

ALLEGHENY TECHNOLOGIES INC  
Form DEF 14A  
March 26, 2014  
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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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.. 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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1000 Six PPG Place

Pittsburgh, PA 15222-5479

March 26, 2014

To our Stockholders:

We are pleased to invite you to attend Allegheny Technologies Incorporated's 2014 Annual Meeting of Stockholders. The meeting will be held on Thursday, May 1, 2014, at 11:00 a.m. Mountain Time in Ballroom C, The Little America Hotel, 500 South Main Street, Salt Lake City, Utah 84101. The location is accessible to disabled persons.

This booklet includes the notice of meeting as well as the Company's Proxy Statement. Enclosed with this booklet are the following:

Proxy or voting instruction card (including instructions for telephone and Internet voting); and

Proxy or voting instruction card return envelope (postage pre-paid if mailed in the United States).  
A copy of the Company's Annual Report for the year 2013 is also enclosed.

Your Board of Directors recommends that you vote:

- (1) FOR the election of the three director nominees named in the Proxy Statement (Item 1);
- (2) FOR the advisory vote to approve the compensation of the Company's named executive officers (Item 2);
- (3) FOR the amendments to the Company's Certificate of Incorporation to declassify the Board of Directors (Item 3); and

(4) FOR the ratification of the selection of Ernst & Young LLP to serve as the Company's independent auditors for 2014 (Item 4).  
The Proxy Statement also outlines corporate governance practices at ATI, discusses our compensation practices and philosophy, including recent changes made to the executive compensation program, and describes the Audit Committee's recommendation to the Board regarding our 2013 financial statements. We encourage you to read these materials carefully.

We urge you to vote promptly, whether or not you expect to attend the meeting.

Thank you for your continued support of ATI. We look forward to seeing you in Salt Lake City.

Sincerely,

Richard J. Harshman

Chairman, President and Chief Executive Officer

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**ALLEGHENY TECHNOLOGIES INCORPORATED**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Meeting Date: Thursday, May 1, 2014  
Time: 11:00 a.m. Mountain Time  
Place: Ballroom C  
The Little America Hotel  
500 South Main Street  
Salt Lake City, Utah 84101  
Record Date: March 10, 2014

**AGENDA:**

- 1) Election of three directors;
- 2) Advisory vote to approve the compensation of the Company's named executive officers;
- 3) Approval of amendments to the Company's Certificate of Incorporation to declassify the Board of Directors; and
- 4) Ratification of the selection of Ernst & Young LLP as independent auditors for 2014.

**ADMISSION TO THE MEETING**

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, so that we can send an admission ticket to you before the meeting. 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 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 and proxy card, as well as a copy of ATI's 2013 Annual Report, is March 26, 2014. For further information about ATI, please visit our website at [www.atimetals.com](http://www.atimetals.com).

On behalf of the Board of Directors:

Elliot S. Davis

*Corporate Secretary*

Dated: March 26, 2014

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**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.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF**



**PROXY MATERIALS FOR THE ATI ANNUAL MEETING**

**OF STOCKHOLDERS TO BE HELD ON  
THURSDAY, MAY 1, 2014.**

The proxy statement, proxy card and 2013 annual report of Allegheny Technologies Incorporated are available for review at: <http://www.envisionreports.com/ATI>

**FORWARD-LOOKING STATEMENTS**

*In this Proxy Statement, the Company has made certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements in this Proxy Statement relate to future events and expectations and, as such, constitute forward-looking statements. Forward-looking statements include those containing such words as anticipates, believes, estimates, expects, would, should, will, will likely result, forecast, outlook, projects, and similar expressions. Such forward-looking statements are based on management's current expectations and include known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control, that may cause our actual results or performance to materially differ from any future results or performance expressed or implied by such statements. Various of these factors are described in Item 1A, Risk Factors, of the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2013 and will be described from time-to-time in the Company filings with the SEC, including the Company's subsequent reports filed with the SEC on Form 10-K, Form 10-Q and Form 8-K, which are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and on the Company's website at [www.atimetals.com](http://www.atimetals.com). We assume no duty to update our forward-looking statements.*

**Table of Contents****2014 PROXY STATEMENT SUMMARY**

*This summary highlights information that is contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, so you should carefully read this Proxy Statement in its entirety before voting.*

**Annual Meeting of Stockholders**

*Meeting Date:* Thursday, May 1, 2014

*Time:* 11:00 a.m. Mountain Time

*Place:* Ballroom C

The Little America Hotel

500 South Main Street

Salt Lake City, Utah 84101

*Record Date:* March 10, 2014

*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**

<i>Matters for Consideration by Stockholders</i>		<i>Board's Recommendation</i>
Item 1	Election of three directors	FOR
Item 2	Advisory vote to approve the compensation of the Company's named executive officers	FOR
Item 3	Amend the Company's Certificate of Incorporation to declassify the Company's Board of Directors	FOR
Item 4	Ratification of the selection of Ernst & Young LLP as independent auditors for 2014	FOR
	Any other business that may come before the meeting	

**Director Nominees**

Name	Class	Term to Expire	Director Since	Experience and Qualifications	ATI Board Committee Memberships
James C. Diggs	III	2017	2001	Industry; International; Governance	Finance; Audit; Nominating and Governance
J. Brett Harvey	III	2017	2007	Leadership; Industry	Nominating and Governance; Personnel and Compensation
Louis J. Thomas*	III	2017	2004	Labor; Industry	Audit; Technology

\* On December 13, 2013, upon the recommendation of the Nominating and Governance Committee, the Board appointed Mr. Thomas as a Class III director in order to ensure that the Board of Directors continues to consist of three classes divided as evenly as possible following the retirement of Michael J. Joyce from the Board of Directors at the 2014 Annual Meeting. Mr. Thomas was a director in Class I until he was reassigned to Class III, and his current term as a Class III director will expire at the 2014 Annual Meeting.

**ATI 2013 Performance**

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Since 2004, ATI has been executing a long-term strategy to transform the Company from a business that was heavily dependent on flat-rolled commodity stainless products serving limited markets, to a diversified specialty materials business that is focused on differentiated products serving global growth markets. The objective of this strategy is to better position the Company for long-term profitable growth and enhance

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the opportunities to create value for our stockholders through business cycles. To accomplish this objective, our Board of Directors and management believe that, to compete effectively in global markets primarily as a U.S.-based manufacturer, ATI must have the most advanced specialty materials technologies, offer innovative products that create value for customers, utilize unsurpassed manufacturing capabilities, and maintain a competitive cost structure.

In 2013, demand for our products from most of our global markets was weaker and did not improve as expected, and base prices for our flat-rolled commodity stainless business continued to be at historically low levels. These conditions were primarily the result of uncertain global macroeconomic conditions and fiscal policy challenges in the United States and Europe. Despite these challenges, the Company continued to make significant progress during 2013 on certain of its long-term strategic objectives, which included:

Maintaining our strong balance sheet. ATI finished 2013 with over \$1 billion of cash and cash equivalents and \$1.4 billion of available liquidity, including our undrawn unsecured senior credit facility. We proactively issued \$500 million of 5.875%, ten-year senior notes to provide financial flexibility as we complete, commission and qualify our strategic capital projects and address short-term debt maturities. We realized significant cash generation in 2013, despite a decline in profitability, with cash flow from operations of \$368 million, including a reduction of \$242 million in managed working capital in response to business conditions. We utilized our cash in 2013 to invest \$613 million in capital expenditures, primarily for the Hot-Rolling and Processing Facility (HRPF) project, and returned \$77 million to our stockholders as dividends.

Further improving our position in the key end markets of aerospace, oil and gas/chemical process industry, electrical energy, medical, and automotive through strategic and long-term agreements (LTAs) with both existing and new customers, with potential revenues of over \$3 billion over future years.

Placing into service our Flat-Rolled Products segment HRPF at the end of 2013. The HRPF is on schedule and on budget, and is expected to be producing all of ATI's flat-rolled products by the end of 2014. This game-changing investment is designed to significantly enhance ATI's flat-rolled products capabilities for all alloys, reduce manufacturing cycle times, and lower production costs.

Beginning the premium-quality (PQ) qualification program at our Rowley titanium sponge facility in October 2013.

Selling our non-core tungsten materials business in November 2013 for approximately \$605 million in cash.

Focusing on reducing our cost structure, achieving gross cost reductions before the effects of inflation of over \$141 million in 2013. Management was able to accomplish these objectives while maintaining a focus on relentless innovation, cost reductions, new product development, productivity improvements, safety and environmental compliance, and values-based leadership. In addition, management accomplished these objectives with internally generated funds while maintaining the Company's investment grade credit rating and paying a regular quarterly dividend.

### Overall Compensation Philosophy

The Personnel and Compensation Committee (the Committee) of the Board of Directors believes that the Company's executive compensation plans represent the Committee's pay-for-performance philosophy, are designed to reward executive management based on Company performance, and are effective in achieving the Company's underlying compensation goals, including the creation of long-term stockholder value and the retention and acquisition of key employees.

The overriding principle in designing ATI's executive compensation program is to drive the Board's and management's long-term strategic vision for the Company, and to ensure that the plans are aligned with the appropriate pay-for-performance philosophy and stockholder value creation over the long-term.



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Compensation of ATI’s executive management in 2013 reflects, in part, long-term incentive goals and targets for the years 2011 through 2013 that were set in the extremely challenging and uncertain global economic environment shortly after the great global recession of 2008-2009. Although global economic conditions continue to slowly improve, macroeconomic and fiscal policy risks and uncertainties continue to make annual and long-term compensation goal and target setting challenging.

**Recent Executive Compensation Program Actions**

Over the last several years, we have engaged with our stockholders and implemented changes to our executive compensation program in light of the feedback received, while balancing the issue of maintaining compensation plans that are competitive to enable the retention and acquisition of key executives and employees. As a result, we have made a number of substantive changes to our executive compensation program, which are summarized as follows and were effective beginning with the plan year indicated:

	<i>PRSP</i>	<i>TSRP</i>	<i>KEPP</i>	<i>Other Compensation Practices</i>
<b>2013</b>	Further reduced CEO’s target award opportunity.	Further reduced CEO’s target award opportunity.	Reduced maximum payout opportunity under Level I by half to 5X, while preserving rigorous performance goals.	Eliminated the excise tax gross-up provision from the CEO’s change in control agreement.
		Increased the minimum (threshold) level of Company performance required for payout to be 35 <sup>th</sup> percentile relative to peer group (from 25 <sup>th</sup> percentile).	Discontinued Level II.	Eliminated excise tax gross-up provision from new or modified change in control agreements.
				Restructured the benchmarking peer group to eliminate substantially larger and smaller companies.
				Eliminated remaining gross-ups.
<b>2012</b>	Maintained CEO target award opportunity at a reduced level.	Maintained CEO target award opportunity at a reduced level.	Changed structure of Level I performance targets to be incrementally more challenging between target and maximum levels.	Eliminated perquisites of personal use of corporate aircraft, payment of club dues, and related gross-ups.
		Reduced the maximum payout opportunity to 200% of base salary (from 300%).		Revised executive stock ownership guidelines to apply deeper into organization and require retention of stock until guidelines are met.



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These changes and modifications made in 2013 and 2012 were prospective at the time of implementation and will not be fully reflected in compensation of our named executive officers until the applicable long-term incentive plans fully mature. However, these changes and modifications are having the intended impact, given the fact that, as illustrated by the following table, CEO total direct compensation decreased significantly in 2013 and is projected to modestly increase in 2014 and 2015 based on current ATI performance. The Company will continue to design and implement programs that are forward-looking, are consistent with the Company's overall compensation philosophy, and correspond to the Board's long-term strategic objectives.

The Committee was advised by its compensation consultant that median target total direct CEO compensation for the Company's benchmarking peer group was approximately \$6.1 million as of January 1, 2014. At year-end 2013, our CEO's target total direct compensation was approximately \$6.0 million, or about 2% below the benchmarking peer group median as a result of the changes discussed above, which were intended to better align it with the market and our compensation philosophy. The table below illustrates that Mr. Harshman's actual total direct compensation for 2013 was approximately 62% below this amount, and based on Company performance as of December 31, 2013, his total direct compensation for 2014 and 2015, though higher than for 2013, still is projected to be below the 25<sup>th</sup> percentile of such total direct CEO compensation for the Company's benchmarking peer group.

**Richard J. Harshman****Chairman, President & Chief Executive Officer****Actual 2013 and Projected 2014 and 2015 Total Direct Compensation**

	Base Salary	AIP	PRSP	TSRP	KEPP	TOTAL
2013 Actual	\$ 955,000 <sup>(1)</sup>	\$ 0 <sup>(2)</sup>	\$ 560,016 <sup>(3)</sup>	\$ 334,214 <sup>(3)</sup>	\$ 450,533 <sup>(4)</sup>	\$ 2,299,763
2014 Projected	\$ 1,000,000 <sup>(5)</sup>	\$ 1,150,000 <sup>(6)</sup>	\$ 1,264,188 <sup>(7)</sup>	\$ 0 <sup>(8)</sup>	\$ 0 <sup>(8)</sup>	\$ 3,414,188
2015 Projected	\$ 1,000,000 <sup>(5)</sup>	\$ 1,150,000 <sup>(6)</sup>	\$ 0 <sup>(7)</sup>	\$ 1,161,245 <sup>(8)</sup>	\$ 0 <sup>(8)</sup>	\$ 3,311,245

(1) Reflects Mr. Harshman's base salary effective February 28, 2013.

(2) No amounts were earned or paid under the AIP for 2013 performance.

(3) Value reflects shares vested and earned under the 2011-2013 PRSP using the fair market value of \$32.285 on the vesting date of January 24, 2014.

(4) Value reflects full amount earned under 2011-2013 KEPP.

(5) Reflects Mr. Harshman's base salary effective February 26, 2014.

(6) Value represents the target award for the given year under the AIP, which was reduced to 115% of base salary at target, compared to 125% for the year 2013.

(7) Represents the value of shares currently expected to be earned and vested using the closing price of ATI stock of \$35.63 on December 31, 2013.

(8) Value represents interim performance under the TSRP and KEPP; TSRP shares valued using the closing price of ATI stock of \$35.63 on December 31, 2013.



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**For the 2014 plan year**, the Committee discontinued new awards under the Key Executive Performance Plan ( KEPP ) and the separate Total Shareholder Return Incentive Compensation Program ( TSRP ), and adopted the Long-Term Incentive Performance Plan ( LTPP ). The LTPP is comprised of two performance components: (1) a component measuring total shareholder return ( TSR ), and (2) the Long-Term Shareholder Value ( LTSV ) component, under which three-year performance restricted stock is granted to members of the management Executive Council and will vest in whole or in part subject to achievement of strategic operational goals that are expected to create stockholder value over the long-term. In 2014, annual compensation for the named executive officers was adjusted so that the entire executive compensation program, when considering both the short-term and long-term elements, reduces the volatility of total compensation based on performance year-to-year so that total compensation for the named executive officers is better and more consistently aligned with the benchmarking peer group.

**Table of Contents****Pay for Performance Alignment**

ATI's compensation philosophy is that a substantial portion of the named executive officers' compensation should be at risk, and that total compensation for the CEO should target the median of peer group compensation. Absolute alignment of CEO total compensation with Company performance is evidenced by the following chart, which illustrates how our three-year total stockholder return aligns with the total compensation paid to our CEO during that time. Total stockholder return assumes that \$100 was invested in ATI stock at December 31, 2010.

Below illustrates the gradual effects of the compensation changes initiated by the Committee since Mr. Harshman became CEO.

**Total Realized Compensation**

The following table shows, for each of the Company's named executive officers who were officers of the Company as of December 31, 2013, total compensation realized in 2013, compared to 2012:

Name	Position	2012 Total Realized Compensation	2013 Total Realized Compensation
Richard J. Harshman	Chairman, President and Chief Executive Officer	\$6,888,539	\$ 2,763,169 <sup>(1)</sup>
Patrick J. DeCourcy	Senior Vice President, Finance and Chief Financial Officer	n/a <sup>(2)</sup>	\$ 337,148 <sup>(3)</sup>
Hunter R. Dalton	Executive Vice President, Long Products and President, ATI Allvac	\$3,599,658	\$ 1,116,933
Terry L. Dunlap	Executive Vice President, Flat-Rolled Products and President, ATI Allegheny Ludlum		