in the Fiscal 2015 Grants of Plan-Based Awards Table has a per-share exercise price equal to the closing market price of a share of our common stock on the grant date as reported by the NASDAQ Stock Market. In general, each stock option granted to our named executive officers in fiscal 2015 vests 25% on the first anniversary of its grant date and 6.25% at the end of each three-month period thereafter until the stock option is fully vested on the fourth anniversary of its grant.

Once vested, each stock option will generally remain exercisable until its normal expiration date. Stock options granted during fiscal 2015 expire on the seventh anniversary of their grant date. Outstanding options, however, may terminate earlier in connection with the termination of the named executive officer's employment with us. In the event an executive's employment terminates, stock options granted to the executive will generally remain exercisable until the earlier to occur of three months following the executive's severance date or the expiration date of the stock options, except that all outstanding stock options held by an executive will terminate immediately in the event the executive's employment is terminated for cause. Subject to the earlier expiration of the stock options, stock options granted to the named executive officer will remain exercisable for a longer period upon the occurrence of specified events, as follows: one year in the event the executive ceases to be an employee due to his total disability; three years in the event of the executive's death; and three years after the executive meets the criteria of a qualified retiree by satisfying certain minimum service-period requirements described below.

RSUs. Each RSU award granted to our named executive officers in fiscal 2015 represents a contractual right to receive one share of our common stock per RSU on the vesting date(s) of the RSUs. The vesting dates of the RSU awards reported in the Fiscal 2015 Grants of Plan-Based Awards Table are disclosed in Outstanding Equity Awards at Fiscal 2015 Year-End Table below. We credit RSUs to a bookkeeping account that we have established on behalf of each named executive officer.

Our named executive officers are not entitled to voting rights with respect to their RSUs. However, if we pay an ordinary cash dividend on our outstanding shares of common stock, the named executive officer will have the right to receive a dividend equivalent with respect to any unpaid RSU (whether vested or not) held as of the record date for the dividend payment. A dividend equivalent is a credit to the named executive officer's bookkeeping account of an additional number of RSUs equal to (i) the per-share cash dividend, multiplied by (ii) the number of RSUs held by the named executive officer as of the record date of the dividend payment, divided by (iii) the per-share closing market price of our common stock on the date the dividend is paid. Dividend equivalents will be subject to the same vesting, payment and other terms and conditions as the original stock units to which they relate (except that dividend equivalents may be paid in cash based on the closing market price of a share of our common stock on the date of payment).

Additional information regarding the vesting acceleration provisions applicable to equity awards granted to our named executive officers is included below under the heading Potential Payments upon Termination or Change in Control.

Table of Contents**Outstanding Equity Awards at Fiscal 2015 Year-End Table**

The following table presents information regarding the current holdings of stock options and stock awards (and corresponding dividend equivalents) held by each of our named executive officers as of July 3, 2015. This table includes vested but unexercised stock option awards, unvested and unexercisable stock option awards, and unvested awards of RSUs and PSUs at target level.

Name	Grant Date(1)	Number of Securities Underlying Unexercised Options		Option Awards		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Stock Awards	
		Exercisable (#)	Unexercisable (#)	Exercise Price (\$)	Option Expiration Date			Equity Incentive Plan Awards: Number of Unearned Shares, or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)
Stephen D. Milligan	3/19/2012		23,137(3)	38.19	3/19/2019				
	9/6/2012		30,818(3)	43.11	9/6/2019	44,224(4)	3,576,395		
	8/14/2013	5,663	50,974(3)	68.49	8/14/2020	31,769(4)	2,569,159		
	9/11/2014		74,094(3)	100.06	9/11/2021	22,977(5)	1,858,150	45,956(6)	3,716,462
Olivier C. Leonetti	9/11/2014		28,814(3)	100.06	9/11/2021	8,935(7)	722,573	6,638(6)	536,815
Michael D. Cordano	5/16/2012		9,580(3)	38.63	5/16/2019				
	9/6/2012		29,480(3)	43.11	9/6/2019	21,151(8)	1,710,481		
	8/14/2013		45,511(3)	68.49	8/14/2020	28,365(8)	2,293,878		
	9/11/2014		57,629(3)	100.06	9/11/2021	25,019(9)	2,023,287		
James J. Murphy	9/14/2011		3,017(3)	29.60	9/14/2018				
	5/16/2012		11,063(3)	38.63	5/16/2019				
	9/6/2012		17,401(3)	43.11	9/6/2019	12,485(8)	1,009,662		
	8/14/2013		19,448(3)	68.49	8/14/2020	12,121(8)	980,225		

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	11/13/2013		11,770(10)	72.44	11/13/2020	7,147(11)	577,978
	9/11/2014		51,454(3)	100.06	9/11/2021	22,338(9)	1,806,474
Mark P.							
Long	2/13/2013	876	18,404(3)	48.63	2/13/2020	4,599(5)	371,921
	8/14/2013	2,024	27,307(3)	68.49	8/14/2020	17,018(8)	1,376,246
	9/11/2014		27,373(3)	100.06	9/11/2021	15,764(9)	1,274,835

- (1) To help explain this table and the awards held by our named executive officers, we have included an additional column showing the grant date of each stock option and stock award.
- (2) The amount shown for the market value of the stock awards is based on the \$80.87 closing price of our common stock on July 2, 2015, the last trading day in fiscal 2015.
- (3) These stock option awards are scheduled to vest as to 25% of the underlying shares on the first anniversary of the grant date, and as to an additional 6.25% of the underlying shares at the end of each three-month period thereafter until the award is fully vested on the fourth anniversary of the grant date.
- (4) These stock unit awards are scheduled to vest in full on the third anniversary of the grant date.
- (5) These stock unit awards are scheduled to vest in three substantially equal annual installments on each of the first, second and third anniversaries of the grant date.
- (6) This PSU award is scheduled to vest at the end of fiscal 2016 based on achievement of cumulative revenue and operating income goals established by the Compensation Committee for the two-year period covering fiscal years 2015 and 2016. The award will be payable in shares of our common stock at the end of the performance period based on our achievement of the specified goals that correspond to specific payment

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percentages ranging between 0% and 200% of the target number of units subject to the award indicated in the table above.

- (7) These stock unit awards are scheduled to vest as to 80% of the shares subject to the award on the first anniversary of the grant date and as to the remaining 20% on the second anniversary of the grant date.
- (8) These stock unit awards are scheduled to vest as to 50% of the shares subject to the award on the second anniversary of the grant date and as to the remaining 50% on the third anniversary of the grant date.
- (9) With respect to Mr. Cordano's RSUs, 17,871 are scheduled to vest ratably over three years, and 7,148 are scheduled to cliff vest two years following the grant date. With respect to Mr. Murphy's RSUs, 15,957 are scheduled to vest ratably over three years, and 6,381 are scheduled to cliff vest two years following the grant date. With respect to Mr. Long's RSUs, 8,489 are scheduled to vest ratably over three years, and 7,275 are scheduled to cliff vest two years following the grant date. See Description of Compensation for Named Executive Officers Equity-Based Awards below for more information about these awards.
- (10) These stock option awards vested as to 25% of the underlying shares on August 14, 2014, and as to an additional 6.25% of the underlying shares at the end of each three-month period thereafter until the award is fully vested on August 14, 2017.
- (11) These stock unit awards are scheduled to vest as to 50% of the shares subject to the award on August 14, 2015 and as to the remaining 50% on August 14, 2016.

Fiscal 2015 Option Exercises and Stock Vested Table

The following table presents information regarding the amount realized upon the exercise of stock options and the vesting of stock unit awards for our named executive officers during fiscal 2015.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Stephen D. Milligan	89,488	4,458,127	70,400	5,874,018
Timothy M. Leyden	368,332	23,671,213(3)	56,212	5,640,011
Olivier C. Leonetti				
Michael D. Cordano	68,563	3,100,981	28,777	2,878,223
James J. Murphy	67,553	3,588,934	28,115	2,821,189
Mark P. Long	28,856	1,089,154	4,546	489,277

- (1) The amount shown for value realized on exercise of stock options equals (i) the number of shares of our common stock to which the exercise of the stock option related, multiplied by (ii) the difference between the per-share market price of the shares on the date of exercise and the per-share exercise price of the option. If the stock acquired upon exercise was sold on the day of exercise, the market price was determined as the actual sales price of the stock. If the stock acquired upon exercise was not sold on the day of exercise, the market price was determined as the closing price of the stock on the NASDAQ Stock Market on the exercise date.

- (2) The amount shown for the value realized on the vesting of stock awards equals the number of shares of our common stock acquired by the executive officer upon vesting of his stock award (and corresponding dividend equivalents) during fiscal 2015 multiplied by the closing price of the stock on the NASDAQ Stock Market on the applicable vesting date (or, for PSUs, the applicable payment date) of the award.

- (3) The amount shown for the value realized on exercise of Mr. Leyden's stock options includes 353,818 shares subject to vested stock options (resulting in a value of \$22,612,846) that were exercised by Mr. Leyden within the three months following January 2, 2015, his Separation Date. Pursuant to the terms of Mr. Leyden's stock option awards, his vested stock options were scheduled to expire at the end of three months following his Separation Date.

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The following table presents information regarding the contributions to, investment earnings, distributions and total value of our named executive officers' balances under our Deferred Compensation Plan during fiscal 2015.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)(1)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)(2)
Stephen D. Milligan	909,563		55,121		2,063,097
Timothy M. Leyden	176,085		53,184	164,132	2,423,325
Olivier C. Leonetti					
Michael D. Cordano					
James J. Murphy	536,288		24,047		1,689,251
Mark P. Long					

(1) The amounts reported are not considered to be at above-market rates under applicable SEC rules. In accordance with SEC rules, we did not include these amounts as compensation to the named executive officers in the Fiscal Years 2013 - 2015 Summary Compensation Table above.

(2) The balances reported represent compensation already reported in the Fiscal Years 2013 - 2015 Summary Compensation Table in this year's Proxy Statement and its equivalent table in prior years' proxy statements, except for the earnings on contributions that are not considered to be at above-market rates under SEC rules and for amounts earned while the individual was not a named executive officer under SEC rules.

Non-Qualified Deferred Compensation Plan

We permit our named executive officers and other key employees to elect to receive a portion of their compensation reported in the Fiscal Years 2013 - 2015 Summary Compensation Table on a deferred basis under our Deferred Compensation Plan. Under the plan, each participant may elect to defer a minimum of \$2,000 and a maximum of 80% of his or her eligible compensation that may be earned during the year under our ICP.

Under the plan, we are permitted to make additional discretionary contributions with respect to amounts deferred under the plan. We did not make any discretionary contributions during fiscal 2015. In addition, we have not in the past made any discretionary contributions under the Deferred Compensation Plan to any of our current named executive officers.

For cash amounts deferred under the plan, the participant may elect one or more measurement funds to be used to determine investment gains or losses to be credited to his or her account balance, including certain mutual funds. Amounts may be deferred until a specified date, retirement, disability or death. At the participant's election, compensation deferred until retirement or death may be paid as a lump sum or in installments over five, ten, fifteen or twenty years. If the participant's employment terminates before the participant qualifies for retirement, including due to disability, the participant's deferred compensation balance will be paid in a single lump sum upon termination. Emergency hardship withdrawals are also permitted under the plan.

Under our Deferred Compensation Plan, we also permit the named executive officers and other key employees to defer receipt of any RSUs awarded under our 2004 Performance Incentive Plan beyond the vesting date of the award. A participant can elect to defer receipt of RSUs until a specified date, retirement, disability or death, as described above. If a participant makes an election to defer RSUs, the participant will receive a distribution with respect to the RSUs (including any stock units credited as dividend equivalents) in an equivalent number of shares of our common stock in accordance with the participant's deferral election.

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Potential Payments upon Termination or Change in Control

This section describes severance and change in control plans covering our named executive officers and certain agreements we have entered into with some of our named executive officers that could require us to make payments to the executives in connection with certain terminations of their employment with us and/or a change in control.

Change in Control No Termination

Except as described below, our equity awards will not automatically vest should a change in control occur. Upon the occurrence of certain transactions, including a merger, business combination or other reorganization, stock exchange, sale of all or substantially all of our stock, assets or business, or any other transaction in which we do not survive (or we do not survive as a public company), each award may be terminated. If an award is to be terminated in those circumstances, and the Compensation Committee has not provided for the assumption, substitution, or other continuation or settlement of the award, the award will become fully vested (and PSU awards will become vested at the target number of shares). For the specific definitions related to accelerated vesting in these circumstances, please refer to the applicable stock plan or form of award agreement as filed with the SEC.

Unless otherwise determined by the Compensation Committee, any stock options that are vested prior to or that become vested in connection with a transaction referred to above will generally terminate if not exercised prior to the transaction.

Change in Control Termination Without Cause or For Good Reason

In addition to the change in control benefits described above, executive officers may be entitled to severance benefits in the event of certain terminations of employment in connection with or following a change in control. These benefits are provided under our Change of Control Severance Plan, which was adopted by our Board of Directors on March 29, 2001, as most recently amended and restated as of September 11, 2014. The severance benefits are payable if we or our subsidiaries terminate the employment of the executive officer without cause or the employee voluntarily terminates his or her employment for good reason within one year after a change in control or prior to and in connection with, or in anticipation of, such a change.

For these purposes:

The term *change in control* generally means an acquisition by any person or group of more than one-third of our stock, certain majority changes in our board of directors over a period of not more than two years, mergers and similar transactions that result in a 50% or greater change in our ownership, and certain liquidations and dissolutions of the company.

The term *cause* generally means the commission of certain crimes by the executive, the executive's willful engaging in fraud or dishonest conduct, refusal or failure to perform certain duties, breach of fiduciary duty, or breach of certain other violations of company policy.

The term *good reason* generally means a material diminution in the executive's authority, duties or responsibilities, a material diminution in the executive's base compensation, certain relocations of the

executive's employment, or a material breach by us (or our successor) with respect to our obligations under the Change of Control Severance Plan.

For the specific definitions of change in control, cause and good reason, please refer to the Change of Control Severance Plan as filed with the SEC.

Each of our named executive officers is a Tier 1 Executive for purposes of the Change of Control Severance Plan due to each such officer's status as an executive officer subject to Section 16 of the Exchange Act.

For each of the named executive officers, the severance benefits generally consist of the following:

(1) a lump sum payment equal to two times the sum of the officer's annual base compensation plus the target bonus as in effect immediately prior to the change in control or as in effect on the date of notice of termination of the officer's employment with us, whichever is higher;

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(2) 100% vesting of any unvested stock options granted to the officer by us;

(3) extension of the period during which the officer may exercise his or her stock options to the longer of (a) 90 days after the date of termination of his or her employment and (b) the period specified in the plan or agreement governing the options;

(4) continuation for a period of 24 months of the same or equivalent life, health, hospitalization, dental and disability insurance coverage and other employee insurance or welfare benefits, including equivalent coverage for the officer's spouse and dependent children, and a car allowance equal to what the officer was receiving immediately prior to the change in control, or a lump sum payment equal to the cost of obtaining coverage for 24 months if the officer is ineligible to be covered under the terms of our insurance and welfare benefits plans; and

(5) a lump sum payment equal to the amount of in-lieu payments that the officer would have been entitled to receive during the 24 months after termination of his or her employment if, prior to the change in control, the officer was receiving any cash-in-lieu payments designed to enable the officer to obtain insurance coverage of his or her choosing.

Any health and welfare benefits will be reduced to the extent of the receipt of substantially equivalent coverage by the officer from any successor employer. Our Board of Directors or the Compensation Committee may terminate the Change of Control Severance Plan at any time in its discretion, except in the event of a change in control or in anticipation of a change in control.

Involuntary Termination Without Cause – No Change in Control

Our Board of Directors adopted an Executive Severance Plan on February 16, 2006, as most recently amended and restated on February 4, 2015, which provides for certain severance benefits in the event an executive's employment is terminated without cause. For these purposes, cause generally has the meaning described in the preceding section. For the specific definition of cause, please refer to the Executive Severance Plan as filed with the SEC.

Participants in the Executive Severance Plan include members of our senior management who our Board of Directors or Compensation Committee has designated as a Tier 1 Executive, Tier 2 Executive or Tier 3 Executive. The level of severance benefits payable under the Executive Severance Plan depend upon the executive's designated Tier. The Compensation Committee has designated each of our named executive officers as a Tier 1 Executive under our Executive Severance Plan.

The Executive Severance Plan provides that a Tier 1 Executive such as each of our named executive officers will receive the following severance benefits in the event we terminate the executive's employment without cause:

(1) severance equal to the executive's monthly base salary multiplied by twenty-four (24), subject to applicable taxes and withholding, generally payable in a lump sum cash payment during the ten-day period commencing on the 30th day following separation;

(2) a pro-rata bonus payment, subject to applicable taxes and withholding, under our bonus program for the bonus cycle in which the executive's termination date occurs (determined based on the number of days in the applicable bonus cycle during which the executive was employed (not to exceed six months) and assuming 100% of the performance targets subject to the bonus award are met regardless of actual funding by us), generally payable in a lump sum cash payment during the ten-day period commencing on the 30th day following separation;

(3) acceleration of the vesting of the executive's then outstanding equity awards that are subject to time-based vesting to the extent such equity awards would have vested and become exercisable or payable, as applicable, if the executive had remained employed for an additional six months;

(4) outplacement services provided by a vendor chosen by us and at our expense for 12 months following the executive's termination of employment; and

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(5) an amount equal to the applicable COBRA premium rate for company-provided medical, dental and/or vision coverage existing as of the executive's termination date multiplied by eighteen (18) months, generally payable in a lump sum cash payment during the ten-day period commencing on the 30th day following separation.

Payment of severance benefits under the Executive Severance Plan is conditioned upon the executive's execution of a valid and effective release of claims. In addition, no executive is entitled to a duplication of benefits under the Executive Severance Plan or any other severance plan of ours or our subsidiaries, including the Change of Control Severance Plan.

The PSU awards granted to Messrs. Milligan and Leonetti in fiscal 2015 provide for accelerated vesting at target level in the event of a termination of employment under circumstances that give rise to severance benefits under the Executive Severance Plan.

Qualified Retirement

In the event an employee retires from employment at a time when the employee meets the criteria of a qualified retiree under our standard terms and conditions for stock options, all unvested stock options held by the employee at the time of termination will accelerate. In order to be a qualified retiree, an employee is generally required to have at least five years of continuous service with us and, for stock options granted after May 2006, in addition to having at least five years of continuous service with us, the employee must also be at least age 65 at the time of retirement and his or her age plus total years of continuous service with us must total at least 75.

If an employee meets the applicable qualified retiree criteria, the employee's stock options will remain exercisable for three years after his or her retirement or until their earlier expiration but will immediately terminate in the event the employee provides services to one of our competitors or otherwise competes with us. In that event, we will have the right to pursue recovery of any profits realized by the employee from exercising the stock options during the six-month period prior to the date the employee commenced providing such services to a competitor.

Death

In the event of an employee's death, the vesting of LTI awards previously granted to the employee will accelerate as described below.

For stock options, all unvested stock options held by the employee at the time of death will immediately vest and be exercisable, and the stock options will remain exercisable for three years after the date of the employee's death or until the earlier expiration of the stock option.

For awards of RSUs, a pro rata portion of the stock units due to vest on the next vesting date will immediately vest based on the number of days that the employee was employed by us between the last vesting date of the award and its next vesting date.

For PSU awards, a pro-rata portion of the award (based on the number of days that the employee was employed by us during the applicable performance period) will remain outstanding and eligible to vest based on actual achievement of the performance milestones over the performance period.

Calculation of Potential Payments upon Termination or Change in Control

The following table presents our estimate of the benefits payable to the named executive officers under the agreements and plans described above in connection with certain terminations of their employment with us and/or a change in control. In calculating the amount of any potential payments to the named executive officers, we have assumed the following:

The applicable triggering event (i.e., qualifying termination of employment and/or change in control) occurred on July 3, 2015.

The price per share of our common stock is equal to the NASDAQ Stock Market closing market price per share on July 2, 2015 (\$80.87), the last trading day in fiscal 2015.

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The company does not survive the change in control, and all outstanding incentive awards are cashed out and terminated in the transaction.

Not included in the table below are payments each named executive officer earned or accrued prior to termination, such as the balances under our Deferred Compensation Plan and previously vested equity and non-equity incentive awards, which are more fully described and quantified in the tables and narratives above.

Name	Compensation Element	Change in Control-No Termination (Awards Not Assumed) (\$)(1)	Change in Control-With Termination Not for Cause or For Good Reason (\$)(2)	Involuntary Termination Without Cause-No Change in Control (\$)(3)	Qualified Retirement (\$)(4)	Death (\$)(5)
Stephen D. Milligan	Cash Severance Option		5,250,000	2,887,500		
	Acceleration(6) Restricted Stock Unit	2,782,233	2,782,233	1,264,047		2,782,233
	Acceleration(7) Performance Stock Unit	8,003,876	8,003,876	4,195,867		5,444,360
	Acceleration(8) Continuation of Benefits(9)	8,854,896	8,854,896	8,854,896		7,011,853
	Value of Outplacement Services		86,750	65,062		
	TOTAL		19,641,005	24,977,754	17,279,372	
Olivier C. Leonetti	Cash Severance Option		2,000,000	1,250,000		
	Acceleration(6) Restricted Stock Unit					
	Acceleration(7) Performance Stock Unit	722,602	722,602	578,148		466,966
	Acceleration(8)	536,816	536,816	536,816		270,602

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	Continuation of Benefits(9)		85,070	63,802	
	Value of Outplacement Services			12,000	
	TOTAL	1,259,419	3,344,488	2,440,766	737,568
Michael D. Cordano	Cash Severance Option		2,940,000	1,785,000	
	Acceleration(6) Restricted Stock Unit	2,081,250	2,081,250	772,849	2,081,250
	Acceleration(7) Performance Stock Unit	6,027,800	6,027,800	3,339,267	3,105,440
	Acceleration(8) Continuation of Benefits(9)		53,302	39,976	
	Value of Outplacement Services			12,000	
	TOTAL	8,109,050	11,102,352	5,949,093	5,186,690
James J. Murphy	Cash Severance Option		2,625,000	1,593,750	
	Acceleration(6) Restricted Stock Unit	1,619,032	1,619,032	726,710	1,619,032
	Acceleration(7) Performance Stock Unit	4,374,458	4,374,458	2,218,984	2,116,556
	Acceleration Continuation of Benefits(9)		99,773	74,830	
	Value of Outplacement Services			12,000	
	TOTAL	5,993,490	8,718,263	4,626,274	3,735,588
Mark P. Long	Cash Severance Option		1,757,500	1,151,875	
	Acceleration(6) Restricted Stock Unit	931,406	931,406	244,672	931,406
		3,023,067	3,023,067	916,999	1,212,332

Acceleration(7) Performance Stock Unit				
Acceleration Continuation of Benefits(9)		74,244	55,683	
Value of Outplacement Services			12,000	
TOTAL	3,954,472	5,786,216	2,381,229	2,143,737

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- (1) As described above, none of our equity awards will automatically vest because a change in control event occurs. The amounts shown represent the estimated value of the acceleration of outstanding equity incentive compensation under our incentive compensation plans in connection with a change in control (regardless of whether a termination of employment also occurs), as such acceleration is described more fully above, assuming that the awards were to be terminated in connection with the change in control and the Compensation Committee had not provided for the assumption, substitution or other continuation of the awards.
- (2) The amounts shown represent the estimated value of the severance benefits payable under the Change of Control Severance Plan (and the estimated value of equity acceleration under our stock incentive plans for awards not covered under the Change of Control Severance Plan) in the event of a qualifying termination of employment in connection with a change in control, as such benefits are described more fully above.
- (3) The amounts shown represent the estimated value of the severance benefits payable under the Executive Severance Plan in the event of a termination of employment by us without cause, as such benefits are described more fully above.
- (4) None of the executive officers met the requirements for a qualified retiree described above as of July 3, 2015.
- (5) The amounts shown represent the estimated value of the acceleration of outstanding equity and non-equity incentive compensation under our incentive compensation plans in connection with the executive's death, as such acceleration is described more fully above. For the PSU awards, the amounts assume achievement at 100% of target for the period.
- (6) The amounts shown represent the portion of the option award that would have accelerated in connection with the termination or change in control event and are based on the intrinsic value of that portion of the option as of July 3, 2015. These intrinsic values were calculated by multiplying (i) the difference between the closing NASDAQ market price of a share of our common stock on July 2, 2015 (\$80.87), the last trading day in fiscal 2015, and the applicable exercise price by (ii) the number of shares subject to stock options vesting on an accelerated basis on July 3, 2015. As a result, the amounts shown do not include any value for the acceleration of stock options that have an exercise price greater than \$80.87 or for stock options that were already vested as of July 3, 2015. Also not included in the table above is any potential value attributable to the extension of a stock option term in connection with certain terminations of employment.
- (7) The amounts shown represent the portion of the RSU award that would have accelerated in connection with the termination event and are based on the intrinsic value of that portion as of July 3, 2015. These intrinsic values were calculated by multiplying (i) the NASDAQ Stock Market closing price of a share of our common stock on July 2, 2015 (\$80.87), the last trading day in fiscal 2015, by (ii) the number of stock units that would have vested on an accelerated basis on July 3, 2015.
- (8) The amounts shown represent the target number of PSUs that would have accelerated in connection with the termination event and are based on the intrinsic value of those units as of July 3, 2015. These intrinsic values were

calculated by multiplying (i) the closing NASDAQ market price of a share of our common stock on July 2, 2015 (\$80.87), the last trading day in fiscal 2015, by (ii) the target number of PSUs that would have vested on an accelerated basis on July 3, 2015.

- (9) For purposes of the calculation for these amounts, expected costs have not been adjusted for any actuarial assumptions related to mortality, likelihood that the executive will find other employment, or discount rates for determining present value.

Leyden Retirement

In connection with Mr. Leyden's retirement as our Chief Financial Officer, we entered into the Separation Agreement. Please see the "Compensation Discussion and Analysis" section above for a description of the terms and conditions of the Separation Agreement. In connection with Mr. Leyden's termination of employment on January 2, 2015, he was entitled to receive the following amounts, subject to the terms and conditions of the Separation Agreement: cash severance (\$1,785,000), continuation of benefits (\$17,206) and value of outplacement services (\$0). Mr. Leyden was also entitled to receive accelerated vesting of his then-outstanding

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options and RSUs as if Mr. Leyden had remained employed through July 2, 2015, the six-month anniversary of the Separation Date. The value of the accelerated vesting of his outstanding stock options was approximately \$2,226,498. This amount was calculated by multiplying (i) the difference between the NASDAQ Stock Market closing price of a share of our common stock on January 2, 2015 (\$110.43) and the applicable exercise price of the stock options, by (ii) the number of shares subject to Mr. Leyden's stock options that vested on an accelerated basis. At the time of his termination of employment, Mr. Leyden did not hold any RSUs that were subject to accelerated vesting.

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PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are providing stockholders with the opportunity to cast a non-binding, advisory vote on the compensation of our named executive officers as disclosed pursuant to the SEC's executive compensation disclosure rules and set forth in this Proxy Statement (including in the compensation tables and narratives accompanying those tables, as well as in the Compensation Discussion and Analysis).

As described more fully in the Compensation Discussion and Analysis section beginning on page 26, our executive compensation program is designed and reviewed at least annually to achieve the following goals:

attract, develop, reward and retain highly qualified and talented individuals;

motivate executives to improve the overall performance of our company as a whole as well as the business group for which each executive is responsible, and reward executives when specified measurable results have been achieved;

encourage accountability by determining salaries and incentive awards based on each executive's individual contribution and performance;

tie incentive awards to financial and non-financial metrics that drive the performance of our common stock over the long term to further reinforce the linkage between the interests of our stockholders and our executives; and

help ensure compensation levels are both externally competitive and internally equitable.

We urge stockholders to read the Compensation Discussion and Analysis section, particularly the Executive Summary, which describes in more detail how our executive compensation program is designed to achieve these goals and key fiscal 2015 compensation decisions. Highlights of our executive compensation programs include the following:

Base Salary. We generally target base salaries for executive officers at approximately the median of composite market data in order to help attract and retain highly qualified executive talent and to compensate executives for sustained individual performance.

Semi-Annual Bonus. Our executive officers are eligible to earn semi-annual incentive pay under our ICP based on our performance against pre-established performance goals. Our ICP is designed primarily to motivate executives to achieve specified performance goals that are important to the continued growth and success of the company and to align the interests of management with the interests of stockholders. We

generally target bonus opportunities at a level such that when added to base salary, the executive officer's target total cash compensation is between the median and the 75th percentile based on composite market data.

Long-Term Incentives. Our executive officers are also eligible to receive long-term incentive pay in the form of a combination of stock options, RSUs and/or PSUs. These long-term incentives are generally granted annually and vest over a two-, three- or four-year period, resulting in overlapping vesting periods that are designed to discourage short-term risk-taking, reinforce the link between the interests of stockholders and our executives and motivate executives to improve the multi-year financial performance of the company. We generally target long-term incentive opportunities at a level such that when added to target total cash compensation, the executive's target total direct compensation is between the median and the 75th percentile based on composite market data.

A substantial portion of each executive officer's compensation is awarded in the form of performance-based compensation such as cash bonuses and long-term incentive compensation. The employment agreement we have with Mr. Milligan and the employment agreement we had with Mr. Leyden do not and did not contain any guaranteed payment of bonuses or long-term incentive compensation. We provide generally modest perquisites to our executive officers and do not provide for any tax gross-ups specific to severance or change in control pay for our executive officers. In addition, all executive officers are required to meet stock ownership guidelines which help achieve our objective of linking the interests of stockholders and management.

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In accordance with the requirements of Section 14A of the Exchange Act (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act) and the related rules of the SEC, our Board of Directors will request your advisory vote on the following resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the named executive officers, as disclosed in this Proxy Statement pursuant to the SEC's executive compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the narrative discussion that accompanies the compensation tables), is hereby approved.

Vote Required and Recommendation of our Board of Directors

The affirmative vote of a majority of the shares of our common stock represented in person or by proxy at the Annual Meeting and entitled to vote on the proposal is required to approve, on a non-binding, advisory basis, the compensation of our named executive officers.

This proposal on the compensation paid to our named executive officers is advisory only and will not be binding on the company or our Board of Directors, and will not be construed as overruling a decision by the company or our Board of Directors or creating or implying any additional fiduciary duty for the company or our Board of Directors. However, the Compensation Committee, which is responsible for designing and administering our executive compensation program, values the opinions expressed by stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers. Stockholders will be given an opportunity to cast an advisory vote on this topic annually, with the next opportunity occurring in connection with our 2016 annual meeting of stockholders.

OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR PROPOSAL 2 TO APPROVE ON AN ADVISORY BASIS THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE SEC'S EXECUTIVE COMPENSATION DISCLOSURE RULES.

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PROPOSAL 3
APPROVAL OF AMENDMENT AND RESTATEMENT OF THE
WESTERN DIGITAL CORPORATION
2004 PERFORMANCE INCENTIVE PLAN

At the Annual Meeting, stockholders will be asked to approve an amendment and restatement of the Western Digital Corporation Amended and Restated 2004 Performance Incentive Plan (the 2004 Performance Incentive Plan), which was adopted, subject to stockholder approval, by our Board of Directors on August 5, 2015. We believe that equity awards are critical to attracting and retaining the most talented employees in our industry. Stockholder approval of the proposed amendment and restatement of the 2004 Performance Incentive Plan will allow us to continue to provide these important incentives. Under applicable listing rules, we may not increase the 2004 Performance Incentive Plan share limit without stockholder approval.

Material Changes to the 2004 Performance Incentive Plan

The amendment and restatement of the 2004 Performance Incentive Plan reflects the following material changes, which are subject to stockholder approval of this proposal:

Increase in Aggregate Share Limit. The amended and restated version of the 2004 Performance Incentive Plan authorizes an increase in the number of shares of common stock available for award grants under the plan by an additional seventeen million (17,000,000) shares, from 48,837,248 shares to a new aggregate total of 65,837,248 shares. As of August 13, 2015, a total of 11,119,468 shares of our common stock were subject to outstanding awards granted under the 2004 Performance Incentive Plan, and an additional 3,113,485 shares of our common stock were available for new award grants under the 2004 Performance Incentive Plan (before giving effect to the increase in the aggregate share limit being requested in this Proposal 3).

Renewal of Performance Criteria. One element of the 2004 Performance Incentive Plan is the Compensation Committee's discretion to grant certain qualified performance-based awards (as defined below) intended to satisfy the requirements for deductibility of compensation under Section 162(m). These awards are in addition to stock options and stock appreciation rights which may also be granted under the 2004 Performance Incentive Plan and may also qualify as performance-based compensation for Section 162(m) purposes. Approval of the amended and restated version of the 2004 Performance Incentive Plan will constitute approval of the performance criteria (within the meaning of Section 162(m)) set forth in the amended and restated version of the 2004 Performance Incentive Plan pursuant to the stockholder approval requirements of Section 162(m).

Incentive Stock Options. Currently, the maximum number of shares that may be delivered under the 2004 Performance Incentive Plan pursuant to options qualified as incentive stock options is 49,699,313 shares. The amended and restated version of the 2004 Performance Incentive Plan authorizes an increase in this limit by an additional 16,137,935 shares, from 49,699,313 shares to a new aggregate incentive stock option limit of 65,837,248 shares. These awards also count against, and are not in addition to, the aggregate share limit

referenced above.

Director Award Limit. Approval of the amended and restated version of the 2004 Performance Incentive Plan will constitute approval of a new limit on the value of equity awards granted to our non-employee directors in any one grant year, as described further below.

Extension of Plan Expiration Date. Currently, the authority to grant new awards under the 2004 Performance Incentive Plan expires on August 6, 2022. The amended and restated version of the 2004 Performance Incentive Plan extends the expiration date until August 4, 2025.

Table of Contents**Compensation and Governance Practices**

The amended and restated version of the 2004 Performance Incentive Plan authorizes the grant of equity-based compensation in the form of stock options, stock appreciation rights, stock bonuses, restricted stock, performance stock, stock units, phantom stock, dividend equivalents and similar rights, as well as cash-based awards, for the purpose of providing the members of our Board of Directors and our employees and consultants compensation, incentives and rewards for performance. Similar to the 2004 Performance Incentive Plan, the amended and restated version of the 2004 Performance Incentive Plan both continues and enhances a broad range of compensation and governance practices, with some of the key features highlighted below. These highlights are qualified in their entirety by the full text of the 2004 Performance Incentive Plan (as proposed to be amended and restated), which has been filed with the SEC as Exhibit A to this Proxy Statement:

Limitations on Grants. The maximum aggregate number of shares underlying awards that may be delivered to any one person during any calendar year (i) with respect to stock options and stock appreciation rights is 1,000,000 shares, and (ii) with respect to awards intended to qualify as performance-based compensation for purposes of Section 162(m) (other than stock options and stock appreciation rights) is 800,000 shares, in each case, subject to equitable adjustment for certain corporate transactions. Cash awards intended to qualify as performance-based compensation for Section 162(m) (excluding cash awards where the cash payment is determined with reference to the fair market value of a share of common stock upon or following the vesting of the award) to a participant in any one calendar year may not exceed \$10,000,000.

Director Award Limit. Approval of the amended and restated version of the 2004 Performance Incentive Plan will constitute approval of a new limit on the value of equity awards granted to our non-employee directors in any one grant year. Under this limit, the value of the shares subject to awards granted under the 2004 Performance Incentive Plan to any one non-employee director in any one grant year (based on the fair market value of the shares on the date of grant of the applicable award, using such valuation principles as determined by the plan administrator) will not exceed \$900,000. This limit would not apply as to any award granted to an individual for services in a capacity other than as a non-employee director, even if such individual is, was or becomes a non-employee director. For these purposes, a grant year means the annual period commencing on the date of our annual meeting of stockholders and concluding on the day immediately preceding the next annual meeting of stockholders, or such other annual period as the administrator may determine in its discretion.

No Repricing of Stock Options or Stock Appreciation Rights. Without stockholder approval, we generally may not reprice an outstanding stock option or stock appreciation right, except for equitable adjustments for certain corporate transactions, as further described below.

Dividends and Dividend Equivalents Not Payable on Performance-Based Awards Until Vesting. Dividends and dividend equivalents payable in connection with performance-based awards will only be paid out to the extent that the performance-based vesting conditions are satisfied and the shares underlying such awards vest.

No In-the-Money Stock Option or Stock Appreciation Right Grants. Stock options and stock appreciation rights may not be granted with an exercise or base price less than the fair market value, generally the closing price, of our common stock on the date of grant.

Section 162(m) Qualification. The amended and restated version of the 2004 Performance Incentive Plan, like the 2004 Performance Incentive Plan, is designed to allow us to grant awards that may be intended to qualify as performance-based compensation under Section 162(m), including equity awards and cash bonuses.

Independent Administration. The Compensation Committee, which consists of only non-employee directors, generally administers the amended and restated version of the 2004 Performance Incentive Plan, while our Board of Directors administers the plan with respect to awards granted to our non-employee directors.

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Clawback Right. The amended and restated version of the 2004 Performance Incentive Plan provides that the plan administrator has the right to provide in the terms of any award or agreement that awards granted under the amended and restated version of the 2004 Performance Incentive Plan shall be subject to the provisions of any clawback or similar policy adopted by us, which may require the award recipient to repay any proceeds or gains and forfeit the award.

Minimum Vesting Requirements. The amended and restated version of the 2004 Performance Incentive Plan continues to require a minimum of three-year ratable vesting for time-based awards and a minimum one-year performance period for performance-based awards, except in limited circumstances.

No Liberal Share Recycling. Shares that are delivered to, or withheld by, us under an award may not be reissued under the 2004 Performance Incentive Plan (except to the extent the award is forfeited or terminated without having been vested or paid, as the case may be, and except for cash-settled awards). In addition, shares that are delivered or withheld by us in connection with the exercise of stock options, the settlement of SARs or the payment of required withholding taxes, or shares that are purchased on the open market with cash proceeds from the exercise of stock options, will not be available again under the 2004 Performance Incentive Plan.

Stockholder Approval Requirement

The provisions of the amended and restated version of the 2004 Performance Incentive Plan will become effective upon stockholder approval of this Proposal 3 at the Annual Meeting. Unless and until our stockholders approve the amended and restated version of the 2004 Performance Incentive Plan, we will continue to grant awards under the terms of the 2004 Performance Incentive Plan, as approved by our stockholders and effective as of August 7, 2012, and from the shares currently available for issuance under the 2004 Performance Incentive Plan, without regard to the amendment and restatement being proposed in this Proposal 3.

Our Board of Directors approved the additional share authority requested under the amended and restated 2004 Performance Incentive Plan based on a belief that the number of shares currently available under the 2004 Performance Incentive Plan does not give us sufficient flexibility to adequately provide for future incentives based on current grant practices and stock price of our common stock. If stockholders do not approve this Proposal 3, however, we will continue to have the authority to grant awards under the existing terms of the 2004 Performance Incentive Plan.

Stockholder approval of this Proposal 3 will also constitute approval of the performance criteria set forth in the amended and restated version of the 2004 Performance Incentive Plan pursuant to the stockholder approval requirements of Section 162(m), which will enable us to continue to award qualified performance-based awards through our 2020 Annual Meeting.

Historical Award Information

Broad-Based Granting. All of our full-time employees may be considered eligible to receive equity award grants, as determined by the plan administrator. As of July 3, 2015, approximately 76,449 worldwide employees, each of our eight non-employee directors and approximately 50 consultants were eligible to receive equity award grants under the 2004 Performance Incentive Plan.

Alignment of Named Executive Officer Interests with Stockholder Interests. Equity awards represented, on average, 71% of the target total direct compensation of our named executive officers in fiscal 2015. For additional information on the target total direct compensation of our named executive officers, please see the Compensation Discussion and Analysis section above.

Share Pool. As of August 13, 2015, approximately 3,113,485 shares were available for issuance under the 2004 Performance Incentive Plan without giving effect to the proposed additional 17,000,000 share increase requested under the amended and restated version of the 2004 Performance Incentive Plan. Shares that are subject to full value awards (as defined below) granted under the 2004 Performance Incentive Plan are counted against the total share limit as 1.72 shares for every one (1) share granted, whereas shares that are subject to awards of stock options or stock appreciation rights are counted

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against the total share limit as one (1) share for every one (1) share granted. This fungible share counting ratio of 1.72 to one (1) continues under the amended and restated version of the 2004 Performance Incentive Plan.

Outstanding Awards under the 2004 Performance Incentive Plan. Beginning in fiscal year 2015, we generally have shifted the equity award mix more in favor of granting full value awards, such as RSU and PSU awards, which vest on the basis of continued service and/or attainment of long-term performance goals. These types of awards enable us to reduce our gross burn rate and limit dilution by granting a fewer number of shares relative to the number of stock options that had been granted in prior years. As of August 13, 2015, there were outstanding under the 2004 Performance Incentive Plan: 7,096,083 stock options; 3,880,334 unvested RSUs (including 93,336 units credited as dividend equivalents through that date) and 143,051 performance units (at target level) (including 1,038 units credited as dividend equivalents through that date), in each case, as counted on a 1:1 basis without applying the fungible share ratio. The 2004 Performance Incentive Plan preserves our flexibility to shift the type and mix of awards granted from time to time as may be warranted by the circumstances.

Potential Dilution and Award Burn Rate Metrics

The following section includes additional information to help you assess the potential dilutive impact of our equity awards and the proposed amendments to the 2004 Performance Incentive Plan.

The following table shows how certain metrics have changed over the past three fiscal years under the 2004 Performance Incentive Plan. As to the number of shares of our common stock subject to RSU and PSU awards outstanding on any particular date, the information presented includes the crediting of dividend equivalents on the awards through that date, to the extent the dividend equivalents are payable in shares of common stock. For historical PSU awards, the information presented is based on the target number of shares subject to the award (while the final vesting of the awards may range from 0% to 200% of the target number of shares subject to these awards based on performance over the performance period applicable to the awards). As reflected in the table below, burn rate (both gross burn rate and net burn rate), dilution and overhang have each decreased over the last three completed fiscal years. Overhang refers to the number of shares of our common stock that are subject to outstanding awards or remain available for new award grants. Burn rate refers to how many shares are subject to awards that we grant over a particular period of time.