

ALLEGHENY TECHNOLOGIES INC
Form DEF 14A
March 28, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant To Section 14(a) of the
Securities Exchange Act of 1934**

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

Allegheny Technologies Incorporated

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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1000 Six PPG Place

Pittsburgh, PA 15222-5479

Dear Stockholders:

I am pleased to invite you to attend Allegheny Technologies Incorporated's 2016 Annual Meeting of Stockholders. As in prior years, we will consider matters that are important to our company.

Although 2015 was a difficult year in terms of financial performance, we were still able to accomplish strategic goals and advance strategic objectives that are crucial to the long-term growth of ATI. Our Rowley titanium sponge facility achieved premium-grade product and process qualification for jet engine rotating parts. Our Hot-Rolling and Processing Facility is fully integrated into our daily operations and able to serve both of our business segments. Our capital investments in nickel alloy powder and titanium investment castings to support future aerospace market demand are continuing on schedule. These significant capital investments have been a focus of our company for the past several years, and now we are turning our attention to achieving an acceptable return on these investments. In 2015, we also took necessary actions to rightsize our Flat Rolled Products business by idling certain facilities, in order for the whole company to be able to effectively compete in global markets. To do this, ATI must have the most advanced specialty materials technologies, offer innovative products that create value for customers, use unsurpassed manufacturing capabilities, and maintain a competitive cost structure. Our goal is to better position ATI for long-term profitable growth and enhance the opportunities to create value for our stockholders throughout business cycles.

The views of our stockholders are important to us. We conducted extensive stockholder outreach this year and listened to your concerns. For 2016, we completely redesigned our executive compensation program. We believe that, going forward, we will have a more transparent program that continues to emphasize pay for performance. Based on stockholder feedback, the Board is sponsoring a proposal at this Annual Meeting to implement declassification of the Board of Directors. We also redesigned the format of this proxy statement to make it easier for our stockholders to navigate and understand.

These changes and the multitude of executive compensation and corporate governance improvements that ATI has implemented over the past several years, as described in this proxy statement, illustrate that our Board of Directors is responsive to stockholder priorities. We are, and will remain, accountable to you.

All of us at ATI are committed to *Creating Value Thru Relentless Innovation*[®], and we look forward to 2016 being a better year. Thank you for your continued support.

Sincerely,

[RICHARD J. HARSHMAN](#)

Chairman, President and Chief Executive Officer

[March 28, 2016](#)

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Notice of annual meeting of stockholders

DATE:

Friday, May 6, 2016

TIME:

11:00 a.m. Pacific Time

PLACE:

The Fairmont Newport Beach Hotel

Sequoia Ballroom

4500 MacArthur Boulevard

Newport Beach, California 92660

RECORD DATE:

March 9, 2016

AGENDA:

1. Election of four directors;

2. Approval of amendments to the Company's Certificate of Incorporation to declassify the board of directors;

3. Advisory vote to approve the compensation of our named executive officers; and

4. Ratification of the selection of Ernst & Young LLP as our independent auditors for 2016.

YOUR VOTE IS IMPORTANT

Please vote as soon as possible.

You can help the Company reduce expenses by voting your shares by telephone or Internet; your proxy card or voting instruction card contains the instructions. Or complete, sign and date your proxy card or voting instruction card and return it as soon as possible in the enclosed postage-paid envelope.

HOW TO VOTE

VIA THE INTERNET

Visit the website listed on our proxy card

BY MAIL

Sign, date and return your proxy card in the enclosed envelope

BY TELEPHONE

Call the telephone number on your proxy card

IN PERSON

Attend the Annual Meeting in person

ADMISSION TO THE MEETING

Only holders of ATI common stock or their authorized representatives by proxy may attend the meeting.

If you are a stockholder of record and plan to attend the meeting, please mark the appropriate box on the proxy card, or enter the appropriate information when voting by telephone or Internet.

If your shares are held through an intermediary such as a broker or a bank, you will need to present proof of your ownership as of the record date, March 9, 2016, for admission to the meeting. Proof of ownership could include a proxy card from your bank or broker or a copy of your account statement.

All attendees will need to present valid photo identification for admission to the meeting.

The approximate date of the mailing of this proxy statement, proxy card, and ATI's 2015 Annual Report is March 28, 2016. For further information about ATI, please visit our website at www.atimetals.com.

On behalf of the Board of Directors:

ELLIOT S. DAVIS

Corporate Secretary

Dated: March 28, 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ATI ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON FRIDAY, MAY 6, 2016.

The proxy statement, proxy card and 2015 annual report of Allegheny Technologies Incorporated are available for review at: <http://www.envisionreports.com/ATI>

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Proxy Statement Summary

Annual meeting of stockholders

This summary highlights information that is contained elsewhere in this proxy statement. You should carefully read this proxy statement in its entirety before voting, as this summary does not contain all of the information that you should consider.

Meeting date: Friday, May 6, 2016
Time: 11:00 a.m. Pacific Time
Place: The Fairmont Newport Beach Hotel, Sequoia Ballroom
 4500 MacArthur Boulevard,
 Newport Beach, California 92660
Record date **March 9, 2016**
and Voting: ATI stockholders as of the record date are entitled to vote on the matters presented at the meeting. Each share of common stock of the Company is entitled to one vote for each director nominee and one vote on each other matter presented.

Agenda for annual meeting and voting

	Board s	Page
Proposal	recommendation	reference

	1. Election of four directors	FOR	12
	2. Approval of amendments to the Company's Certificate of Incorporation to declassify the board of directors	FOR	31
	3. Advisory vote to approve the compensation of our named executive officers	FOR	37
	4. Ratification of the selection of Ernst & Young LLP as our independent auditors for 2016	FOR	82
Director nominees	Class II	Term to expire in 2019	

	Director	Experience and	
Name	Since	Qualifications	Board Committees
Richard J. Harshman	2011	Leadership Industry Finance	N/A
<i>Chairman, President and Chief Executive Officer</i>			
Carolyn Corvi	2012	Industry Operations Technical	Finance Personnel and Compensation
Barbara S. Jeremiah	2008	Industry Strategic	Technology Finance Technology
John D. Turner	2004	International Leadership Industry Technical	Finance Nominating and Governance Technology (Chair)

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PROXY STATEMENT SUMMARY | HIGHLIGHTS

WHAT'S NEW IN OUR PROXY STATEMENT THIS YEAR?

We significantly changed our proxy statement this year in terms of design and presentation. We made these changes for several reasons. First, we want to help stockholders better understand our company's governance and compensation practices, and specifically the recent actions we have taken in these areas. In addition, we want this proxy statement to be easier for you to read and navigate, so we made a concerted effort to simplify and clarify what we say. We hope that this new proxy statement presentation format will make it easier to review and understand these materials.

Corporate Governance Highlights

Our commitment to good corporate governance is illustrated by the following practices:

Board independence (10 out of 11 directors are independent)

Board diversity (female and minority directors comprise over 35% of our Board)

Majority voting/director resignation policy for uncontested elections

Robust stock ownership guidelines for directors and executive management

97% director attendance at Board and Board Committee meetings in 2015

100% independent Audit, Personnel & Compensation and Nominating & Governance Committees

Lead Independent Director with strong and clear responsibilities

Independent directors regularly meet in executive sessions without management present

Succession planning

Board risk oversight

Strong corporate governance guidelines and policies

2016 Say on Pay Proposal

Why should you vote in favor of our 2016 Say on Pay proposal?

We were able to position the Company for future growth and success, despite that 2015 was a difficult year.

We listened to stockholders, redesigned our compensation program for 2016 to simplify it, and reduced total long-term compensation opportunities for the CEO to below the market median, and other NEOs to align with the market median.

Our Chief Executive Officer (CEO) did not receive an annual incentive award for 2015 even though earned.

There are no salary increases in 2016 for the CEO and NEOs.

The earned annual incentive awards for the other named executive officers (NEOs) were below target and further reduced by the maximum of 20%.

We implemented more rigorous stock ownership guidelines for management.

There were no payouts under long-term incentive programs for performance periods ending 2015.

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PROXY STATEMENT SUMMARY | HIGHLIGHTS

Executive Compensation Highlights

WHAT WE DO

o Link compensation to ATI performance.

Performance drives pay. A significant portion of compensation opportunities for the NEOs is variable, that is, tied to performance. Cash and equity incentive plans are based on the attainment of business plan performance metrics. Payments are made only when the performance targets are achieved.

o Compensation aligned with stockholder interests.

Long-term incentive compensation opportunities for the NEOs are equity-based and tied to business plan performance metrics. New simplified compensation program in effect for 2016 is more aligned with stockholders' interests.

o Double trigger change in control agreements.

o Clawback policy. Clawback arrangements require the return of compensation to the extent that information used to calculate the achievement of earnings or other performance measures is subsequently determined to be

WHAT WE DON'T DO

X No employment agreements for executive officers.

X No excise tax gross-ups in change in control agreements.

X Executive perquisites. We do not have executive perquisites such as personal air travel and club dues and tax gross-ups.

X No hedging transactions or pledging of ATI stock by officers and directors. We have always prohibited officers and directors from engaging in hedging or pledging transactions with respect to ATI stock.

X No repricing of awards. No previously granted awards can be repriced or surrendered in exchange for new awards.

materially incorrect.

o Robust Stock Ownership Guidelines for Directors and Executive Management. In February 2016, stock ownership guidelines for management were updated to include 6X base salary ownership for the CEO and require 100% retention until ownership guidelines are met.

o Board compensation risk oversight.

o Balanced compensation program. The compensation program includes complementary but diverse performance goals, a balance of types of compensation, and caps on the amount of compensation that can be awarded.

o Independent Compensation Consultant of the Personnel and Compensation Committee.

o 162(m) compliant. We intend that payouts under our short- and long-term incentive programs satisfy the requirements of qualified performance-based compensation under Section 162(m) of the Internal Revenue Code.

X No defined benefit plan restoration. The company froze future accruals under the Supplemental Pension Plan and the defined benefit portion of the Benefit Restoration Plan as of December 31, 2014.

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PROXY STATEMENT SUMMARY | EXECUTIVE COMPENSATION PROGRAM ACTIONS

Executive Compensation And Governance Program Changes (2011-2016)

Actions Taken In Response to 2015 Say-On-Pay Vote

At our 2015 Annual Meeting, our stockholders expressed a disappointing level of support for our executive compensation program, with only 49% of the votes cast for the approval of our Say-On-Pay proposal. We heard your concerns and have acted in response:

INVESTOR OUTREACH

We significantly strengthened outreach to our stockholders about our executive compensation program and made substantive changes to better align our pay practices with performance. ATI engaged extensively with our stockholders during and after the 2015 proxy season and after the Say on Pay vote, in the summer and fall of 2015, to discuss stockholders' comments on our executive compensation program and corporate governance practices. In particular, we proactively engaged with our 50 largest stockholders, which represent over 60% of our share ownership. *See page 46.*

Your comments addressed:

Desire for a simplified executive compensation program

Perception that operational goals are discretionary in the short-term cash incentive plan

Removal of the discretionary portion above 100% in our short-term cash incentive plan

Inclusion of a return on capital metric as part of the long-term equity incentive compensation plan

Greater weight on financial goals in the short-term cash incentive plan

Declassification of the board

We used this opportunity to review the design concepts and features of a new executive compensation program, as more fully described in the Compensation Discussion & Analysis section, including the CD&A summary.

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PROXY STATEMENT SUMMARY | EXECUTIVE COMPENSATION PROGRAM ACTIONS

2016 NEW EXECUTIVE COMPENSATION PROGRAM STRENGTHENING PAY FOR PERFORMANCE

As an outgrowth to the company's transformation and significant strategic investments over the past several years, and as result of prior say on pay votes, including the 2015 results, we overhauled our executive compensation program and took a "clean sheet" approach to its re-design. ATI engaged external compensation consultants and advisors to provide research and review peer company practices and the practices of other manufacturing companies. We also considered the business challenges and goals, and motivation and retention issues that we face. In the fall of 2015, we also reached out to our largest stockholders to solicit their feedback on a tentative program design. As a result of this extensive process, we developed a new executive compensation program that is more aligned with stockholders' interests, easier to understand, retentive, and focused on ATI's business objectives.

Redesigned our short-term incentive program (annual cash performance-based incentives)

Changed our financial measures to put more emphasis on total ATI results through income/income-related and cash flow

Redesigned our long-term incentive program (3-year

measures.

Changed the weighting of the financial portion to 90% for the CEO and Executive Council members.

Program prohibits positive discretion to increase award amounts.