

ALLEGHENY TECHNOLOGIES INC
Form DEF 14A
March 27, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Allegheny Technologies Incorporated

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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Dear Stockholders

I am pleased to invite you to attend Allegheny Technologies Incorporated's 2018 Annual Meeting of Stockholders. As in prior years, we will consider matters that are important to our company.

For ATI, 2017 was a year of important progress on several key strategic initiatives that set the stage for our longer-term success and for sustainable, profitable growth.

Enabled by its innovative technologies, differentiated products and long-term agreements with key strategic customers, our High Performance Materials and Components segment continues to benefit from the transition to next-generation jet engines and aircraft that is underway in the commercial aerospace market. Additionally, we continue to develop HPMC's powder capabilities. Among other achievements in 2017, we announced our investment in a new titanium powder facility. We also formed a new joint venture with GE Aviation, named Next Gen Alloys, to further develop a novel meltless titanium alloy powder manufacturing process. We believe this technology has the potential to meaningfully change the way the industry produces titanium powder materials.

Our Flat Rolled Products business returned to full-year profitability in 2017, an important milestone in our multi-year effort to achieve sustainable profitability. In November, we announced an innovative joint venture with a Tsingshan Group company to produce 60-inch wide stainless products in the United States. We expect this business to significantly improve the utilization of our Hot-Rolling and Processing Facility, or HRPF. Also in 2017, we obtained a contract to supply high value nickel sheet products for use in a major pipeline repair project, primarily due to the world-class capabilities of the HRPF. We believe that, taken together, these and other recent FRP achievements highlight the synergies between our FRP and HPMC businesses and will provide a springboard for FRP's continued financial improvement in 2018 and beyond.

While we have made progress, more work remains. Moving forward, we believe that our ongoing emphasis on innovation, differentiation and long-term strategic planning is driving ATI's transition to sustainable profitability and long-term value creation for all of our stakeholders.

We remain committed to integrity and good corporate governance. We believe that management and Board accountability, transparency and ongoing engagement with our investors are key to the long-term success and sustainability of our business. Our corporate governance practices reflect these values, as do our extensive stockholder outreach efforts over the last several years. We value your feedback and look forward to our ongoing dialogue.

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 27, 2018

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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

By telephone: Call the telephone number on your proxy card

Annual Meeting Information

Date: Thursday, May 10, 2018

Time: 11:00 a.m. Pacific Time

Place: Salem Convention Center, 200 Commercial Street, SE, Salem, Oregon 97301

Record Date: March 12, 2018

Agenda

1. Election of four directors;

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

3. Ratification of the selection of Ernst & Young LLP as our independent auditors for 2018.

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 10, 2018.

The proxy statement, proxy card and 2017 annual report of Allegheny Technologies Incorporated are available for review at: envisionreports.com/ATI.

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 12, 2018, 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 2017 Annual Report is March 27, 2018. For further information about ATI, please visit our website at atimetals.com.

On behalf of the Board of Directors:

ELLIOT S. DAVIS

Corporate Secretary

March 27, 2018

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Proxy Statement Summary

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.

Annual meeting of stockholders

Meeting date:

Thursday, May 10, 2018

Time:

11:00 a.m. Pacific Time

Place:

Salem Convention Center
200 Commercial Street SE
Salem, OR 97301

Record date and voting:

March 12, 2018

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.

Meeting agenda and**voting matters**

Proposal	Board s recommendation	Page reference
1. Election of four directors	FOR	9
2. Advisory vote to approve the compensation of our named executive officers	FOR	33
3. Ratification of Ernst & Young LLP as our independent auditors for 2018	FOR	69

Director nominees Class I Term to expire in 2021

Name	Director Since	Experience and Qualifications	Board Committees
Herbert J. Carlisle	2018	Leadership Industry Finance	Audit Technology
Diane C. Creel	1996	Technical Leadership	Nominating and Governance (Chair)
Lead Independent Director		Industry Finance	Personnel and Compensation
John R. Pipski	2011	Technical Industry	Audit (Chair)

		Finance	Finance
James E. Rohr	1996	M&A Leadership	Personnel and Compensation (Chair)
		Finance	
		M&A	

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PROXY STATEMENT SUMMARY | HIGHLIGHTS

Board Composition

ATI has a diverse, highly-credentialed and highly-experienced board. Our directors possess a variety of qualifications, backgrounds, skill and experiences contributing to a Board that is well-rounded and well-positioned to effectively oversee our business and promote the interests of our stakeholders.

Highly Engaged Board Guides the Strategic Direction of our Company:

Actively involved in long-term strategic planning including an annual, multi-day strategic planning meeting in addition to regular quarterly and other Board meetings.

Regularly conduct site visits at our facilities throughout the United States. We also rotate the location of our Annual Meeting to various communities in which we conduct significant operations. This allows our directors to meet with management and other employees to gain firsthand exposure to the technologies that drive our success and deeper knowledge of the strengths and challenges of our business and how they tie to our near and long-term strategic goals.

Actively involved in succession planning our robust process includes regular engagement with senior management.

95% overall attendance rate for Board and Committee meetings over the last two years.

Robust stock ownership guidelines.

Thoughtful Board Refreshment

We have a mandatory retirement age, and our Board is actively engaged in recruitment efforts in connection with several resulting retirements anticipated over the next five years.

Annual Board evaluation process assesses the need to add members with experience or skill sets that may enhance Board effectiveness; the Board can appoint new members when presented with candidates who fill a particular need or otherwise would serve as an asset to the Board.

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PROXY STATEMENT SUMMARY | HIGHLIGHTS

Governance Highlights

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

Board independence (10 out of 11 directors are independent)

Lead Independent Director with strong and clear responsibilities

Independent directors regularly meet in executive sessions without management present

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

Annual Board & Committee Self-Assessments

Strong corporate governance guidelines and policies
Majority voting/director resignation policy for uncontested elections

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

Proxy Access (adopted in 2016)

Limits on future severance arrangements (since 2016)

Robust stock ownership guidelines for directors and executive management

Succession planning for our Board and executive leadership

Board risk oversight

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 in recent years.

2017 Business Performance

Sales were \$3.5 billion, up 13%

versus prior year

High Performance Materials and Components (HPMC) segment sales increased 7% to \$2.07 billion, including a 9% increase in sales to aerospace & defense

Flat Rolled Products (FRP) segment sales increased 21% to \$1.46 billion, including a 51% increase in sales to the oil & gas market and an 18% increase in sales to the automotive market

Gross profit margin increased 176%, to \$449 million, compared to 2016

Marked our second year of more than doubling prior year's

Demonstrates the benefits of our prior restructuring actions, ongoing focus on high-value products and improved utilization of our manufacturing facilities

Sales to the aerospace & defense market, our largest end-market, increased \$128 million, or 8% vs. 2016

49% of consolidated ATI sales in 2017

76% of HPMC segment sales, driven by an 11% increase in commercial jet engine sales in 2017, including a 35% improvement in sales of next-generation jet engine products

Segment operating profit was \$283.4 million, or 8% of sales

HPMC segment operating profit was \$246.4 million, or 12% of sales

FRP segment operating profit was \$37.0 million, or 3% of sales

Net loss attributable to ATI was \$91.9 million, or \$(0.83) per share

Adjusted net income attributable to ATI was \$54.6 million, or \$0.48 per share, excluding goodwill impairment, debt extinguishment charges, and tax legislation benefits

gross profit margin

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PROXY STATEMENT SUMMARY | PAY FOR PERFORMANCE

Our Compensation Philosophy Pay for Performance

ATI's executive compensation program is designed to drive our long-term strategic vision and to align with our pay-for-performance philosophy. The goals of our program are 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.

The following table 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. Each of our NEOs received annual cash incentive awards with respect to our 2017 performance.

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.

Additionally, much of our CEO's target long-term incentive awards scheduled to vest over the last three years have been forfeited by their terms as a result of the Company's financial performance failing to achieve threshold performance criteria. Consequently, realized compensation is well below targeted amounts.

Table of Contents**PROXY STATEMENT SUMMARY | TOTAL REALIZED COMPENSATION****Total Realized Compensation**

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. The following comparison of target compensation to realized compensation for our NEOs demonstrates our ongoing commitment to compensating our leadership based on the Company's performance and placing a significant portion of senior executive compensation at risk :

	2017 Target Compensation	2017 Total Realized Compensation	% of Target Realized
Named Executive Officer Harshman	\$5,989,000	\$ 3,524,831	58.9%