

ALLEGHENY TECHNOLOGIES INC
Form DEF 14A
March 30, 2017
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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):

(3) Filing Party:

(4) Date Filed:

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Dear Stockholders:

I am pleased to invite you to attend Allegheny Technologies Incorporated's 2017 Annual Meeting of Stockholders. As in prior years, we will consider matters that are important to our company.

ATI is a different company today than it was at the beginning of 2016. In 2016, we took a series of restructuring and other actions that we believe position our business for sustainable profitable growth. We grew our revenue generated from the aerospace and defense market to 51% of our total revenue. Our combination of innovative technologies, differentiated products and long-term agreements with key strategic customers uniquely positions us to continue benefitting from the transition to next-generation jet engines and aircraft that is already underway.

During 2016, we took a number of key actions, including the indefinite idling of our Rowley, UT titanium sponge production facility, to improve the cost structure of our HPMC segment. As a result of these actions and continued growth in demand for our differentiated specialty materials products from the aerospace market, in the fourth quarter of 2016, HPMC segment operating profit reached more than 11% of segment sales, marking six consecutive quarters of sequential improvement in operating profit for the segment.

Also during 2016, we undertook a series of restructuring efforts designed to improve the cost structure of our Flat Rolled Products business and return that business to sustainable profitability. Our objective is to create a smaller, more agile, efficient and profitable FRP business that is more focused on differentiated products with significant barriers to entry, rather than products that have been heavily commoditized. To that end, we reduced our exposure to commodity stainless steel sheet products, which comprised just 11% of our sales in 2016, and completed our exit from the unprofitable grain-oriented electrical steel business. We also obtained a new labor agreement in our FRP business with important changes to retirement benefits and other changes to plant operations, ending the seven month work stoppage that impacted our business in both 2015 and 2016. As a result, FRP

segment operating losses were reduced over the course of 2016 to a near breakeven position in the fourth quarter of 2016.

We believe that these actions are working to reposition our business for sustainable success. Today, we are fundamentally an aerospace and industrials company with a small, but important, exposure to commodity products. Looking to 2017 and beyond, we remain focused on the relentless innovation necessary to consistently create value for our customers and stockholders over the long term. We continue to employ the most advanced materials technologies and unsurpassed manufacturing capabilities. Investments such as in our Hot-Rolling and Processing Facility and our new nickel-based powder alloys facility, which successfully began operations early this year, remain critical to our long-term success.

The views of our stockholders are important to us. We conducted extensive stockholder outreach again in 2016, and relied on stockholder feedback in connection with the complete redesign of our executive compensation program, which was fully implemented in 2016. We believe our current program provides the transparency and emphasis on pay for performance that are important to our stockholders and, coupled with our other significant efforts to enhance our corporate governance in recent years, including our adoption of proxy access bylaw provisions in 2016, demonstrates our ongoing commitment to best practices and, ultimately, to our stockholders.

Thank you for your support in our ongoing commitment to *Creating Long-Term Value Thru Relentless Innovation*[®].

Sincerely,

[RICHARD J. HARSHMAN](#)

Chairman, President and Chief Executive Officer

[March 30, 2017](#)

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Notice of annual meeting of stockholders

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

ANNUAL MEETING INFORMATION

Date: Thursday, May 11, 2017

Time: 11:00 a.m. Central Time

Place: Hilton Milwaukee City Center, 509 W. Wisconsin Avenue, Milwaukee, WI 53203

Record Date: March 15, 2017

AGENDA

- 1. Election** of three directors;
- 2. Approval** of the Company's 2017 Incentive Plan;
- 3. Advisory vote** to recommend shareholders be entitled to an annual advisory vote on executive compensation;

By telephone Call the telephone number on your proxy card

In person Attend the Annual Meeting in person

Important notice regarding the availability of proxy materials for the ATI annual meeting of stockholders to be held on Thursday, May 11, 2017.

The proxy statement, proxy card and 2016 annual report of Allegheny Technologies Incorporated are available for review at: www.envisionreports.com/ATI

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

5. Ratification of the selection of Ernst & Young LLP as our independent auditors for 2017.

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 15, 2017, 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 2016 Annual Report is March 30, 2017. 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

March 30, 2017

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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: Thursday, May 11, 2017
Time: 11:00 a.m. Central Time
Place: Hilton Milwaukee City Center
 509 W. Wisconsin Avenue

Record date Milwaukee, WI 53203
March 15, 2017

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 three directors	FOR	9

2. Approval of the Allegheny Technologies Incorporated 2017 Incentive Plan	FOR	32
3. Advisory vote regarding the frequency of advisory vote on executive compensation	FOR	41
4. Advisory vote to approve the compensation of our named executive officers	FOR	42
5. Ratification of the selection of Ernst & Young LLP as our independent auditors for 2017	FOR	82

Director nominees Class III Term to expire in 2020

	Director Experience and		
Name	Since	Qualifications	Board Committees
James C. Diggs	2001	Industry	Audit
		Finance	Finance (Chair)
		Legal	Nominating and Governance
J. Brett Harvey	2007	Leadership	Nominating and Governance
		Industry	Personnel and Compensation
		Technical	
David J. Morehouse	2015	Finance Leadership	Audit
		Technical	Technology
		Communications	
		Finance	

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PROXY STATEMENT SUMMARY | HIGHLIGHTS

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

Our adoption, in 2016, of Proxy Access and limits on future severance arrangements

Robust stock ownership guidelines for directors and executive management

Greater than 99% director attendance at Board and Board Committee meetings in 2016
100% independent Audit, Personnel & Compensation, Finance and Nominating & Governance Committees

Lead Independent Director with strong and clear responsibilities

Independent directors regularly meet in executive sessions without management present

Succession planning for our Board and executive leadership

Board risk oversight

Strong corporate governance guidelines and policies

Stockholder Engagement

We value the input we receive from our stockholders. As part of our investor relations program, we regularly communicate with our investors and actively engage with them throughout the year. We solicit their feedback on corporate governance topics and ATI's executive compensation program.

Our goal is to be responsive to our stockholders and to ensure that we understand and address our stockholders concerns and observations. As a result of our stockholder engagement, we have made significant changes to our corporate governance practices and executive compensation program during the past two years.

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PROXY STATEMENT SUMMARY | HIGHLIGHTS

OUR 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, we overhauled our executive compensation program and took a “clean sheet” approach to its redesign in 2016. ATI conducted stockholder outreach and 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, goals, and motivation and retention issues that we face. 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.



These changes became effective for awards beginning in 2016, and our 2017 compensation program is consistent with the new design. Please read the Executive Compensation section in this Proxy Statement to learn more.

Business Overview

ATI is a global manufacturer of technically advanced specialty materials and complex components. Over 50% of our sales are to the aerospace and defense market, particularly jet engines, and we have a strong presence in the oil and gas, electrical energy, medical, automotive and other industrial markets. We are a market leader in manufacturing differentiated specialty alloys and forgings that require our unique manufacturing and precision machining capabilities and our innovative new product development competence. We produce nickel-based alloys and superalloys, titanium and titanium-based alloys, specialty alloys, stainless steels, and zirconium and other related alloys in many mill product forms. We operate in two segments, our High Performance Materials and Components, or HPMC, segment and our Flat Rolled Products, or FRP segment, and our capabilities range from alloy development, to melting and hot-working, through highly-engineered finished components. We are also a leader in producing nickel-based alloy and titanium-based alloy powders for use in next-generation jet engine forgings and 3D-printed products.

The full year 2016 has been a period of transition for ATI as we made hard decisions and took important restructuring actions across both of our business segments to improve our cost structure and lay the groundwork for future long-term profitable growth. Net loss attributable to ATI was \$641 million for the year, including \$544 million (after tax) of restructuring and other non-recurring charges, and income tax valuation charges. However, business segment operating profit, which excludes these restructuring charges, was \$6 million in 2016, a \$91 million improvement over 2015, with stronger operating performance in our HPMC segment and a smaller operating loss in our FRP segment, particularly in the second half of 2016. While sales in 2016 decreased 16% to \$3.1 billion, our cost of sales decreased 19%, compared to 2015, resulting in a 170% increase in gross profit margin, to \$162.5 million, primarily as a result of our restructuring actions. Sales to our largest end market, aerospace and defense, increased more than 5% compared to 2015, and we succeeded in increasing sales to that market to over 50% of sales. Our next-generation, differentiated jet engine product mix continued to grow, and our airframe titanium product shipments remained strong. Our FRP segment made progress toward achieving sustainable profitability, primarily as a result of our cost reduction and restructuring actions.

The actions that we took in 2016 are the result of a disciplined management review process, taking into account current and expected future market conditions. This disciplined process is a key part of our commitment to make the tough decisions that are required to strengthen and enhance ATI's ability to deliver sustainable, profitable growth and create value for our customers and our stockholders over the long term. For a more detailed analysis of our 2016 performance, see Compensation Discussion and Analysis Executive Summary, or read our 2016 Annual Report included with this Proxy Statement.

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PROXY STATEMENT SUMMARY | PAY FOR PERFORMANCE

Our Compensation Philosophy Pay for Performance

The overriding principle in designing ATI's executive compensation program is to drive our long-term strategic vision, and to ensure that the program is aligned with our pay-for-performance philosophy. Our program is designed to compensate executive management based on our performance, create long-term stockholder value and attract and retain key employees. Paying for performance is a key attribute of ATI's compensation philosophy. As such, a significant portion of the compensation of each named executive officer (NEO) is subject to the achievement of rigorous performance goals and, therefore, is at risk.

For both 2015 and 2016, our Personnel and Compensation Committee determined that our CEO should forfeit his earned annual cash incentive due to overall Company financial performance. The following shows target and realizable pay to the CEO over the past three-years in terms of total compensation, annual cash incentive, and long-term incentives. Realizable pay is well below targeted amounts.

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The Personnel and Compensation Committee of our Board views the amounts in the Summary Compensation Table as the target compensation opportunity for each NEO under our executive compensation program. When making determinations and awards under our incentive plans, the Committee looks to the actual dollar value of awards to be delivered to the NEOs in any given year, as illustrated by the Total Realized Compensation figures below.

Named Executive Officer	2016 Target 2016 Total Realized		% of Target Realized
	Compensation	Compensation	
Harshman	\$4,992,600	\$ 2,575,179	51.6%
DeCourcy	\$1,632,000	\$ 1,082,848	66.3%
Kramer			