BALCHEM CORP
Form DEF 14A
April 29, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

BALCHEM 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):

No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(3) Per unit price or other underlying value of the 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 the transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Balchem Corporation
New Hampton,
New York 10958
Tel: 845-326-5600
Fax: 845-326-5702

April 29, 2019

NOTICE OF
VIRTUAL ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 20, 2019
AND PROXY STATEMENT

TO OUR SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Virtual Annual Meeting of Shareholders (the Annual Meeting or the Meeting) of Balchem Corporation (the Company) will begin promptly at 2:00 p.m. Eastern Daylight Savings Time on June 20, 2019. The Annual Meeting will be a virtual meeting and there will be no physical meeting location. The meeting will only be conducted via live webcast and shareholders may participate online by logging in at www.virtualshareholdermeeting.com/BCPC2019. Using this website, shareholders will be able to listen, vote, and submit questions from their home or from any remote location that has internet connectivity. If you plan to participate in the Annual Meeting, please see the instructions on page 40 of the attached Proxy Statement.

The Annual Meeting will be conducted for the following purposes:

1. To elect two Class 1 directors to the Board of Directors to serve until the Annual Meeting of Shareholders in 2022;
2. To ratify the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019;
3. To hold an advisory (non-binding) vote on the Company’s executive compensation; and,
4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Information with respect to the above matters is set forth in the Proxy Statement, which accompanies this Notice.

The Board of Directors has set April 23, 2019 as the record date for the Annual Meeting. This means that only shareholders of record at the close of business on that date are entitled to notice of and to vote at the Meeting or any adjournment thereof.

Shareholders who do not expect to be able to attend the Meeting are requested to complete, date and sign the enclosed proxy and promptly return the same in the stamped, self-addressed envelope enclosed for your convenience. Shareholders may also submit a proxy over the internet or by phone.

BY ORDER OF THE BOARD OF DIRECTORS

Theodore L. Harris, Chairman

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GENERAL

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the Board of Directors or the Board) of Balchem Corporation (the Company) to be voted at the 2019 Virtual Annual Meeting of Shareholders (the Annual Meeting or the Meeting) on June 20, 2019 at 2:00 p.m., local time, and at any adjournment or postponement thereof. Shareholders will be able to listen, vote, and submit questions from their home or from any remote location that has internet connectivity. Shareholders may only participate online by logging in at 1:55 p.m. This Proxy Statement and a proxy card are expected to be sent to shareholders beginning on or about April 29, 2019.

The Board of Directors has fixed the close of business on April 23, 2019 as the record date (the Record Date) for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. At the Annual Meeting, shareholders will be asked to consider and vote upon the following matters:

- Election of two Class 1 directors to the Board of Directors to serve until the Annual Meeting of Shareholders in 2022;
- Ratification of the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019;
- Holding an advisory (non-binding) vote on the Company’s executive compensation (Say on Pay); and
- Such other matters as may properly come before the Annual Meeting or any adjournment thereof.

You can ensure that your shares are voted at the Annual Meeting by completing, signing, dating and returning the enclosed proxy card in the envelope provided. Sending in a signed proxy will not affect your right to attend the Meeting and vote. A shareholder who gives a proxy may revoke it at any time before it is exercised by voting by attending the virtual meeting or by proxy at the Annual Meeting, by submitting another proxy bearing a later date or by notifying the Inspectors of Election or the Secretary of the Company of such revocation, in writing, prior to the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to attend and vote by attending the virtual meeting or by proxy at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.

If your shares are registered in your name with our transfer agent, you may vote either over the internet or by telephone. Specific instructions for voting in this manner are set forth on the enclosed proxy card. These procedures are designed to authenticate each shareholder s identity and to allow shareholders to vote their shares and confirm that their instructions have been properly recorded. If your shares are registered in the name of a bank or brokerage firm, you may also be able to vote your shares over the internet or by telephone. Many banks and brokerage firms are participating in online programs that allow eligible shareholders to vote over the internet or by telephone. If your bank or brokerage firm is participating in such a program, your voting form will provide instructions. If your voting form does not contain internet or telephone voting information, please complete and return the paper voting form in the self-addressed, postage-paid envelope provided by your bank or brokerage firm.

If you properly specify how a proxy is to be voted, it will be voted accordingly. If you sign a proxy card or voting form but do not provide voting instructions, it will be voted FOR the director nominees, FOR ratification of the appointment of the auditors, FOR approval of the Company s executive compensation, and at the discretion of the proxy holders about any other matter that may come before the Meeting or any adjournment thereof.

Broker non-votes are shares held by brokers or nominees that are present by attending the virtual meeting or represented by proxy but are not voted on a matter because instructions have not been received from the beneficial owner and the broker or nominee does not have discretion to vote without such instructions. Brokers and nominees generally do not have such discretion when the matter is deemed by the broker voting rules to be non-routine. The ratification of the independent registered public accounting firm is a routine matter with respect to which brokers and nominees have discretion to vote shares held by them in

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street-name in their discretion absent any instructions received from the beneficial owners of such shares. Brokers and nominees do not have such discretion with respect to the election of directors or Say on Pay.

Proxies may be solicited, without additional compensation, by directors, officers and other regular employees of the Company by telephone, email, fax or in person. All expenses incurred relating to this solicitation will be borne by the Company. Brokers, nominees, fiduciaries and other custodians have been requested to forward soliciting material to the beneficial owners of our Common Stock, defined in the section below entitled Voting Securities held of record by them, and such custodians will be reimbursed for their reasonable expenses.

Internet Availability of Proxy Materials

The Company's Proxy Statement and Annual Report to shareholders for the year ended December 31, 2018 are available at http://proxymaterials.balchem.com.

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PROPOSAL NO. 1 – ELECTION OF DIRECTORS

The Company s Bylaws provide for a staggered term Board of Directors consisting of seven (7) members, with the classification of the Board of Directors into three classes (Class 1, Class 2 and Class 3). The term of the two current Class 1 directors will expire at the Annual Meeting. The Class 3 and Class 2 directors will remain in office until their terms expire, at the annual meetings of shareholders to be held in the years 2020 and 2021, respectively.

At the Annual Meeting, two Class 1 directors are to be elected to hold office until the annual meeting of shareholders to be held in 2022 and thereafter until their successors have been elected and qualified. The nominees are listed below with brief biographies. The Board is not aware of any reason why any such nominee may be unable to serve as a director. If any, some or all of such nominees are unable to serve, the shares represented by all valid proxies will be voted for the election of such other person or persons, as the case may be, as the Board may recommend, or the Board may fill the vacancy or may amend the Company s Bylaws to reduce the size of the Board.

Vote Required to Elect Directors

Under the rules of the Securities and Exchange Commission (the SEC), boxes and a designated blank space are provided on the form of proxy for shareholders to mark if they wish to vote in favor of or withhold authority to vote for the Company's nominees for director.

A director nominee must receive a plurality of the votes cast at the Meeting, assuming a quorum is present. This means that a broker non-vote or a vote withheld from a particular nominee will not affect the outcome of the election of directors. However, we have adopted a majority vote policy, as described below.

If for any reason any such named nominee should not be available as a candidate for director, the proxies will be voted in accordance with the authority conferred in the proxy for such other candidate as may be nominated by the Company s Board of Directors.

Majority Vote Policy

Under the Company's Corporate Governance Guidelines (the Governance Guidelines), if a nominee for director in an uncontested election receives a greater number of withhold votes for election than for votes, that director shall promptly tender to the Board his or her resignation from the Board of Directors. The Corporate Governance and Nominating Committee will then make a recommendation to the Board whether to accept or reject the resignation tendered by such director or whether other action is necessary.

The Board will act on the tendered resignation, considering the recommendation of the Corporate Governance and Nominating Committee as well as other potentially relevant factors, within 90 days from the date of the certification of the election results. The director whose resignation is under consideration is not permitted to participate in the recommendation of the Corporate Governance and Nominating Committee or deliberations of the Board with respect to his or her resignation. If a director s resignation is accepted by our Board, the Board may fill the resulting vacancy or may amend the Company s Bylaws to decrease the size of the Board.

The Governance Guidelines are available on the Corporate Governance page in the Investor Relations section of the Company s website: www.balchem.com.

Nominees for Election as Director

Theodore L. Harris, age 54, a Class 1 director whose current term expires in 2019, has been a director, and President and Chief Executive Officer of the Company since April 2015, and Chairman of the Company's Board of Directors since January 2017. Prior to joining the Company, Mr. Harris was employed by Ashland Global Holdings Inc. (formerly. Ashland Inc.) (NYSE), a specialty chemical company, in various senior management positions, serving as Senior Vice President, President Performance Materials, from November of 2014 to April

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2015. Prior to this position, from 2011 to 2014, he served as Senior Vice President, President Performance Materials & Ashland Supply Chain, and prior to that, Vice President, President Performance Materials & Ashland Supply Chain. Mr. Harris   broad managerial, international, operational and sales experience, as well as his proven track record of developing and implementing strategies for delivering sustainable, profitable growth, make him a valuable member of our Board of Directors. Mr. Harris is also a member of the board of directors of Pentair plc (NYSE), a diversified industrial manufacturing company.

Matthew D. Wineinger, age 52, a Class 1 director whose current term expires in 2019, has been a director of the Company since September 2015. Since June 2015, Mr. Wineinger has been the President and Chief Executive Officer of United Sugars Corporation, a privately held, leading marketer of sugar. Mr. Wineinger served as President of Bulk Ingredients from June 2010 to November 2014, and as President, Food and Industrial Ingredients of Tate & Lyle PLC (LSE) from March 2008 to June 2010. Mr. Wineinger s thirty-one years of extensive global, operational and strategic industry experience, together with his previous knowledge of manufacturing operations involving many of the Company s current raw materials, make him a valuable member of our Board of Directors, particularly as the Company focuses on development and supply of products to human food and nutrition industries.

UPON RECOMMENDATION BY THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE, THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE ‘FOR   THE ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.

Directors Not Standing for Election

David B. Fischer, age 56, a Class 3 director whose current term expires in 2020, was appointed as a director of the Company in September 2010. Mr. Fischer is retired and prior to his retirement, he was a director and President and Chief Executive Officer of Greif, Inc. (NYSE), a supplier of industrial packing systems from November 2011 to October 2015. From 2007 to 2011, Mr. Fischer was the President and Chief Operating Officer of Greif, and from 2004 to 2007, Mr. Fischer served as Greif’s Senior Vice President and Divisional President, Industrial Packaging & Services - Americas. He is currently a member of the Boards of Directors of Ingredion Incorporated (NYSE) and DOmedia LLC, a privately held company. Mr. Fischer is also a co-founder and chairman of the board of directors of 10x Materials, a privately-held clean tech materials science company located in Wabash, Indiana. Mr. Fischer holds a Bachelor of Science degree from Purdue University. Mr. Fischer’s management and leadership skills, developed over years of responsibility for complex, global manufacturing operations, and his intimate knowledge of mergers and acquisitions, position him as a critical component of our Board of Directors, as we look to grow both organically and by acquisition.

Perry W. Premdas, age 66, a Class 3 director whose current term expires in 2020, was appointed as a director of the Company in January 2008. He is currently retired. From 1999 to 2004, Mr. Premdas was Chief Financial Officer of Celanese AG, a chemical and plastics business spun-off by Hoechst AG and listed on the Frankfurt stock exchange and the NYSE. He was Senior Executive Vice President and Chief Financial Officer of Centeon LLC from 1997 to 1998. Over his career, he has led treasury, finance, audit and investor relations functions of US and international companies and had general manager, executive and director roles in various wholly-owned and joint venture operations. Mr. Premdas holds a BA from Brown University and an MBA from the Harvard University Graduate School of Business. He served as a member of the Board of Directors of Compass Minerals International, Inc. (NYSE) until May 2015. Mr. Premdas was our Audit Committee Chairman and the Board of Director s audit committee financial expert from 2008 to 2018. Mr. Premdas   combination of financial and international business management experience in the chemical industry makes him a valuable member of our Board of Directors.

Dr. John Y. Televantos, age 66, a Class 3 director whose current term expires in 2020, has been a director since February 2005, and lead director since August 2010. Dr. Televantos is a Senior Partner at Arsenal Capital Partners, Inc., a private equity investment firm, where he leads the Chemicals and Materials practice of the firm. Dr. Televantos was formerly with Hercules, Inc., a chemical manufacturing company, as President of the Aqualon Division and as Vice President of Hercules, Inc. from April 2002 through February 2005. Dr. Televantos holds B.S. and Ph.D. degrees in Chemical Engineering from the University of London, United Kingdom. In addition to Dr. Televantos experience in the chemical manufacturing industry and management of publicly

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traded chemical manufacturing entities, Dr. Televantos is also significantly involved in private equity markets and processes involving chemical manufacturing companies. Collectively, these make Dr. Televantos a valuable member of the Board of Directors.

Paul D. Coombs, age 63, a Class 2 director whose current term expires in 2021, was appointed to our Board of Directors in September 2010. From April 2005 until his retirement in June 2007, Mr. Coombs served as the Executive Vice President of Strategic Initiatives for Tetra Technologies, Inc. (NYSE), an oil and gas services company, and from May 2001 to April 2005, as its Executive Vice President and Chief Operating Officer. From January 1994 to May 2001, Mr. Coombs served as Tetra s Executive Vice President – Oil & Gas. Mr. Coombs is a director of Tetra and is a member of its Audit and Corporate Governance and Nominating Committees. Mr. Coombs also serves as a director of CSI Compressco GP Inc., the general partner of CSI Compressco LP, CCLP (NASDAQ), a publicly traded limited partnership , both of which are subsidiaries of Tetra. Mr. Coombs has thirty-five years of experience in the oil and gas service and exploration industries, which, together with his entrepreneurial approach to management, provides the Board of Directors with essential counsel and insight into this area.

Daniel E. Knutson, age 62, a Class 2 director whose current term expires in 2021, was appointed to our Board in February 2018. Until his retirement at the end of 2017, Mr. Knutson served as the Executive Vice President for Special Projects at Land O Lakes, Inc. Land O Lakes is one of America s premier agribusiness and food companies. Previously, Mr. Knutson served as Executive Vice President and Chief Financial Officer at Land O Lakes from 2000 to 2017, where he oversaw corporate finance, accounting, treasury, audit, information technology and strategy and played key roles in many of Land O Lakes transactions. In addition, he was responsible for Land O Lakes investment in Moark LLC. Mr. Knutson joined Land O Lakes in 1978 and prior to his appointment as Chief Financial Officer, he held several leadership roles within its finance and accounting groups. Our Company s financial compliance programs and policies benefit from Mr. Knutson s input and skilled guidance. Mr. Knutson s combination of financial and international business management experience makes him a valuable member of our Board of Directors.

Director Independence

The Board of Directors has made an affirmative determination that each of the Company’s directors, other than Mr. Harris is independent, as such term is defined under the NASDAQ Marketplace Rules.

Meeting Attendance

During fiscal 2018, the Board of Directors held five regular meetings and one special meeting. Each director attended at least 75% of the meetings of the Board held when he was a director and of the meetings of those Committees of the Board on which he served.

Committees of the Board of Directors

The Company’s Board of Directors has a standing Audit Committee, Executive Committee, Compensation Committee, and Corporate Governance and Nominating Committee. The Board of Directors appoints the members of each

Committee. In 2018, the Audit Committee held three regular meetings and three telephonic or special meetings and each of the Compensation Committee and Corporate Governance and Nominating Committee held three meetings. The Executive Committee did not meet in 2018.

Audit Committee. The Audit Committee is directly responsible for appointing, compensating and overseeing the work of the Company s independent registered public accounting firm. The Audit Committee also assists the Board of Directors in fulfilling its oversight responsibilities with respect to the Company s financial reporting, internal controls and procedures, and audit functions.

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The primary duties and responsibilities of the Audit Committee are to:

(1) monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance;
(2) monitor the independence, qualifications and performance of the Company's independent auditors;
(3) establish policies and procedures with respect to enterprise risk assessment and risk management;
(4) review Company procedures for identifying, monitoring, and mitigating risk exposures; and
(5) provide an avenue of communication among the independent auditors, management and the Board of Directors.

The Audit Committee s role with respect to the Company s risk oversight is discussed under the section below entitled Board Role in Risk Oversight . The Audit Committee also monitors and, if necessary, investigates, reports made to the Company s hotline. Responsibilities, activities and independence of the Audit Committee are discussed in greater detail under the section below entitled Audit Committee Report.

The Board of Directors has adopted a written charter for the Audit Committee, which is available on the Corporate Governance page in the Investor Relations section of the Company s website, www.balchem.com. The current members of the Audit Committee are Messrs. Knutson (Chair), Coombs and Fischer. The Board of Directors has determined that the Audit Committee chairman, Mr. Knutson, qualifies as an audit committee financial expert, as defined by SEC rules, and that all members of the Audit Committee are independent under the NASDAQ Marketplace Rules and SEC independence requirements applicable to audit committee members.

Compensation Committee. The duties of the Compensation Committee are, among other things, to:

(1) ensure that all compensation and benefit plans are aligned with the interests of shareholders and meet the needs of the Corporation and its employees;
(2) review, approve and recommend to the Board of Directors for approval a compensation program, including incentives, for the Chief Executive Officer (CEO) and senior executives of the Company (the CEO may not be present during deliberations or voting on his compensation);
(3) recommend to the Board of Directors for approval the compensation of directors; and
(4) administer the Company's equity compensation plans.

The Compensation Committee solicits input from our CEO with respect to the performance of our executive officers and their compensation levels no less than once per calendar year, usually in the first quarter.

The members of our Compensation Committee have extensive and varied experience with various public and private corporations - as investors and shareholders, as senior executives, and as directors charged with the oversight of management and the setting of executive compensation levels. In addition to the extensive experience and expertise of the Compensation Committee s members and their familiarity with the Company s performance and the performance of our executive officers, the Compensation Committee is able to draw on the experience of other directors and on various legal and accounting executives employed by the Company, and the Compensation Committee has access to readily available public information regarding executive compensation structures and the establishment of appropriate compensation levels.

The Board of Directors has adopted a written charter for the Compensation Committee, which is available on the Corporate Governance page in the Investor Relations section of the Company s website, www.balchem.com. The current members of the Compensation Committee are Dr. Televantos (Chair) and Messrs. Fischer, Premdas and Wineinger, each of whom is independent, as such term is defined under the NASDAQ Marketplace Rules.

The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or, to the extent permitted by applicable law, to any other body or individual. In particular, the Compensation Committee may delegate the approval of certain transactions to a subcommittee

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consisting solely of members of the Compensation Committee who are (a) non-employee directors within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 and (b) outside directors for Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Compensation Committee, in setting 2018 director and executive compensation, engaged Mercer, LLC, an independent executive compensation advisory firm, to provide survey data and advice on market trends on director and executive compensation.

At the Compensation Committee s meetings in early 2018, the Compensation Committee reviewed with senior management its recommendations and basis for Company performance goals for payouts of 2018 annual incentive awards and long-term compensation awards. Following this discussion, the Compensation Committee set the 2018 Company performance goals for annual incentive awards and long-term compensation awards that had to be achieved for payouts of such awards to occur. The Compensation Committee also approved the form of the long-term compensation awards. For information regarding the Compensation Committee s role, absence of conflicts and fees, among other matters, see Compensation Discussion and Analysis.

Corporate Governance and Nominating Committee. The duties of the Corporate Governance and Nominating Committee are, among other things, to:

(1) consider and make recommendations to the Board concerning the appropriate size, function and needs of the Board;
(2) determine the criteria for Board membership, oversee searches and evaluate and recommend candidates for election to the Board;
(3) evaluate and recommend to the Board responsibilities of the Board committees;
(4) annually review and assess the adequacy of the Governance Guidelines and recommend any changes to the Board for adoption;
(5) annually evaluate its own performance as well as oversee an annual self-evaluation of the Board and other Board Committees;
(6) oversee compliance with the Company's Stock Ownership Policies;
(7) consider matters of corporate social responsibility, including reviewing the Company's activities and practices regarding environmental, social and related governance, including sustainability ("ESG") matters that are significant to the Company and periodically reviewing the Company's ESG strategy, initiatives and policies;
(8) recruit and evaluate new candidates for nomination by the full Board for election as directors, (ix) prepare and update an orientation program for new directors;
(9) evaluate the performance of current directors in connection with the expiration of their term in office providing advice to the full Board as to nomination for reelection; and
(10) annually review and recommend policies on director retirement age.

The Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee, which is available on the Corporate Governance page in the Investor Relations section of the Company s website, www.balchem.com. The current members of the Corporate Governance and Nominating Committee are Messrs. Wineinger (Chair), Coombs, Premdas and Dr. Televantos, each of whom is independent, as such term is defined under the NASDAQ Marketplace Rules.

Executive Committee. The Executive Committee is authorized to exercise all the powers of the Board of Directors in the interim meetings of the Board, subject to the limitations imposed by Maryland law. The Executive Committee is also responsible for:

(1) the recruitment, evaluation and selection of suitable candidates for the position of CEO, for approval by the full Board;

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(2) the preparation, together with the Compensation Committee, of objective criteria for the evaluation of the performance of the CEO; and

(3) reviewing the CEO's plan of succession for key executives of the Company.

The current members of the Executive Committee are Dr. Televantos (Chair), Mr. Fischer and Mr. Premdas.

Nominations of Directors

The Corporate Governance and Nominating Committee considers re-nominating incumbent directors who continue to satisfy the Company's criteria for membership on the Board; whom the Board believes will continue to make contributions to the Board; and who consent to continue their service on the Board. If the incumbent directors are not nominated for re-election or if there is otherwise a vacancy on the Board, the Corporate Governance and Nominating Committee will solicit recommendations for nominees from persons that they believe are likely to be familiar with qualified candidates, including Board members and members of management. The Corporate Governance and Nominating Committee may also determine to engage a professional search firm to assist in identifying qualified candidates. The Corporate Governance and Nominating Committee also considers independent director candidates recommended by one or more substantial, long-term shareholders. Generally, shareholders who individually or as a group hold 5% or more of our Common Stock and have continued to do so for over one year will be considered substantial, long-term shareholders. To be considered by the Corporate Governance and Nominating Committee, the names of such nominees, accompanied by relevant biographical information, must be properly submitted, in writing, to the Secretary of the Company by the deadline for including shareholder proposals in the Company's proxy materials as set forth below in Shareholder Proposals for 2019 Annual Meeting of Shareholders. Shareholder nominations that comply with these procedures and that meet the criteria outlined above will receive the same consideration that other candidates receive.

The Corporate Governance and Nominating Committee and the Board have adopted guidelines for identifying or evaluating nominees for directors, including incumbent directors and nominees recommended by shareholders. The Company s current policy is to require that a majority of the Board of Directors be independent. In addition, directors may not serve on the boards of more than three other public companies without the approval of the Board of Directors and directors must satisfy the Company s age limit policy for directors, which require that a director retire at the conclusion of his or her term in which he or she reaches the age of 70.

The guidelines for nomination for a position on the Board of Directors provide for the selection of nominees based on the nominee s skills, achievements and knowledge, and contemplate that the following will be considered, among other things, in selecting nominees:

(i) experience and skills in areas critical to understanding the Company and its business;

(ii) personal characteristics, such as integrity and judgment;

(iii) diversity of background, experience and perspectives (including business experience, geographic origin, age, gender, and ethnicity); and

(iv) the candidate's ability to commit to the Board of Directors.

Members of the Corporate Governance and Nominating Committee (and/or the Board) also meet personally with each nominee to evaluate the candidate s ability to work effectively with other members of the Board, while also exercising independent judgment.

The Board believes that diversity within a Board promotes the inclusion of different perspectives and ideas and ensures that the Company benefits from all available talent. Therefore, the Board evaluates each candidate in the context of the Board as a whole, with the objective of recommending an individual that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment based upon a diversity of background, experience and perspectives.

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Lead Director

The Board of Directors has had a Lead Director since 2005. Dr. Televantos has been the Lead Director since August 2010. The Lead Director role reinforces the independence of the Board of Directors and is appointed on a rotating basis from the independent directors.

The Lead Director serves at the pleasure of the Board and, in any event, only so long as that person shall be an independent director of the Company. The Corporate Governance and Nominating Committee reviews annually the functions of the Lead Director and recommends to the Board any changes that it considers appropriate. The Lead Director provides a source of Board leadership complementary to that of the Chairman of the Board.

The Lead Director is responsible for, among other things:

(i) working with the Chairman and other directors to set agendas for Board meetings;
(ii) providing leadership in times of crisis together with the Executive Committee;
(iii) reviewing the individual performance of each of the directors with the Chair of the Corporate Governance and Nominating Committee;
(iv) chairing regular meetings of independent Board members without management present (executive sessions);
(v) acting as liaison between the independent directors and the Chairman; and
(vi) chairing Board meetings when the Chairman is not in attendance.

Current Board Leadership Structure

The Corporate Governance and Nominating Committee reviews the functioning of the Board and makes recommendations to the Board regarding the CEO, Chairman and Lead Director, in the manner that it determines to be in the best interests of our shareholders, which is consistent with the Governance Guidelines. The Governance Guidelines are available on the Corporate Governance page in the Investor Relations section of the Company's website, www.balchem.com. The Governance Guidelines do not require the Chairman of the Board to be independent and do not specify whether the positions of Chairman of the Board and the CEO must be separated. The Board and the Corporate Governance and Nominating Committee regularly consider the appropriate leadership structure for the Company and have concluded that the Company and its shareholders are best served by the Board the Corporate Governance and Nominating Committee retaining discretion to determine whether the same individual should serve as both CEO and Chairman of the Board, or whether the roles should be separated. The Board and the Corporate Governance and Nominating Committee believe that it is important to retain the flexibility to make this determination at any given point in time based on what it believes will provide the best leadership structure for the Company, based on the circumstances at the time.

Mr. Harris, our President and CEO, has been the Chairman of the Board of Directors since January 1, 2017. The Board and the Corporate Governance and Nominating Committee currently believe that the Company and its shareholders are best served by having Mr. Harris serve in both positions. The Board and the Corporate Governance and Nominating Committee believe several factors support this decision. The Board and the Corporate Governance and Nominating Committee believe the combined Chairman and CEO structure promotes decisive leadership, ensures clear accountability and enhances our ability to communicate with a single and consistent voice to shareholders, employees and other stakeholders. Further, Mr. Harris is thoroughly familiar with our business and the challenges the Company faces in the current environment and is best situated to lead and focus discussions on those critical matters affecting the Company, which eliminates ineffective and unproductive meetings. In addition, the combination of the Chairman and the CEO position succeeds because of the engaged, knowledgeable involvement of our Board of Directors in combination with

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our culture of open communication with the CEO and senior management, enabling the CEO to be an effective conduit between management and the Board. This structure s effectiveness is supported by the active function of the Lead Director, who provides and confirms the necessary independence in the functioning of the Board.

Board Role in Risk Oversight

While our Board provides direct risk oversight, responsibility for risk oversight is primarily administered through the Audit Committee. The Board and the Audit Committee have and will regularly discuss with management our major risk exposures, their potential financial impact on the Company and the management thereof. The Audit Committee receives, or arranges for the Board of Directors to receive, periodic reports from management on areas of material risk to the Company, including financial, operational, legal, regulatory and strategic risks. The Company has an enterprise risk management effort led by its Internal Audit function. The Audit Committee receives these reports from members of management tasked with the responsibility to understand, manage and mitigate the risks. The Chairman of the Audit Committee reports on the discussion to the full Board during the Committee reports portion of the next Board meeting, which enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to cross-discipline risks and interrelated risks. The Compensation Committee also evaluates risk, as such relates to our compensation program. Please refer to the discussion in the Compensation Discussion and Analysis under the section Risk Considerations in our Compensation Program .

Communicating with the Board of Directors

Members of the Board and executive officers are accessible by mail in care of the Company. Any matter intended for the Board, or for any individual member or members of the Board, should be directed to the General Counsel with a request to forward the communication to the intended recipient. In the alternative, shareholders can direct correspondence to the Board via the Chairman, or to the attention of the Lead Director, in care of the Company at the Company's principal executive office address, 52 Sunrise Park Road, New Hampton, NY 10958. The Company will forward such communications, unless of an obviously inappropriate nature, to the intended recipient.

Executive Sessions of the Board of Directors

The Company's independent directors meet regularly in executive sessions following each regularly scheduled meeting of the Board of Directors. These executive sessions are presided over by the Lead Director. The independent directors presently consist of all current directors, except Mr. Harris.

Executive Officers

Set forth below is certain information concerning the executive officers of the Company (other than Mr. Harris, whose background is described above under the caption Directors Standing for Election).

Martin Bengtsson, age 41, is the Company s Chief Financial Officer. He joined the Company in February 2019. He served as Vice President and Chief Financial Officer for the Performance Materials and Technologies business unit of Honeywell International Inc. (Honeywell), a diversified technology and manufacturing company, from April 2018 until January 2019. Prior to that, Mr. Bengtsson was Vice President and Chief Financial Officer for the following Honeywell business units: (i) Advanced Materials (August 2016 – April 2018), (ii) Specialty Products (March 2016 – August 2016), and (iii) Fluorine Products April 2014 – February 2016). Prior to these roles, Mr. Bengtsson held a number of positions in Honeywell s accounting and finance unit, each with increasing responsibility, including Vice President, Global Controller for the Performance Materials and Technologies business unit from October 2011 until March 2014 and as Vice President, Finance – Group Corporate Audit from February 2009 until September 2011.

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PROPOSAL NO. 1 – ELECTION OF DIRECTORS

William A. Backus, CPA, age 53, served as Interim Chief Financial Officer from October 2018 to February 2019. Mr. Backus has been the Company s Chief Accounting Officer since October 2017. Prior to that, Mr. Backus was the Company s Chief Financial Officer and Treasurer from June 2014 to October 2017. He was Chief Accounting Officer and Assistant Treasurer of the Company from June 2011 to June 2014 and was Controller of the Company from January 2006 to June 2011. He was Controller of Stewart EFI, LLC, a precision metal component manufacturer, from 1999 through 2005.

David F. Ludwig, age 61, has been Vice President and General Manager, Specialty Products since July 1999, Vice President and General Manager, Industrial Products since February 2017, and an executive officer of the Company since June 2000. He was Vice President and General Manager of Scott Specialty Gases, a manufacturer of high purity gas products and specialty gas blends, from September 1997 to June 1999. From 1986 to 1997 he held various international and domestic sales and marketing positions with Engelhard Corporation s Pigments and Additives Division.

Scott C. Mason, age 60, has been the Company s Vice President of Manufacturing and Supply Chain, since October 2017. Prior to joining the Company, he was Senior Vice President for Global Supply Chain at Stepan Company, a producer of specialty and intermediate chemicals, from March 2010 to August 2017. He was Senior Vice President, Global Supply Chain for Nalco Company from January 2006 to December 2009 and Vice President-General Manager of the Institutional, Manufacturing and Municipal Water Treatment Business at Graftech International from February 2000 to September 2006. From 1998 to February 2000, Mr. Mason was Vice President, Global Supply Chain for Union Carbide.

Mark A. Stach, age 57, has been General Counsel and Secretary since September 2017. He was Assistant General Counsel of the Company from October 2015 until September 2017. Prior to that he was in private practice and was Assistant General Counsel for Ashland Global Holdings Inc. (formerly, Ashland Inc.) (NYSE), where he was lead counsel and member of the leadership teams for two of Ashland s business units and supervised the commercial, global trade compliance and intellectual property functions within Ashland s Law Department.

Mary Theresa Coelho, age 56, was Company s Chief Financial Officer and Treasurer from October 2017 until her resignation in October 2018. As Ms. Coelho served as the Company s principal financial officer during a portion of 2018, information with respect to her compensation is being provided in accordance with Item 402(a)(3)(ii) of Regulation S-K. Prior to joining Balchem, Ms. Coelho was Chief Operating Officer of Diversey, Inc. since September 2017. Prior to that role, Ms. Coelho was Vice President Finance and Global Commercial Excellence for Diversey Care, a division of Sealed Air Corporation, from February 2016 to September 2017 and Vice President Finance for Diversey Care from October 2014 to February 2016.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics applicable to its employees, which is also applicable to the Company’s directors and officers. The Company has also adopted a Code of Ethics for Senior Financial Officers that applies to the Company’s Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer and Corporate Controller. Any waiver of any provision in either of these codes in favor of members of the Board or in favor of executive officers may be made only by the Board. Any such waiver, and any material amendment to such Codes, will be publicly disclosed in a Current Report on Form 8-K. The Code of Ethics for Senior Financial Officers and Code of Business Conduct and Ethics are available on the Corporate Governance page in the

Investor Relations section of the Company’s website: www.balchem.com.

Sustainability

We are committed to operating and delivering financial results in a way that respects the overall environment in which we operate. Therefore, corporate responsibility and sustainability play an important role in our business and operating strategies and long-term value creation for our stakeholders. We believe that our

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PROPOSAL NO. 1 – ELECTION OF DIRECTORS

sustainability practices require transparency and accountability. The Company recently issued its first sustainability report. The report is the output of a process of engagement with select stakeholders to understand their sustainability interests and concerns and to capture Balchem s efforts and achievements in key areas of sustainability. The report can be found at: www.balchem.com. Our Corporate Governance and Nominating Committee, in connection with its responsibility for reviewing the Company s activities and practices regarding environmental, social and related governance matters maintains responsibility for oversight of our sustainability-related practices and will be monitoring the Company s progress in this area.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers and holders of more than 10% of our Common Stock to file with the SEC initial reports of ownership and reports of any subsequent changes in ownership of Common Stock and other equity securities of the Company. Specific due dates for these reports have been established and the Company is required to disclose any failure to file by these dates.

Based upon a review of such reports furnished to the Company, or written representations that no reports were required, the Company believes that during the fiscal year ended December 31, 2018, its officers and directors and holders of more than 10% of our Common Stock timely complied with Section 16(a) filing date requirements with respect to transactions during such year.

Compensation Committee Interlocks and Insider Participation

Messrs. Fischer, Premdas, Wineinger and Edward McMillan (who retired from the Board on June 20, 2018) and Dr. Televantos, each of whom is (or in the case of Mr. McMillan, was) a director of the Company, served as the members of the Compensation Committee during 2018. None of Messrs. Fischer, McMillan, Premdas, Wineinger, nor Dr. Televantos: (i) was, during the last completed fiscal year, an officer or employee of the Company, (ii) was formerly an officer of the Company or (iii) had any relationship requiring disclosure by the Company under Item 404 of Regulation S-K under the Securities Act of 1933, as amended. During 2018, there were no interlocking relationships between the Company's Board of Directors or Compensation Committee, or the board of directors or compensation committee of any other company that are required to be disclosed under Item 407 of Regulation S-K.

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Compensation Discussion and Analysis

This Compensation Discussion and Analysis (CD&A) provides a detailed description of our executive compensation philosophy and programs, the compensation decisions the Compensation Committee has made under those programs and the factors considered in making those decisions. This CD&A focuses on the compensation of our Named Executive Officers (Named Executive Officers or NEOs) for 2018.

What We Do and Do Not Do

WE DO	WE DO NOT
Target total direct compensation for our NEOs generally at the 50th percentile	Allow hedging or pledging of Company securities
Pay for performance and, accordingly, a significant portion of each NEO's total compensation opportunity is at risk and dependent upon achievement of specific corporate and individual performance goals, resulting in lesser emphasis on fixed base salary	Encourage unnecessary or excessive risk taking as a result of our compensation policies and practices
Base our short-term incentive plan on multiple performance measurements, including both financial and operational metrics	Have employment agreements with any of our NEOs other than our CEO
Complement our annual compensation to each NEO with time-based and performance-based multi-year vesting schedules and performance cycles for equity incentive awards	Provide a defined benefit pension plan or any supplemental executive retirement plan or other form of non-qualified retirement plan for our NEOs
Base any annual base salary adjustments and annual long-term equity awards to our NEOs, partially, on prior-year individual performance	Provide for any gross ups for any excise taxes imposed with respect to Section 280G (change-in-control payments) or Section 409A (nonqualified deferred compensation) of the Code.
Select and use a similarly-sized peer group to assess the compensation of our NEOs and a publicly traded peer group to compare and rank the Company's total shareholder return	Except as provided in a single employment agreement, provide for single-trigger vesting acceleration upon a change in control of the Company
Maintain a claw-back policy pursuant to which the Company can seek reimbursement of either cash or equity-based incentive compensation in the event of a financial restatement	Allow: (i) any repricing of stock options/stock appreciation rights without shareholder approval or (ii) for the unlimited transferability of awards
Have stock ownership guidelines for our executives and non-employee directors	Have an employee stock purchase plan
Maintain a Compensation Committee, which is comprised solely of independent directors	
For awards in 2017 and thereafter, provide for minimum vesting of awards and maximum award limits	

Ensure that a significant portion of our non-employee director compensation consists of time-vested restricted stock

Annually benchmark executive compensation against that of a peer group of companies.

Consult with outside experts to determine the overall competitiveness of the Company's executive compensation program.

Consideration of 2018 Shareholder Advisory Vote on Executive Compensation

At our annual meeting of shareholders on June 20, 2018, our shareholders once again expressed support for our compensation programs and the compensation of our NEOs, with an approval rate of approximately 95% of votes cast for our management Say on Pay resolution. The Compensation Committee carefully evaluated

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the results of the 2018 Say on Pay vote and made no significant changes to the overall design of our compensation program during 2018. The Company communicates regularly with shareholders on various matters, including executive compensation, and seeks to incorporate shareholder input into its executive compensation practices. Consequently, in 2018, driven partially by valuable feedback received from some of the Company s most significant shareholders, we did not award to any NEO any off-cycle retention equity grants subject to time-based vesting. The Compensation Committee will continue to consider shareholder feedback and evolving best practices in making compensation decisions in future years and will continuously endeavor to ensure that management s interests are aligned with those of our shareholders and support long-term value creation.

In addition, also driven in part by shareholder input and our continuing efforts to implement best practices in executive compensation decisions, the following features are included in the Company s 2017 Omnibus Incentive Plan (the 2017 Plan):

- **Limitation on Shares**: The maximum number of shares which may be issued under the 2017 Plan is 1,600,000 shares;
- **No Repricing of Options or Stock Appreciation Rights (SARs)**: The 2017 Plan does not allow repricing, amendment or exchange of outstanding options/SARs without shareholder approval;
- **No Discounted Awards**: The exercise price per share of stock under an option or SAR award must be not less than the fair market value of our Common Stock on the date of grant;
- **Minimum Vesting**: Except for 5% of the shares authorized for grant under the 2017 Plan or as provided in an employment agreement as in effect on the effective date of the 2017 Plan, awards (other than cash performance awards) are generally subject to a minimum vesting period of one year;
- **Dividends or Dividend Equivalents**: Dividends or dividend equivalents otherwise payable on an unvested award will accrue and be paid only when the vesting conditions applicable to the underlying award have been satisfied;
- **No Liberal Share Recycling**: The 2017 Plan does not allow for the recycling of shares used to satisfy the exercise price or taxes for any awards;
- **No Liberal Change-in-Control**: The 2017 Plan requires the consummation of a merger or similar transaction and a minimum acquisition of 50% of the outstanding shares before a change-in-control occurs;
- **No Automatic Single-Trigger Vesting on Change-in-Control**: Except as provided in an employment agreement as in effect on the effective date of the 2017 Plan, the 2017 Plan does not provide for automatic acceleration of outstanding awards upon the occurrence of a of a change-in-control;
    - **Limitations on Awards to Non-Employee Directors**: In the case of awards to non-employee directors under the 2017 Plan, the maximum amount or value that may be granted in any calendar year (inclusive of cash compensation) may not exceed $800,000;
- **Compensation Recovery**: Under the 2017 Plan, in the event that the Company is required to prepare an accounting restatement of its financial statements due to the Company’s material noncompliance with any financial reporting requirements under the securities laws, the Compensation Committee would have the discretion to require reimbursement or forfeiture of certain excess performance-based awards received by certain executive officers of the Company during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement; and
- **Section 162(m)**: Awards may (but need not) be structured to qualify as performance based under Section 162(m) of the Code. The Tax Cuts and Jobs Act of 2017 has eliminated the performance-based compensation exception under Section 162(m) of the Code for fiscal years beginning after December 31, 2017, with transition relief applicable to certain arrangements in place as of November 2, 2017 (the scope of which is uncertain under the legislation).

EXECUTIVE COMPENSATION

Compensation Objectives and Philosophy

The Company’s compensation philosophy is to offer competitive salaries, cash incentives, equity awards and benefit plans consistent with peer entities, while considering the Company’s financial performance. Rewarding key employees who contribute to the continued success of the Company through cash compensation and equity participation are key elements of the Company’s compensation policy. The Company’s executive compensation policy is to attract and retain key executives necessary for the Company’s short and long-term success by establishing a direct link between executive compensation and the performance of the Company, by rewarding individual initiative and the achievement of annual corporate goals through salary and cash bonus awards, and by providing equity awards, wherein executives are incentivized to generate enhanced shareholder value. To effectuate this philosophy, the Compensation Committee favors a pay for performance approach. As a result, our compensation program contains a mix of stable and at-risk compensation components, where a significant percentage of executive compensation is tied to corporate performance.

Compensation Committee Methodology

The CEO recommends to the Compensation Committee the amount of total annual compensation for each of the other Named Executive Officers. The CEO completes an annual performance assessment for each of the other Named Executive Officers, which is reviewed and considered by the Compensation Committee. The Compensation Committee conducts an annual performance appraisal of the CEO using evaluation information solicited from each of the independent members of the Board of Directors and recommends to the Board of Directors the annual compensation package for the CEO. In determining the compensation of the Company’s Named Executive Officers for 2018, including the compensation of the CEO, the Compensation Committee considered many quantitative and qualitative performance factors. The Compensation Committee’s considerations included, but were not limited to, financial performance of the Company, including return on equity, cash flow, return on assets, growth, management of assets, liabilities, capital, liquidity and risk. The Compensation Committee endeavors to balance short-term and long-term performance of the Company and cumulative shareholder value when establishing performance criteria for each of the Named Executive Officers and for the management team as a group. The Compensation Committee also considers intangible factors such as: the scope of responsibility of the executive; leadership within the Company, the community and the applicable industries in which the Company engages; and the enhancement of shareholder value. All factors are considered in the context of the market for the Company’s products and services, and the complexity and difficulty of managing business risks in the prevailing economic conditions and regulatory environment. The Compensation Committee believes that the total compensation provided to the Company’s Named Executive Officers is competitive and has been demonstrated as effective. Details regarding the compensation of each of the Named Executive Officers are set forth in the tables that follow.

Compensation Consultants

The Compensation Committee has authority to engage attorneys, accountants and consultants, including executive compensation consultants, to solicit input concerning compensation matters, and to delegate any of its responsibilities to one or more directors or members of management, where it deems such delegation appropriate and permitted under applicable law.

To better understand the compensation practices of similar companies, the Compensation Committee may, from time to time, review data gathered from a custom peer group (Peer Group) identified by Willis Towers Watson and general market survey data from Mercer, LLC (Mercer). Information gathered from the Peer Group serves as the primary reference point for the Compensation Committee with Mercer survey data used as a secondary reference.

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The following companies comprise the Peer Group which was identified in late 2016 with the assistance of Willis Towers Watson and remained unchanged for 2018:

Akorn, Inc.	Innophos Holdings Inc	Quaker Chemical Corporation
Emergent BioSolutions, Inc.	Innospec Inc.	Sensient Technologies Corporation
Ferro Corporation	Masimo Corporation	Stepan Company
HB Fuller Co.	Minerals Technologies Inc.	Platform Specialty Products Corporation
Impax Laboratories Inc.		

The Peer Group shown above was developed based on comparability to the Company in terms of industry and size, with data gathered from peer group proxy statements. Further, Willis Towers Watson used data compiled from its Top Management Compensation Survey, which was adjusted to our revenue size. The Company and Willis Towers Watson believe that the survey data was representative for executive compensation benchmarking purposes at the time it was gathered. As part of its 2018 engagement, Mercer identified a new group of peer companies (the New Peers). The New Peers will be used for benchmarking purposes in 2019. We intend to continue to retain outside compensation consultants that will provide benchmarking data, which will continue to include published survey data and may include Peer Group data.

Benchmarks

While compensation survey data and benchmarking are useful guides for comparative purposes, we believe that a successful compensation program also requires the application of judgment and subjective determinations, particularly with respect to individual performance. Accordingly, our Compensation Committee applies its judgment to adjust and align each individual element of our compensation program with the broader objectives of the program. For example, we consider other factors, including, but not limited to, the Company’s historical compensation trends; recommendations of the CEO; the performance of the Company, its operating units and their respective executives; market factors such as the health of the economy and of the industries served by the Company; the availability of executive talent; executives’ length of service; and internal assessments and recommendations regarding particular executives. The compensation survey analysis prepared by Willis Towers Watson was not aimed at establishing exact benchmarks for our compensation program, but rather to provide a point of reference and a reality check to obtain a general understanding of the current compensation levels of companies of approximately our size in industries in which we operate.

The results of the analysis of the compensation survey, as well as the other sources consulted, showed that the Company s executive base compensation is below the market median, and the Company s total compensation levels are consistent with the market median compensation levels considering equity awards and at-risk/performance compensation.

Base Salary

Base salary represents the fixed component of the executive compensation program. The base annual salaries we provide to our executive officers are intended as compensation for each executive officer’s ongoing contributions to the performance of the area(s) for which they are responsible. Base salary also impacts annual incentive cash bonus amounts and long-term compensation, because they are based on a percentage of base salary.

In keeping with our compensation philosophy to attract and retain individuals of high quality, executive officer base salaries have been set to be competitive with base salaries paid to executive officers of comparable companies as referenced above. The Compensation Committee also considers: experience and industry knowledge of the Named Executive Officers; the quality and effectiveness of their leadership at the Company; performance relative to total compensation; internal pay equity among the Named Executive Officers and other Company senior executives; historical considerations; company strategy; retention factors and input from our CEO regarding individual performance.

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The base annual salary levels of each of our executive officers are reviewed annually and adjusted from time to time to recognize individual performance, promotions, competitive compensation levels, retention requirements, internal pay equity, overall budgetary considerations and other qualitative factors. As shown below in Executive Compensation - Summary Compensation Table, in 2019, the Compensation Committee increased the base salaries of the Named Executive Officers as a result of overall Company and individual performance in 2018.

Cash Based Incentives

Bonuses represent a variable, at-risk, component of the NEO's overall compensation that is tied to both Company and business segment performance. The Company's policy is to base a meaningful portion of its executive officers' cash compensation on bonus opportunities. In determining bonuses, the Company considers factors such as the individual's contribution to the Company's performance and the relative performance of the Company during the year.

At the end of each calendar year, the Compensation Committee approves the Incentive Compensation Program (the ICP) for the succeeding calendar year. The ICP awards cash bonus compensation to NEOs and certain other employees, based upon objective levels of achievement of specific company and business segment goals established for the particular NEO or employee, and for the weighting of those goals to determine the amount of the bonus. Although the Compensation Committee approves the ICP at the end of the preceding year, it also reviews competitive market data for executive officer positions from time to time. The Compensation Committee may also grant incentive awards at other times during the year because of new appointments or promotions during the year. Our Compensation Committee does not time the grants of incentive awards around our release of undisclosed material information.

Establishing applicable goals requires a well-defined annual business plan and targets defined therein from which most ICP goals are measured. Our annual business plan evolves from our corporate strategic plan and is approved by the Board of Directors each December for the following fiscal year. Company Adjusted EBITDA, defined as earnings before interest, other expense/income, taxes, depreciation, amortization, stock-based compensation, acquisition-related expenses and legal settlements, and the fair valuation of acquired inventory, and Free Cash Flow, defined as operating cash flow minus capital expenditures, are the two primary and independent corporate metrics upon which bonuses are determined. Unless the Compensation Committee, in its discretion, determines otherwise, no incentive cash bonus is payable unless the Company attains the Compensation Committee approved threshold minimum Adjusted EBITDA. If the Adjusted EBITDA threshold minimum is achieved and the threshold minimums are exceeded for each metric, then the amount of the ICP awards will be pro-rated up to 100% of target bonus amounts for reaching target levels and in excess thereof for exceeding such target levels up to stretch and then maximum bonus amounts, all as originally established by the Compensation Committee. The Compensation Committee established such threshold, target, stretch and maximum levels of Adjusted EBITDA and Free Cash Flow for 2018 as part of the approval of the ICP for that year, based, amongst other things, upon the Company s preliminary results of operations for 2017, as then available. The Company s threshold and target amounts were set in late 2017 for 2018, as follows:

Metric	Threshold	Target	Stretch	Maximum
Adjusted EBITDA	$143.8 million	$154.6 million	$162.4 million	$170.0 million
Free Cash Flow	$76.4 million	$82.2 million	$86.3 million	$90.4 million

For additional detail on the ICP, see Summary Compensation Table — Non-Equity Incentive Plan Compensation.

Adjusted EBITDA and Free Cash Flow are financial measures that are not in accordance with United States generally accepted accounting principles (GAAP). The Company believes that the use of these measures in the executive compensation context is helpful in evaluating and comparing our past financial performance with our future results. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company believes that these non-GAAP measures provide useful information about certain of the Company s core operating results and thus are

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appropriate to enhance the overall understanding of the Company s past financial performance and its prospects for the future in the context of evaluating the performance of our executive officers.

ICP target amounts for each NEO is expressed as a percentage of actual base salary earned during the applicable calendar year. For 2018, NEO ICP targets were:

NEO	ICP Target as a Percent of Base Salary	
Mr. Harris	100	%
Mr. Backus	45	%
Mr. Ludwig	40	%
Mr. Mason	45	%
Mr. Stach	35	%
Ms. Coelho	45	%

ICP target percentages were selected by the Compensation Committee as believed to be consistent with the custom and practice of industry peers and appropriate to attract and retain executive talent. The Compensation Committee may, in its discretion, approve cash-based bonuses when ICP goals are not met, if it believes there has nevertheless been exceptional segment or individual performance.

2018 ICP Discussion

On February 12, 2019, the Compensation Committee, following its review of the Company's 2018 financial results, noted that the Company, had achieved the following results:

Metric	2018 Result	Actual vs. Target	Payout Percentage	
Adjusted EBITDA	$159.9 million	$5.3 million	120.6	%
Free Cash Flow	$88.7 million	$6.5 million	171.1	%

For additional detail on the ICP, see Summary Compensation Table – Non-Equity Incentive Plan Compensation.

Equity Based Compensation

The Compensation Committee believes that one important goal of the executive compensation program should be to provide NEO's and, key leaders who have significant responsibility for the management, growth and future success of the Company, and directors with an opportunity for investment in the Company and the incentive advantages inherent in stock ownership in the Company. The goal of this approach is that the interests of the shareholders, executives, employees and directors will be closely aligned. We believe that equity awards provide a strong alignment between the interests of our executives, including the NEOs, and our shareholders. The Long-Term Incentive Compensation Program, (LTIP), is a complementary compensation program to the ICP and accordingly, the Compensation Committee seeks to provide motivation to our executives using equity awards consistent with the reasonable management of the Company's overall equity compensation expense and shareholder dilution. The Compensation Committee grants equity awards to our executives, including the NEOs, in the first quarter of each fiscal year, as a reward for past corporate and individual performance, as an incentive for future performance, and as a retention tool.

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LTIP Process

The Compensation Committee establishes each NEO’s LTIP Target Equity Value , which is the dollar amount of equity awards the executive can be granted upon attainment of the established goals for a fiscal year at target level performance. The Compensation Committee, having reviewed the Peer Group data, has established Target Equity Multipliers as set forth below for each NEO:

Named Executive Officer	Target Equity Multipliers (of Base Salary)
Mr. Harris	1.75
Mr. Bengtsson	1.00
Mr. Backus	1.00
Mr. Ludwig	1.00
Mr. Mason	1.00
Mr. Stach	1.00
Ms. Coelho(1)	1.00

(1) Ms. Coelho resigned effective October 23, 2018, information with respect to her compensation is being provided in accordance with Item 402(a)(3)(ii) of Regulation S-K

The Target Equity Multiplier is multiplied by the NEO s annual base salary to determine the Target Equity Value and expressed as the dollar value of the LTIP award. The Target Equity Value is then converted into equity awards based upon the fair value on the date LTIP awards are granted, usually in February of each calendar year, as computed in accordance with FASB Accounting Standards Codification 718. Accordingly, the LTIP Target Equity Values for 2018 were established in late 2017. Although the Compensation Committee approves the LTIP equity in this time frame, it also reviews competitive market data for NEOs from time to time. The Compensation Committee also may grant incentive awards at other times during the year because of new appointments, promotions or other special circumstances. Our Compensation Committee does not time the grants of incentive awards around our release of undisclosed material information. The Compensation Committee may, in its discretion, adjust individual grants based upon individual performance. The Target Equity Value will then be granted to NEOs through a mix of Stock Options, time-based Restricted Shares and Performance Shares as follows:

- 25% of the 2018 Target Equity Value is awarded to each participant in the form of stock options with an exercise price equal to the fair market value of our Common Stock on the date of grant. Options have a ten-year term and vest ratably over a three-year period.
- 25% of the 2018 Target Equity Value is awarded to each participant in the form of Restricted Share Units (RSUs) which are granted at the fair market value of our Common Stock on the date of grant and cliff vest four (4) years from said date.
- 25% of the 2018 Target Equity Value is awarded as EBITDA performance shares. The number of EBITDA performance shares that will vest (or not vest) is based upon the attainment of a pre-determined Company EBITDA performance target over the three (3) fiscal years beginning with the fiscal year in which the grant was made (the Performance Period) and will cliff vest (or not vest) at the end of the Performance Period. The number of EBITDA performance shares that will vest is dependent on the level of performance achieved as follows.

Performance Level

	% of EBITDA Performance	Shares Vesting as a % of Target
Maximum	130 % of target	200%
Target	100% of target	100%
Threshold	80% of target	50%
Below Threshold	<80% of target	0%

- 25% of the 2018 Target Equity Value is awarded as Total Shareholder Return (TSR) performance shares. The number of TSR performance shares that will vest (or not vest) is based upon the relative Company TSR

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vs. the Russell 2000 Index over the three (3) fiscal years beginning with the fiscal year in which the grant was made (the Performance Period). TSR performance shares will cliff vest (or not vest) at the end of the Performance Period. The number of TSR performance shares that will vest is dependent on the level of relative TSR performance as follows:

Performance Level	3 Year TSR Performance	Shares Vesting as a % of Target
Maximum	75th Percentile	200%
Target	50th Percentile	100%
Threshold	25th Percentile	50%
Below Threshold	<25th Percentile	0%

Stock Ownership Requirements; Trading Limitations

The Company has formal stock ownership requirements for its directors and executive officers. According to the stock ownership policy, directors are required to own shares of the Company’s Common Stock with a value at least equal to five times their annual cash retainer and executive officers must own such shares with a minimum value determined by a reference to a multiple of their annual base salary as follows: (1) CEO, three times; (2) Chief Financial Officer, one and one-half times; and (3) Vice President/Officer, one times. Both directors and executive officers have five years from the later of the date of the adoption of this policy or from the date of hire or commencement of service as a director, as applicable, to attain the required level of ownership. All directors and officers are currently in compliance with this policy. The Company provides in its insider trading policy that directors and executive officers may not sell Company securities short and may not sell puts, calls or other similar derivative securities tied to our Common Stock.

Employment Agreements

The Company has an employment agreement with Mr. Harris. Other than such agreement, there are no agreements or understandings between the Company and any executive officer which guarantee continued employment or guarantee any level of compensation, including incentive or bonus payments. The Company does not have a written policy regarding employment agreements. There is no provision in Mr. Harris’ employment agreement or in any employment or other arrangement with any other executive officer whereby any tax gross-up payment to cover any excise taxes on excess parachute payments will be made.

Balchem Corporation 401(k) Plan (401(k) Plan)

The Company sponsors the 401(k) Plan for eligible employees including NEOs. The Company provides a fully vested match equal to 100% of participant contributions up to 6% of eligible compensation, subject to IRS guidelines. The 401(k) Plan also includes a discretionary profit-sharing contribution.

Active employees who have completed 1,000 hours of service, are 18 years of age or older, and are active employees of the Company at December 31 are eligible for the profit-sharing contribution. The amount of the Company s contribution to the 401(k) Plan for each of the NEOs is shown in a footnote to the Summary Compensation Table.

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Perquisites

Perquisites are granted to the executive officers occasionally and are generally de minimis and not a material component of compensation.

Mr. Harris is entitled to the use of an automobile owned or leased by the Company and to be reimbursed for a specified level of premiums for life and disability insurance. He is also entitled to the use of a financial planner. The Company pays to insure and maintain Mr. Harris automobile, as well as reimburses Mr. Harris for auto expenses that are related to Company business. Messrs. Backus, Ludwig and Mr. Mason receive cash allowances associated with the use of their personal automobiles. Prior to resignation, Ms. Coelho received a cash allowance associated with the use of her personal automobile. Mr. Stach receives no such allowance.

Balchem Deferred Compensation Plan

Balchem offers a voluntary, non-qualified deferred compensation plan (Deferred Compensation Plan) for NEOs and select other executives. The Deferred Compensation Plan allows participants to defer up to 75% of annual base salary and up to 100% of annual ICP bonus. Compensation deferred under the Deferred Compensation Plan is deemed invested by the participant among various mutual fund investment options. Earnings (or losses) on investments are market earnings (or losses). The Deferred Compensation Plan is not formally funded nor does the Company guarantee any rate of return. The Company does not match any deferral contributions. Distributions may be in a lump sum or installments as determined by the participant's distribution election.

Risk Considerations in Our Compensation Program

Our Compensation Committee has discussed the concept of risk as it relates to our compensation program and does not believe our compensation program encourages excessive or inappropriate risk taking for the following reasons:

- Our compensation consists of both fixed and variable components. The fixed (or salary) portion of compensation is designed to provide a steady income regardless of our stock price performance so that executives do not feel pressured to focus exclusively on stock price performance to the detriment of other important business aspects. The variable (cash bonus and equity) portions of compensation are designed to reward both short and long-term corporate performance. For short-term performance, our cash bonus is awarded based primarily on corporate and business segment performance goals or targets. For long-term performance, our stock option awards generally vest ratably over three years and are only valuable if our stock price increases over time. Our restricted stock grants generally cliff vest in four years, while our performance based restricted stock grants generally cliff vest in three years subject to performance criteria being met. We feel that these variable elements of compensation are a sufficient percentage of overall compensation to motivate executives to produce superior short and long-term corporate results, while the fixed element is also sufficient such that that the executives are not encouraged to take unnecessary or excessive risks in doing so.
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Because consolidated Adjusted EBITDA is the contingent factor upon which ICP cash incentive depends, we believe our executives are encouraged to take a balanced approach that focuses on corporate profitability, rather than other measures such as revenue targets, which may create incentives for management to drive sales levels without regard to cost structure. If we are not sufficiently profitable, there would be no payout under the ICP program.

- Our ICP and LTIP awards are capped for each participant, which mitigates excessive risk taking. Even if the Company dramatically exceeds its Adjusted EBITDA target, ICP or LTIP, the awards are limited. Conversely, there is no ICP award unless minimum performance levels of applicable goals are achieved, nor is there an award of performance shares within LTIP unless minimum performance levels of applicable goals are achieved.

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EXECUTIVE COMPENSATION

- We have stock ownership guidelines, which we believe provide a considerable incentive for management to consider the Company's long-term interests because a portion of their personal investment portfolio consists of the Company's stock. In addition, we prohibit all hedging transactions involving our stock, so our executives cannot insulate themselves from the effects of poor Company stock price performance.

Deductibility of Executive Compensation

In accordance with Section 162(m) of the Code, the deductibility for federal corporate income tax purposes of compensation paid to certain of our individual executive officers over $1 million in any year may be restricted. Under the Tax Cut and Jobs Act of 2017, the exemption for qualifying performance based compensation was repealed for taxable years beginning after December 31, 2017. As a result, compensation paid to our individual executive officers (on or after January 1, 2018) in excess of $1 million is generally not deductible unless it qualifies for certain transition relief. While the Company will monitor guidance and developments in this area, it believes that the tax deduction is only one of several relevant considerations in setting compensation. Accordingly, where it is deemed necessary and in the best interests of the Company to attract and retain the best possible executive talent to compete successfully and to motivate such executives to achieve the goals inherent in our business strategy, the Compensation Committee may approve compensation to executive officers which exceeds the deductibility limits or otherwise may not qualify for deductibility. In this regard, certain portions of compensation paid to the Named Executive Officers may not be deductible for federal corporate income tax purposes under Section 162(m) of the Code.

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COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the above Compensation Discussion and Analysis with management.

Based upon this review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee of the Board of Directors.

John Y. Televantos (Chairman)
David B. Fischer
Perry W. Premdas
Matthew D. Wineinger

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SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by the following Named Executive Officers .

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Option Awards (1)	Non-Equity Incentive Plan Compensation (2)	Deferred Compensation Earnings	All Other Compensation (3)	Total
Theodore L. Harris, Chairman, President & CEO	2018	$ 800,000		$ 1,051,332	$ 350,056	$ 1,086,004	$ 631	$ 46,522	$ 3,334,545
	2017	$ 700,000	$ 349,938	$ 612,787	$ 612,467	$ 0		$ 32,331	$ 2,307,523
	2016	$ 636,000		$ 450,290	$ 449,988	$ 350,997		$ 28,212	$ 1,915,487
William A. Backus, Chief Accounting Officer	2018	$ 277,917		$ 205,730	$ 68,894	$ 169,773	$ 17	$ 12,000	$ 734,331
	2017	$ 268,600	$ 61,091	$ 129,477	$ 129,438	$ 0		$ 12,000	$ 600,606
	2016	$ 258,720		$ 123,160	$ 465,142	$ 61,778		$ 12,000	$ 920,800
David F. Ludwig, Vice President and General Manager, Specialty and Industrial Products	2018	$ 285,118		$ 210,125	$ 70,756	$ 139,029		$ 13,200	$ 718,228
	2017	$ 276,708	$ 85,434	$ 135,164	$ 135,106	$ 0		$ 13,200	$ 645,612
	2016	$ 268,000		$ 130,093	$ 290,690	$ 38,513		$ 13,200	$ 740,496
Scott C. Mason, Vice President of Manufacturing and Supply Chain	2018	$ 356,809		$ 263,579	$ 87,514	$ 218,701		N/A	$ 962,603
	2017	$ 87,500	$ 19,684	$ 248,370	$ 0	$ 0		N/A	$ 355,554
Mark Stach, General Counsel	2018	$ 257,967		$ 188,147	$ 63,308	$ 122,567	(2,046)	N/A	$ 629,943
	2017	$ 222,998	$ 38,900	$ 0	$ 51,964	$ 0		N/A	$ 313,862
Mary Theresa Coelho, Former Chief Financial Officer & Treasurer	2018	$ 318,312	$ 128,000 (4)	$ 15,660	$ 21,078	$ 0		$ 8,931	$ 491,891
	2017	$ 72,115	$ 15,860	$ 250,410	$ 0	$ 0		$ 2,077	$ 340,462

(1) The amounts included in the Stock Awards and Option Awards columns reflect the aggregate grant date fair value as computed in accordance with FASB Accounting Standards Codification 718 adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes. A discussion of the assumptions used in valuation of stock and option awards may be found in Note 3 – Stockholders' Equity in the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2018, as

filed with the SEC on February 28, 2018. Amounts shown for the December 31, 2016 fiscal year reflects grants for 2016 based on achievement of performance goals set in the prior year under the LTIP (e.g., amounts shown for 2016 reflect grants made in 2016 based on performance of our achievement goals set in late 2015 under the LTIP). For fiscal years ended December 31, 2018 and 2017, the awards reported in the Stock Awards column above consist of performance-based restricted stock. For those other than Ms. Coelho, the grant date fair value of the performance-based restricted stock is reflected at target payout based on the probable outcome of the applicable performance conditions. The maximum value at the grant date assuming achievement at the highest performance conditions at the conclusion of the applicable performance period would be as follows: (i) for 2018: Mr. Harris - $1,401,388; Mr. Backus – $274,624; Mr. Ludwig – $280,881; Mr. Mason – $351,093; and Mr. Stach – $251,455; (ii) for 2017: Mr. Harris - $1,225,574; Mr. Backus – $258,954; Mr. Ludwig – $270,327; Mr. Mason – N/A; and Mr. Stach – N/A; and (iii) for 2016: Mr. Harris - $900,580; Mr. Backus – $246,320; Mr. Ludwig – $260,186; Mr. Mason – N/A; Mr. Stach – N/A. Of the 1,260 shares of restricted stock granted to Ms. Coelho in February 2018, 210 shares vested on October 26, 2018 at a value of $20,248. The remaining 1,050 shares were cancelled.

(2) Reflects the value of cash incentive bonuses earned under the Company’s ICP.

(3) The amounts reflected represent automobile allowance in the following amounts for each Named Executive Officer for the indicated year: (a) Mr. Harris’s other compensation for 2018 consisted of $28,627 for automobile allowance and $17,895 for tax and financial planning; Mr. Backus’s other compensation for 2018 consisted of $12,000 for automobile allowance and Mr. Ludwig’s other compensation for 2018 consisted of $13,200 for automobile allowance. Ms. Coelho’s other compensation for 2018 consisted of $8,931 for automobile allowance. Mr. Mason and Mr. Stach receive no automobile allowance.

(4) Represents a pro-rated portion of the 2018 Incentive Compensation Plan (estimated at the date of Ms. Coelho’s resignation) which was paid on the first payroll date immediately following her resignation.

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SUMMARY COMPENSATION TABLE

2018 Grants of Plan-Based Awards

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)						
	Grant Date	Grant Type	Threshold	Target	Maximum	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards (3) ($/Share)	Grant Fair V of St and O Awar ($
lore rris		ICP	$ 0	$ 800,000	$ 1,600,000							
	2/15/2018	Performance Shares				4,830	9,660	19,320				
	2/15/2018	Restricted Stock Awards							4,700			
	2/15/2018	Stock Options								18,800	$ 74.57	
												$ 1,401
am us		ICP	$ 0	$ 125,920	$ 251,840							
	2/15/2018	Performance Shares				945	1,890	3,780				
	2/15/2018	Restricted Stock Awards							920			
	2/15/2018	Stock Options								3,700	$ 74.57	
												$ 274
F. ig		ICP	$ 0	$ 114,829	$ 229,658							
	2/15/2018	Performance Shares				965	1,930	3,860				
	2/15/2018	Restricted							940			

		Stock Award										
	2/15/2018	Stock Options								3,800	$ 74.57	
												$ 280
C. **n**		ICP		$ 162,816	$ 325,632							
	2/15/2018	Performance Shares				1,210	2,480	4,840				
	2/15/2018	Restricted Stock Awards							1,180			
	2/15/2018	Stock Options								4,700	$ 74.57	
												$ 351
		ICP	$ 0	$ 91,320	$ 182,640							
	2/15/2018	Performance Shares				865	1,730	3,460				
	2/15/2018	Restricted Stock Awards							840			
	2/15/2018	Stock Options										