

Koppers Holdings Inc.  
Form DEF 14A  
March 30, 2011  
Table of Contents

**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**

x 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))**  
x Definitive Proxy Statement  
.. Definitive Additional Materials  
.. Soliciting Material Pursuant to § 240.14a-12

**Koppers Holdings Inc.**

(Name of Registrant as Specified In Its Charter)

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

Edgar Filing: Koppers Holdings Inc. - Form DEF 14A

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(5) Total fee paid:

Fee paid previously with preliminary materials.

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:

Table of Contents

Notice of 2011

Annual Meeting

and

Proxy Statement

Koppers Holdings Inc.

**Table of Contents**

March 30, 2011

Dear Fellow Shareholder:

You are cordially invited to attend the 2011 Annual Meeting of Shareholders of Koppers Holdings Inc. (Koppers). The meeting will be held at the Pittsburgh Airport Marriott, 777 Aten Road, Coraopolis, Pennsylvania 15108 on Wednesday, May 4, 2011, beginning at 10:00 a.m. Eastern Daylight Time.

The purpose of the meeting will be to elect three directors, to hold an advisory vote on executive compensation, to hold an advisory vote on the frequency of future advisory votes on executive compensation and to ratify the Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011.

This booklet includes the Notice of Annual Meeting and Proxy Statement. The Proxy Statement describes the business we will conduct at the meeting and provides information about Koppers that you should consider when you vote your shares. Also enclosed is our Annual Report, which includes our consolidated financial statements for 2010.

Your vote is important regardless of how many shares you own and I urge you to vote your shares. Whether or not you plan to attend the annual meeting, please sign, date and return the proxy form in the enclosed envelope to make sure that your shares are voted at the meeting. Voting your shares by proxy does not limit your right to be present at the meeting and vote your shares in person.

I appreciate your continued confidence in Koppers and look forward to seeing you at the meeting.

Sincerely,

Walter W. Turner

President and Chief Executive Officer

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**Date:** Wednesday, May 4, 2011

**Time:** 10:00 a.m. Eastern Daylight Time

**Place:** Pittsburgh Airport Marriott  
777 Aten Road, Coraopolis, Pennsylvania 15108

**Proposals:**

1. To elect three members of our board of directors.
2. To hold an advisory vote on executive compensation.
3. To hold an advisory vote on the frequency of future advisory votes on executive compensation.
4. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011.

We will also transact any other business that is properly raised at the meeting or any adjournment of the meeting.

**Record Date:** You can vote if you were a shareholder of record on March 15, 2011.  
By Order of the Board of Directors

Steven R. Lacy

Senior Vice President, Administration,

General Counsel and Secretary

March 30, 2011

**Your Vote Is Important**

**Whether or not you plan to attend the meeting, please complete, date, sign and return the accompanying proxy card promptly so that we can be assured of having a quorum present at the meeting and so that your shares may be voted in accordance with your wishes.**

**Important Notice Regarding the Availability of Proxy**

**Materials for the Shareholder Meeting to Be Held on May 4, 2011**

Edgar Filing: Koppers Holdings Inc. - Form DEF 14A

A complete copy of this proxy statement and our annual report for the year ended December 31, 2010 are also available at [www.rrdezproxy.com/2011/KoppersHoldings/](http://www.rrdezproxy.com/2011/KoppersHoldings/).

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<u>PROXY STATEMENT</u>	1
<u>PROXY ITEM 1 PROPOSAL FOR ELECTION OF DIRECTORS</u>	6
<u>General</u>	6
<u>Vote Required</u>	6
<u>Board Recommendation</u>	7
<u>Biographical Summaries of Nominees and Directors</u>	7
<u>Board Meetings and Committees</u>	14
<u>CORPORATE GOVERNANCE MATTERS</u>	19
<u>Corporate Governance Guidelines</u>	19
<u>Director Independence</u>	19
<u>Board Leadership and Executive Sessions</u>	21
<u>Risk Oversight</u>	21
<u>Code of Ethics</u>	22
<u>Communications with the Board</u>	22
<u>Nomination Procedures</u>	22
<u>Committee Reports to Shareholders</u>	23
<u>Audit Committee Report</u>	23
<u>Management Development and Compensation Committee Report</u>	25
<u>COMMON STOCK OWNERSHIP</u>	26
<u>Director, Director Nominee and Executive Officer Stock Ownership</u>	26
<u>Beneficial Owners Of More Than Five Percent</u>	27
<u>EXECUTIVE COMPENSATION</u>	28
<u>Compensation Discussion and Analysis</u>	28
<u>Summary Compensation Table</u>	52
<u>Grants of Plan Based Awards Table</u>	54
<u>Outstanding Equity Awards at Fiscal Year-End</u>	55
<u>Options Exercises and Stock Vested</u>	57
<u>Pension Benefits</u>	57
<u>Non-qualified Deferred Compensation</u>	60
<u>Potential Payments upon Termination or Change in Control</u>	61
<u>Director Compensation</u>	69
<u>Stock Ownership Guidelines For Our Non-Employee Directors</u>	70
<u>TRANSACTIONS WITH RELATED PERSONS</u>	71
<u>AUDITORS</u>	72
<u>PROXY ITEM 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	73
<u>PROXY ITEM 3 ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION</u>	74
<u>PROXY ITEM 4 PROPOSAL TO RATIFY THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	75
<u>GENERAL MATTERS</u>	75
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	75
<u>Shareholder Proposals for the Next Annual Meeting</u>	75



**Table of Contents**

**Koppers Holdings Inc.**

**436 Seventh Avenue**

**Pittsburgh, PA 15219**

**PROXY STATEMENT**

**What is the purpose of this annual meeting?**

The shareholders will act on the following matters:

The election of three members to our board of directors;

The holding of an advisory vote on executive compensation;

The holding of an advisory vote on the frequency of future advisory votes on executive compensation; and

The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011. In addition, our management will report on our performance in 2010 and will answer appropriate questions from shareholders. We will also transact any other business that is properly raised at the meeting or any adjournment of the meeting.

**Why did I receive these proxy materials?**

We are providing these proxy materials in connection with the solicitation by the board of directors of Koppers Holdings Inc., a Pennsylvania corporation, of proxies to be voted at our 2011 annual meeting of shareholders and at any adjournment of such meeting. We refer to Koppers Holdings Inc. as the company, Koppers, we, our and us.

You are invited to attend our annual meeting of shareholders on Wednesday, May 4, 2011, beginning at 10:00 a.m. Eastern Daylight Time at the Pittsburgh Airport Marriott, 777 Aten Road, Coraopolis, Pennsylvania 15108.

Shareholders will be admitted to the annual meeting beginning at 9:30 a.m. Eastern Daylight Time. Seating will be limited.

We began distributing the proxy materials contained in this package on or about March 30, 2011.

**Who may vote at the annual meeting?**

If you owned shares of our common stock at the close of business on March 15, 2011, which we refer to as the record date, you may vote your shares at the meeting.

**How many shares of common stock were outstanding on the record date?**

On the record date, 20,603,049 shares of our common stock were outstanding and entitled to vote.

## **Table of Contents**

### **What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

If your shares are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you are considered the shareholder of record with respect to those shares. We have sent the notice of annual meeting, proxy statement, proxy card and 2010 annual report directly to you.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in the street name. The notice of annual meeting, proxy statement, proxy card and 2010 annual report have been forwarded to you by your broker, bank or other holder of record who is considered the shareholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by following the instructions included in the package from the broker, bank or other holder of record.

### **How do I vote?**

You may vote your shares by proxy or in person.

***By proxy.*** If you are a shareholder of record, to vote your shares by proxy, you must complete, sign and date the proxy card and return it in the prepaid envelope. If you are a beneficial owner, you must complete, sign and date the voting instructions included in the package from your broker, bank or other record holder and return those instructions to the broker, bank or other holder of record.

***In person.*** All shareholders may vote in person at the annual meeting. If you are a shareholder of record, you may vote your shares directly at the meeting by casting a ballot in person. In addition, you may also be represented by another person at the annual meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspectors of election with your ballot to be able to vote at the meeting.

Your vote is important. Please vote your shares promptly. We recommend you vote by proxy even if you plan to attend the meeting. You can always revoke your proxy before it is exercised by voting in person at the meeting.

### **How does a proxy work?**

If you complete the enclosed proxy, that means that you authorize the persons appointed as proxies to vote your shares at the annual meeting in accordance with your directions. When you vote by proxy, you should direct how your shares should be voted for each proposal. If you do not tell us how to vote your shares for any proposal, then your shares will be voted in accordance with the recommendations of our board of directors. Unless you tell us otherwise, the persons appointed proxies to vote at our annual meeting may vote your shares in accordance with their judgment on any other matters properly presented for action at the meeting or at any adjournment of the meeting that are not described on the proxy form.

## **Table of Contents**

### **What if I receive more than one proxy card?**

You may receive more than one proxy or voting card depending on how you hold your shares. Shares registered in your name are generally covered by one card. If you beneficially hold shares through someone else (such as a broker, bank or other record holder), you may get voting instructions and related materials from that person asking how you want to vote.

If you receive more than one proxy card for shares registered in your name, you have shares registered differently in more than one account. We encourage you to have all accounts registered in the same name and address whenever possible. You can do this by contacting our transfer agent, BNY Mellon Shareowner Services at Newport Office Center VII, 480 Washington Boulevard, Jersey City, NJ 07310, at its toll-free number (866-293-5637) or on its website at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) with the names in which all accounts are registered and the name of the account for which you wish to receive mailings.

### **What are broker non-votes?**

The New York Stock Exchange (the stock exchange on which our common shares are listed and which we refer to as the NYSE) permits brokers to vote their customers' shares on routine matters when brokers have not received voting instructions from their customers. Routine matters include the ratification of independent registered public accountants. Brokers may not vote their customers' shares on non-routine matters such as the election of directors, shareholder advisory votes on executive compensation, shareholder advisory votes on the frequency of future shareholder advisory votes on executive compensation, mergers, employee compensation plans and contested matters unless the brokers have received instructions from their customers. Non-voted shares on non-routine matters are called broker non-votes. If you are a beneficial owner of shares of our common stock, we encourage you to direct your broker, bank or other holder of record on how to vote your shares by following the instructions included in the package from the broker, bank or other holder of record.

### **What can I do if I change my mind after I vote my shares?**

If you are a shareholder of record, you may revoke your proxy before it is exercised by:

Written notice to our corporate secretary;

Timely delivery of a valid, later-dated proxy; or

Voting by ballot at the annual meeting.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your broker, bank or other holder of record. You may also vote in person at the annual meeting if you obtain a legal proxy as described previously in the answer to the question "How do I vote?" .

All shares that have been properly voted and not revoked will be voted at the annual meeting.

## **Table of Contents**

### **How do I contact Koppers corporate secretary?**

You may contact our corporate secretary by sending correspondence to our principal executive offices at Koppers Holdings Inc., Attention: Corporate Secretary's Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219.

### **Is there a list of shareholders entitled to vote at the annual meeting?**

Yes. The names of shareholders of record entitled to vote at the annual meeting will be available at the annual meeting.

### **What is a quorum?**

In order to conduct the business of the meeting, we must have a quorum. This means at least a majority of our common shares must be represented at the meeting, either in person or by proxy. You are considered a part of the quorum if you submit a properly signed proxy card. Votes withheld, abstentions and broker non-votes will be considered to be represented at the meeting in determining the presence of a quorum.

### **What are the voting requirements to elect the directors, approve by advisory vote executive compensation, approve by advisory vote the frequency of future advisory votes on executive compensation and approve the proposal to ratify the appointment of Ernst & Young LLP?**

You have one vote for each share that you held on the record date for each proposal.

For the election of directors, the three director nominees receiving the highest number of votes cast **FOR** their election will be elected. This is called plurality voting. You are not permitted to accumulate your shares when you vote your shares in favor of our nominees for election as directors.

The advisory vote on executive compensation and the advisory vote on the frequency of future advisory votes on executive compensation require support from a majority of votes cast on the proposal, assuming the presence of a quorum. With respect to the vote on frequency of future advisory votes on executive compensation, you are asked to express your preference for one of three choices – every year, every other year, or every three years. Abstentions have the same effect as not expressing a preference.

To be approved, the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011 requires a majority of votes cast on the proposal to be in favor of the appointment, assuming the presence of a quorum.

Pennsylvania law provides that abstentions and votes withheld are not votes cast. Abstentions, votes withheld and broker non-votes do not count either for or against a proposal.

### **Does Koppers have a recommendation on voting?**

Yes. The board of directors recommends a vote **FOR** the election of all nominees as directors, **FOR** the advisory resolution approving executive compensation, for a

**Table of Contents**

frequency of ONE YEAR for future advisory votes on executive compensation and FOR the ratification of Ernst & Young LLP as our independent registered public accounting firm for 2011.

**Who counts the votes cast at the annual meeting?**

Representatives of BNY Mellon Shareowner Services will tabulate the votes and act as inspectors of election at the annual meeting.

**Who will pay for the cost of this proxy solicitation?**

We will pay the cost of soliciting proxies. We may make arrangements with brokerage houses and other custodians, nominees and fiduciaries for them to forward proxy materials to the beneficial owners of the shares they hold of record and we may reimburse them for doing so. Proxies may be solicited on our behalf by directors, officers or employees, for no additional compensation, in person or by telephone, electronic transmission and facsimile transmission. We have hired BNY Mellon Shareowner Services, our transfer agent, to distribute and solicit proxies. We will pay BNY Mellon Shareowner Services an estimated fee of \$5,000, plus its reasonable expenses, for these services.

**Will my vote be confidential?**

Shareholder voting records will be permanently kept confidential except as may be necessary to meet legal requirements.

**Table of Contents**

**PROXY ITEM 1 PROPOSAL FOR ELECTION OF DIRECTORS**

**General**

The nominees for election to Class I of the board of directors have been nominated by our nominating and corporate governance committee for election to the board of directors, and our board has approved these nominees.

The number of directors on our board is currently fixed at eight members, divided into three classes, with each class as nearly equal in number as possible. Class I and Class II of the board each consist of three directors and Class III of the board consists of two directors.

Directors are elected for three-year terms on a staggered term basis. This means that each year the term of office of one class will expire and the terms of office of the other two classes will extend for additional periods of one and two years, as applicable. At this year's annual meeting we are asking you to elect the nominees for director in Class I whose term of office will expire in 2014.

The board has nominated Cynthia A. Baldwin, Albert J. Neupaver and Walter W. Turner for election as Class I directors. Ms. Baldwin, Mr. Neupaver and Mr. Turner are all standing for re-election.

Each nominee in Class I who is elected as a director will hold office for three years or until the director's death, resignation, incapacity or until the director's successor shall be elected and shall qualify. Vacancies on the board of directors, including vacancies resulting from an increase in the number of directors, will be filled by a majority vote of the directors then in office, even if less than a quorum.

It is the board's policy as set forth in our corporate governance guidelines not to set a limit on the number of terms for which a director may serve. Setting term limits may prevent the contribution of directors who have been able to develop, over a period of time, increasing insight into our business and therefore provide an increasing contribution to the board. Also, management accountability may be undermined by frequent turnover of directors. A non-employee director will not be re-nominated as a director after the individual's 7<sup>th</sup> birthday. Employee directors must resign from the board upon their retirement with us.

**Vote Required**

Nominees for directors will be elected by a plurality vote by the shares present (in person or by proxy) at the meeting. This means that the three directors receiving the highest number of votes cast FOR their election at the annual meeting will be elected for a three-year term.

Your proxy will be voted FOR the election of these nominees unless you withhold authority to vote for one or more of them. If any nominee is unable or unwilling to stand for election, your proxy authorizes us to vote for a replacement nominee if the board names one. We will only count votes FOR a candidate in the election of directors.

## **Table of Contents**

### **Board Recommendation**

**With respect to the election of directors (Proxy Item 1), the board of directors recommends a vote **FOR** the election of all three nominees.**

### **Biographical Summaries of Nominees and Directors**

There are no specific minimum qualifications a nominee must meet in order to be recommended for the board. However, our nominating and corporate governance committee seeks to establish, as required by the committee's charter, a board that consists of individuals from diverse educational and professional experiences and backgrounds, that, when taken as a whole, provide meaningful counsel to management. Board candidates are considered based upon various criteria, such as their broad-based business skills and experiences, prominence and reputation in their profession, a global business perspective, concern for the long-term interests of our shareholders and personal integrity, values and judgment—all in the context of an assessment of the perceived needs of the board. In addition, directors must have significant time available to devote to board activities and to enhance their knowledge of our business. Although we do not have a formal policy with respect to diversity, our nominating and corporate governance committee considers the diversity of our board as a whole, including the skills, background and experience of our directors.

Our nominating and corporate governance committee believes each member of our board of directors possesses the individual qualities necessary to serve on the company's board of directors, including high personal and professional ethical standards and integrity, honesty and good values. Our directors are highly educated and have diverse backgrounds and extensive track records of success in what we believe are highly relevant positions with large international companies, firms and major private and public institutions. They have each demonstrated an ability to exercise sound judgment and have exhibited a commitment of service to the company and to the board, and each of our directors possesses strong communication skills. In addition, we believe that each director brings the skills, experience and perspective that, when taken as a whole, creates a board that possesses the requirements necessary to oversee the company's business. Each director's and nominee's particular experience, qualifications, attributes and skills that led the board to conclude that such director or nominee should serve as a director for the company are set forth below. The committee reviews the board membership criteria and modifies them as necessary each year.

**Table of Contents**

The following information relates to the three nominees for election at this year's annual meeting:

**CLASS I DIRECTORS WITH A TERM EXPIRING 2014**

Cynthia A. Baldwin

Age: 66

Ms. Baldwin became a member of our board of directors on February 1, 2008. Since February 2010, Ms. Baldwin has been the Vice President and General Counsel of The Pennsylvania State University, a major public research university. An experienced board member, Ms. Baldwin was chair of the board of trustees of The Pennsylvania State University from 2004 to 2007, and a board member for 15 years before taking her position as Vice President and General Counsel.

Ms. Baldwin also brings a wealth of knowledge and experience to the board from the legal field and public sector, having served as a partner at Duane Morris LLP, a large international law firm, from March 2008 to February 1, 2010, as a former Pennsylvania Supreme Court Justice from 2006 to 2008, and as Judge on the Allegheny County Court of Common Pleas for 16 years. Prior to serving in the judiciary, Ms. Baldwin practiced law in various areas, including real estate law and commercial litigation. Through her role as chair of our nominating and corporate governance committee, Ms. Baldwin has demonstrated a depth of knowledge and a high regard for compliance and an appreciation of governance principals. Her experience gives her particular insight into assessing risks associated with the independence of the board, potential conflicts of interest and litigation risk.

Albert J. Neupaver

Age: 60

Mr. Neupaver became a member of our board of directors on August 5, 2009. Since February 2006, Mr. Neupaver has been the president and chief executive officer of Westinghouse Air Brake Technologies Corporation, a public company and one of the world's largest providers of value-added, technology-based equipment and services for the global rail industry. His business acumen and leadership skills are further demonstrated by his additional public company experience at AMETEK, Inc., a leading global manufacturer of electronic instruments and electromechanical devices, where he served as the president of the electromechanical group from 1998 to February 2006.

Mr. Neupaver is also an experienced board member, having served as a director of Westinghouse Air Brake Technologies Corporation since 2006, and a director of



**Table of Contents**

Robbins & Myers, Inc., a public company and leading supplier of engineered equipment and systems, since January 1, 2009. His other affiliations include service on the board of directors of the Carnegie Science Center and the board of trustees of the Carnegie Museums of Pittsburgh. Mr. Neupaver's experience as a chief executive officer allows him to better assess our operational risks and growth opportunities.

Walter W. Turner

Age: 64

Mr. Turner was elected president and chief executive officer of the company in, and has been a director since, November 2004. He has been president and chief executive officer and director of Koppers Inc., our wholly-owned subsidiary, since February 1998. Prior to 1998, Mr. Turner held various senior management positions within the company since its inception in 1988, including Vice President and General Manager, Carbon Materials & Chemicals of Koppers Inc., Vice President and Manager, Marketing & Development, Industrial Pitches and Related Products of Koppers Inc. and Marketing Manager, Industrial Pitches and Creosote Oils of Koppers Inc.

Mr. Turner has over 40 years of experience with the company and Koppers Company, Inc., which has provided him with a depth of experience in the company's industry and insights into the company's business, operations and risk exposure. As the only management representative on our board, Mr. Turner enhances board discussions by providing an insider's perspective about the company's business, operations and strategic direction and insight into all aspects of the company's business.

Mr. Turner's board experience includes his current service as a trustee of the Carnegie Museums of Pittsburgh and as a member of the board of directors of the Allegheny Conference on Community Development.

**Table of Contents**

The following information relates to the continuing directors with terms expiring in 2012 and 2013.

**CONTINUING CLASS II DIRECTORS WITH A TERM EXPIRING 2012**

Sharon Feng, Ph.D.

Age: 52

Dr. Feng became a member of our board of directors on May 6, 2009. Since February 2010, Dr. Feng has been the Vice President of Business Development of the Coatings, Adhesives and Specialties Division of Bayer MaterialScience LLC, a global supplier of specialty chemicals. Prior to that, Dr. Feng was the Vice President, Industrial and Environmental Affairs/Logistics Management of Lanxess Corporation, a global manufacturer of high-quality products for the chemical, synthetic rubber and plastics industries, from January 2009 through January 2010 and the Vice President, Technical Services/Industrial and Environmental Affairs of Lanxess Corporation from August 2006 through December 2008, with responsibility for that company's risk management and regulatory compliance. From February 2005 to August 2006, Dr. Feng served as the Vice President of Business Development, Coatings and Adhesives, Asia Pacific Region for Bayer MaterialScience LLC and from January 2004 to January 2005, Dr. Feng was the Director of Polyurethane Research, North America, for Bayer MaterialScience LLC.

Dr. Feng holds a Ph.D. in inorganic chemistry, which has provided her with a technical background and a strong expertise in the specialty chemicals industry. Dr. Feng's technical and industry experience, her experience in risk management and regulatory compliance, and her knowledge of environmental risks and best practices, developed through her leadership positions with Bayer MaterialScience LLC and Lanxess Corporation, provide an invaluable perspective to the board's discussions. In addition, her insights into international business development, particularly in Asian markets, contribute to the board's consideration of strategic growth in that region.

Stephen R. Tritch

Age: 59

Mr. Tritch became a member of our board of directors on May 6, 2009. Mr. Tritch retired from his position at Westinghouse Electric Company, a global provider of fuel, services, technology, plant design, and equipment for the commercial nuclear electric power industry, in June 2008, where he was the chief executive officer since June 2002. While serving in that role, Mr. Tritch had oversight of that company's operations, financial reporting and risk analysis. During his 37 years with Westinghouse Electric Company,

**Table of Contents**

Mr. Tritch held a number of management positions, including Senior Vice President Fuel Business Unit, Senior Vice President Integration and Senior Vice President Services Business Unit. His business acumen and proven leadership skills developed through years of managing this international organization provide the board with an executive and leadership perspective on the management and operations of a large company with global operations.

An experienced board member, Mr. Tritch served as the chairman of the board of Westinghouse Electric Company from June 2002 until his retirement in June 2010. He also served as chairman of the audit committee of Westinghouse Electric Company. Mr. Tritch is currently a director of The Shaw Group, Inc., a public company and a global provider of pumping systems, engineering procurement and construction services. His additional leadership roles include service as the chairman of the board of trustees at the University of Pittsburgh and as a member of the board of trustees of the John Heinz History Center.

T. Michael Young

Mr. Young became a member of our board of directors in May 2006. Mr. Young is an executive officer of, and since July 2006 has been a managing partner of, The CapStreet Group, LLC, a private equity firm that invests in lower-tier middle market companies.

Age: 66

A proven leader with business acumen, Mr. Young brings executive management experience and a strong financial background to our board. Mr. Young is a former partner of Arthur Andersen, LLP, formerly one of the largest international accountancy and professional services firms. He was also formerly the chief financial officer of Weatherford International Inc., a public company and one of the largest global providers of mechanical solutions, technology applications, and services for oil and gas developments. Mr. Young was the president and chief executive officer of Metal Supermarkets International, a leading global supplier of small quantity metals, from December 2002 to December 2005. Mr. Young also served as the chief executive officer of a number of other companies including Hi-Lo Automotive, Inc., a supplier of automotive parts, which was acquired by O'Reilly Automotive, Inc., and Transportation Components, Inc., a distributor of replacement parts for commercial trucks and trailers. Mr. Young served as the president and chief executive officer of Transportation Components, Inc. when it and its affiliates filed petitions for relief under Chapter 11 of the United States Bankruptcy Code in 2001.

**Table of Contents**

Mr. Young also has extensive service as a member of several private and public company boards. He was the chairman of the board of Metal Supermarkets International, a private company, from December 2005 through October 2007, a member of the board of directors of Emeritus Corporation, a public company and a national operator of assisted living residential communities from April 2004 to November 2008 and a member of the board of directors of Restoration Hardware, a public company and a specialty retailer of high quality home furnishings, hardware and related merchandise from March 2005 to June 2008. Mr. Young's skills are particularly suited to helping us assess financial and operational risks and the strategic direction of the company.

**CONTINUING CLASS III DIRECTORS WITH A TERM EXPIRING 2013**

David M. Hillenbrand, Ph.D.

Age: 63

Dr. Hillenbrand has been a director of Koppers Holdings Inc. since November 2004 and has been a director of Koppers Inc. since February 1999. From July 2005 through his retirement in February 2011, Dr. Hillenbrand served as president and chief executive officer of the Carnegie Museums of Pittsburgh, a non-profit organization.

Dr. Hillenbrand has proven business acumen and leadership skills, having served in a number of senior management positions during his 27-year career with Bayer AG, a global enterprise providing products and services in the fields of health care, nutrition, high-tech materials and specialty chemicals. Dr. Hillenbrand retired from his most recent position with Bayer AG in August 2003, where he was executive vice president and a member of the executive committee and labor director of Bayer Polymers. Dr. Hillenbrand had previously served as the president and chief executive officer of Bayer AG's Canadian operations for eight years.

Dr. Hillenbrand has a depth of experience with our industry and our company, having served on our board for 12 years. The board benefits from his intimate knowledge of our operations and corporate philosophy. Dr. Hillenbrand was born in Germany and holds a Ph.D. in Germanics, which combined with his experience at Bayer AG, gives him an international perspective on the company's operations and growth strategy.

**Table of Contents**

James C. Stalder

Age: 70

Mr. Stalder became a member of our board of directors in November 2006. He is currently the vice chair of the audit committee of Carnegie Mellon University, chair of its finance committee and a member of its investment committee. A proven leader, Mr. Stalder was formerly the dean of the graduate and undergraduate Schools of Business of Duquesne University, a private university, from July 2000 to June 2005.

Mr. Stalder is an audit committee financial expert who brings to the board and audit committee an extensive business and financial background, having been the former managing partner of the Pittsburgh office of PricewaterhouseCoopers LLP, one of the world's largest international accountancy and professional services firms. Mr. Stalder's financial background offers the board a key perspective and depth on financial and accounting matters and has proven to be invaluable in assessing financial risks, while his experience as dean has provided him with extensive managerial, strategic and operational expertise.

**Table of Contents**

**Board Meetings and Committees**

***Meetings in 2010***

During 2010, the board held seven meetings. The average attendance at meetings of our board and committees of our board during 2010 was 93 percent, and each director, other than Dr. Hillenbrand who was unable to attend several meetings due to personal illness, attended at least 75 percent of the total number of meetings of the board and committees of the board on which such director served and at the time at which such director served.

Our board of directors currently has four standing committees: an audit committee, a management development and compensation committee, a nominating and corporate governance committee, and a safety, health and environmental committee. Descriptions of the audit committee, management development and compensation committee, nominating and corporate governance committee and safety, health and environmental committee are set forth below. Each of our committees operates under a charter adopted by our board of directors. The charters of our committees are available on our website at [www.koppers.com](http://www.koppers.com). You may also request a printed copy of any committee charter at no cost by writing to our corporate secretary at Koppers Holdings Inc., Attention: Corporate Secretary's Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219.

We expect each director to attend the meetings of the board, the board committees on which the director serves and the annual meeting of shareholders. All of the members of our board at the time of our annual meeting of shareholders in 2010 attended the meeting.

***Membership of Committees***

The following table shows the membership of each committee as of March 30, 2011.

<b>Committee</b>	<b>Members</b>
Audit	James C. Stalder (Chair)  Cynthia A. Baldwin  Albert J. Neupaver  Stephen R. Tritch  T. Michael Young
Nominating and  Corporate Governance	Cynthia A. Baldwin (Chair)  Sharon Feng  James C. Stalder  T. Michael Young
Management	T. Michael Young (Chair)
Development and  Compensation	Albert J. Neupaver  James C. Stalder  Stephen R. Tritch
Safety, Health and	Sharon Feng (Chair)

Edgar Filing: Koppers Holdings Inc. - Form DEF 14A

Environmental

David M. Hillenbrand

Walter W. Turner

-14-

## **Table of Contents**

### ***Independence of Committee Members***

We are subject to the NYSE corporate governance rules and certain rules of the Securities and Exchange Commission, which we also refer to as the SEC, including the rules relating to independent members on our board committees. The SEC rules set forth the independence requirements for our audit committee and require that all members of our audit committee be independent. The NYSE rules require that all of the members of our audit, nominating and corporate governance, and management development and compensation committees be independent. All of the members of our audit, nominating and corporate governance, and management development and compensation committees are independent as required by the SEC and the NYSE rules.

### ***Audit Committee***

The audit committee is required pursuant to its charter to hold at least four regularly scheduled meetings each year and held seven meetings in 2010. The board has determined that Mr. Stalder is our financial expert as such term is defined under the SEC rules.

The audit committee's responsibilities include oversight of the integrity of our financial statements, the appointment, compensation and supervision of our independent registered public accounting firm, which we also refer to as our independent auditor, review of the independence of our independent auditor, resolution of disagreements between our management and our independent auditor and oversight of our internal audit function.

In connection with oversight of the integrity of our financial statements, the audit committee's responsibilities include:

Reviewing, prior to the audit, the scope and procedures to be utilized in the audit with the independent auditor;

Receiving reports from the independent auditor regarding our critical accounting policies and practices;

Meeting with the independent auditor, without our management, to discuss the audit or other issues deemed relevant by the audit committee, including, but not limited to any audit problems or difficulties and management's response;

Reviewing management's assessment of the effectiveness of internal controls over financial reporting, including any significant deficiencies or material weaknesses identified by management or the independent auditor;

Meeting with management and the independent auditor to review significant reporting issues and practices, including changes in or adoption of accounting principles and disclosure practices; and

Reviewing disclosures in our periodic reports filed with the SEC, including the Management's Discussion and Analysis section.



**Table of Contents**

In connection with the appointment and supervision of our independent auditor, the audit committee's responsibilities include, among other things:

Receiving annual written communication from the independent auditor delineating all relationships with and proposed professional services to us;

Reviewing all non-audit services proposed to be provided by the independent auditor;

Receiving and reviewing, on an annual basis, reports from the independent auditor regarding its internal quality control procedures and results of most recent peer review or any inquiry or investigation by any governmental or professional authorities within the preceding five years;

Reviewing the qualifications of the lead partner of the independent auditor and making certain that a replacement is named to the lead partner position every five years; and

Reviewing and approving, as appropriate, the compensation of the independent auditor.

The board has established, and the audit committee has reviewed, procedures for the receipt and treatment of complaints we receive concerning, among other things, accounting, internal controls or auditing matters, as well as confidential anonymous submissions by our employees regarding accounting or auditing matters. The audit committee also reviews our process for communicating these procedures to our employees.

The audit committee has the authority to engage independent counsel or other outside advisors and experts as necessary to advise the committee in the performance of its duties.

***Management Development and Compensation Committee***

The management development and compensation committee is required pursuant to its charter to meet at least four times a year and held six meetings in 2010. The management development and compensation committee is responsible, among other things, for establishing and reviewing compensation criteria at the board and executive levels. The committee seeks to ensure that our compensation practices are in compliance with the law and with our Code of Business Conduct and Ethics and are commensurate with the high standards of performance expected of our directors and officers.

The committee will periodically review and propose to the full board the compensation for non-employee directors. Such review must occur at least once a year. In addition, the management development and compensation committee annually approves and recommends to the board for ratification our chief executive officer's compensation. The committee also annually reviews and makes recommendations to the board with respect to the compensation structure for all other officers and key executives, including the adoption of cash-based and equity-based incentive and bonus compensation plans.

## **Table of Contents**

The management development and compensation committee is charged with administering our cash-based and equity-based incentive and bonus compensation plans, which we refer to as incentive and bonus compensation plans. Among other things, the management development and compensation committee will determine which eligible employees receive awards under such plans, determine the types of awards to be received and the conditions thereof, and will make any other determination or take any other action that it deems necessary or desirable to administer each incentive and bonus compensation plan. From time to time, the management development and compensation committee will also review and recommend medical, retirement, insurance and other benefit packages for officers and eligible employees.

At least annually, the management development and compensation committee will make recommendations to the board regarding a succession plan, including succession in the event of an emergency or crisis, for our chief executive officer and other officers and key employees, after considering recommendations of management. The committee must also review and make recommendations to the board regarding revisions of its charter.

The management development and compensation committee has the sole power to retain and terminate consulting firms to assist it in performing its responsibilities, including the authority to approve the firm's fees and retention terms. The committee has the authority to obtain advice and assistance from internal or external legal, accounting, human resource or other advisors and to have direct access to such advisors without the presence of our management or other employees. In addition, the committee has the power to form and delegate authority to subcommittees.

### ***Nominating and Corporate Governance Committee***

The nominating and corporate governance committee is required pursuant to its charter to meet at least four times each year and held four meetings in 2010. The nominating and corporate governance committee's goals and responsibilities include identifying individuals qualified to serve as members of the board of directors consistent with criteria approved by the board of directors and using such criteria in its recommendation of new directors. The committee identifies candidates for the board of directors by soliciting recommendations from committee members and incumbent directors and considering recommendations from employees and shareholders. The committee also has sole authority to retain and terminate search firms, which will report directly to the committee, to assist in identifying director candidates.

The committee is responsible for the oversight of the evaluation of the board of directors and our management. In doing so, the nominating and corporate governance committee (i) evaluates, and reports to the board of directors, the performance and effectiveness of the board of directors as a whole and each committee of the board as a whole (including an evaluation of itself and the effectiveness of the management development and compensation committee in its process of establishing goals and objectives for, and evaluating the performance of, our chief executive officer and our other officers) and (ii) reviews the performance, qualifications and other related issues concerning board members at least once every three years.

## **Table of Contents**

The nominating and corporate governance committee charter provides that the committee will ensure that the nominees for membership on the board of directors are of a high caliber and are able to provide insightful, intelligent and effective guidance to our management. The committee is also committed to ensuring that our corporate governance is in full compliance with the law, reflects generally accepted principles of good corporate governance, encourages flexible and dynamic management without undue burdens and effectively manages the risks of our business and our operations. To accomplish this, the nominating and corporate governance committee developed and recommended to the board of directors a set of corporate governance guidelines.

The nominating and corporate governance committee must review and, if appropriate, recommend to the board appropriate changes to the corporate governance guidelines at least once every year and the articles of incorporation, by-laws, the Code of Business Conduct and Ethics and the Code of Ethics Applicable to Senior Officers at least once every two years. The nominating and corporate governance committee is charged with investigating and advising the board with respect to any violations of the Code of Ethics Applicable to Senior Officers and, to the extent involving directors or officers, the Code of Business Conduct and Ethics, including conflicts of interest between directors or officers and us, and including a review of the outside activities of directors and officers. It is the obligation of each director and officer to bring to the attention of the nominating and corporate governance committee any actual, apparent or possible conflict of interest.

The nominating and corporate governance committee may obtain advice and assistance from internal or external legal, accounting or other advisors, without the presence of our officers and may interview and meet with our employees without the presence of our management.

### ***Safety, Health and Environmental Committee***

Our safety, health and environmental committee held four meetings in 2010 and is responsible for reviewing our policies and practices that address safety, health and environmental concerns and significant legislative and regulatory trends and developments concerning safety, health and environmental issues. The committee reviews management practices and results to ensure that our managers are promoting proper and government-mandated practices in the areas of safety, health and the environment and that we have written procedures and an audit program in place to ensure proper training, safeguards and controls in these areas. The safety, health and environmental committee's charter requires the committee to meet regularly with the relevant executive officers and senior operations managers accountable for product and process safety, health and environmental programs.

**Table of Contents**

**CORPORATE GOVERNANCE MATTERS**

**Corporate Governance Guidelines**

Our board of directors has adopted corporate governance guidelines to ensure we are fully compliant with the law and engaging in corporate governance best practices. These guidelines, among other things, assist our board in determining whether a director is independent under the NYSE rules.

Our corporate governance guidelines address matters such as the selection and composition of the board, board leadership, board performance, the board's relationship to senior management, meeting procedures and committee matters.

A copy of our corporate governance guidelines is available on our website at [www.koppers.com](http://www.koppers.com). You may also request a printed copy at no cost by writing to our corporate secretary at Koppers Holdings Inc., Attention: Corporate Secretary's Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219.

**Director Independence**

Our board of directors reviewed the independence of each of our current directors and nominees, in accordance with our corporate governance guidelines and the NYSE rules. Based on its review, the board of directors determined that a majority of our current directors and each of our nominees (other than Mr. Turner) have no material relationship with us (either directly or as a partner, shareholder or an officer of an organization that has a relationship with us) and are independent under the independence criteria for directors established by the NYSE and in accordance with our corporate governance guidelines. Based on this evaluation, our board has determined that Ms. Baldwin, Dr. Feng, Dr. Hillenbrand, Mr. Neupaver, Mr. Tritch, Mr. Stalder and Mr. Young each satisfy the independence standards. In addition, based on its evaluation, the board determined that Mr. Turner is not independent.

In reaching this determination, the board reviewed the independence guidelines that are part of our corporate governance guidelines, the corporate governance rules of the NYSE and the individual circumstances of each director.

The following is a summary of the guidelines established by our board in our corporate governance guidelines and which are used by the board to determine the independence of each director. In general, the board will determine that a director will not be independent if, within the preceding three years:

the director was or is currently also our employee;

an immediate family member of the director was or is currently employed by us as an executive officer;

the director was (but is no longer) a partner in or employed by a firm that is our internal or external independent auditor and personally worked on our audit within that time;

**Table of Contents**

an immediate family member of the director was (but is no longer) a partner in or employed by a firm that is our internal or external independent auditor and personally worked on our audit within that time;

one of our current executive officers was or is currently on the compensation committee of a company which employed our director, or which employed an immediate family member of the director as an executive officer at the same time; or

the director or an immediate family member of the director received in any twelve-month period during such three-year period direct compensation from us and our consolidated subsidiaries in excess of \$120,000 other than director compensation (including committee fees) and pensions or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

In addition, the board will determine that a director is not independent if:

the director or the immediate family member of the director is a current partner of a firm that is our internal or external independent auditor;

the director is a current employee of such internal or external independent auditing firm; or

the director has an immediate family member who is a current employee of such internal or external independent auditing firm and who personally works on our audit.

When the board reviews the independence of its members, the board considers the following commercial or charitable relationships to be material relationships that would impair a director's independence:

the director is a current employee of, or has an immediate family member who is a current executive officer of, another company that has made payments to, or received payments from, us in any of the last three fiscal years that exceed the greater of \$1.0 million or two percent of the annual revenues of the company with which he or she is so associated.

the director is an executive officer of another company which is indebted to us, or to which we are indebted, and the total amount of either company's indebtedness to the other is two percent or more of the total consolidated assets of the company he or she serves as an executive officer; or

the director serves as an officer, director or trustee of a charitable organization, and our discretionary charitable contributions to the organization are two percent or more of that organization's total annual charitable receipts (excluding for this purpose our automatic matching, if any, of employee and director charitable contributions).

## **Table of Contents**

Each independent director is required to notify the chair of the nominating and corporate governance committee of any event, situation or condition that may affect the board's evaluation of the director's independence.

### **Board Leadership and Executive Sessions**

Dr. Hillenbrand, one of our independent directors, is currently the chairman of our board and the lead independent director for executive sessions. Our current practice is that the roles of the chairman of the board and the chief executive officer should be separate because our board believes separating the roles allows the chairman to serve as a check on the chief executive officer and to independently assess the overall performance of the company on behalf of the shareholders. In addition, our board believes it is important to separate the roles of the chief executive officer and the chairman of the board due to the differences between the two roles and the time-intensive responsibilities of each. Our chief executive officer is the officer through whom the board delegates authority to corporate management. He is responsible for setting our strategic direction and the day-to-day leadership and performance of the company, while ensuring that all orders and resolutions of the board are carried into effect. The chairman of the board, on the other hand, provides guidance to our chief executive officer, presides over meetings of the full board, calls meetings of the board and board committees when he deems them necessary and performs all duties assigned to him by the board. Our chairman of the board is also responsible for acting as chairman at all meetings of our shareholders.

Our independent directors meet at regularly scheduled executive sessions without management. Our corporate governance guidelines provide that when the roles of the chairman of the board of directors and the chief executive officer are separate and the chairman of the board of directors is not an employee, then the chairman of the board of directors also serves as the lead independent director. The lead independent director presides over the executive sessions of the independent directors and, together with the members of the nominating and corporate governance committee, develops the agendas for the executive sessions and periodically reviews and proposes revisions to the board's procedures and the corporate governance guidelines. The lead independent director is also responsible for communicating the board's annual evaluation of the chief executive officer.

### **Risk Oversight**

Our board as a whole has an active role in overseeing the company's management of risks. Our board regularly assesses the major risks facing the company and reviews options for their mitigation by reviewing information regarding accounting, operational, legal and regulatory, and strategic and reputational risks based on reports from senior management, including by our chief compliance officer, and our independent auditor. In addition, our board has established a formal risk management process that involves regular and systematic identification and evaluation of risks. Our board delegates the oversight of specific risk areas to board committees. Our audit committee is primarily responsible to review with management and our independent auditor the significant risks to the company, assess the steps management has taken to

## **Table of Contents**

minimize these risks and discuss policies with respect to risk assessment and risk management. Our management, development and compensation committee is responsible for reviewing risks associated with human capital, employee benefits and executive compensation. Our nominating and corporate governance committee manages risks associated with the independence of the board, potential conflicts of interest, reputation and ethics and corporate governance. Our safety, health and environmental committee is charged with assessing regulatory and compliance risks associated with the company's safety, health and environmental performance.

### **Code of Ethics**

Our board of directors has adopted a Code of Business Conduct and Ethics for all directors, officers and employees and a Code of Ethics Applicable to Senior Officers. A copy of each code is available on our website at [www.koppers.com](http://www.koppers.com). You may also request a written copy at no cost by writing to our corporate secretary at Koppers Holdings Inc., Attention: Corporate Secretary's Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219. The Code of Business Conduct and Ethics covers such matters as conflicts of interest, insider trading, misuse of confidential information, compliance with laws and protection and proper use of corporate assets. Directors are expected to comply with the Code of Business Conduct and Ethics and report any violations of the code, including any potential conflicts of interest, as outlined in the code. All directors must remove themselves from any discussion or decision affecting their business or personal interests.

### **Communications with the Board**

The board of directors welcomes the input and suggestions of shareholders and other interested parties. Shareholders and other interested parties wishing to contact the chairman of the board or the non-management directors as a group may do so by sending a written communication to the attention of the chairman of the board, c/o Koppers Holdings Inc., Corporate Secretary's Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219. Issues or complaints regarding questionable accounting, internal accounting controls or auditing matters may be sent in writing to the attention of the audit committee chairman, c/o Koppers Holdings Inc., Corporate Secretary's Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219. Our corporate secretary will forward all written communications unopened to the director to whom it is addressed. Alternatively, you may place an anonymous, confidential, toll-free call in the United States to our Compliance Line at 800-385-4406.

### **Nomination Procedures**

The nominating and corporate governance committee will consider nominees for director recommended by the committee, other directors, employees and shareholders and evaluate such nominees against the same criteria used to evaluate all candidates for director. Any shareholder wishing to recommend a candidate for director to the nominating and corporate governance committee should submit the recommendation in writing to our corporate secretary at Koppers Holdings Inc., Attention: Corporate Secretary's Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219. Your

## **Table of Contents**

recommendation to the nominating and corporate governance committee must be received by our corporate secretary on or before December 1, 2011. Under our current bylaws, no shareholder will be permitted to nominate a director at our annual meeting unless advance notice of such nomination is received by our corporate secretary no later than ten days after the meeting is first publicly announced. The advance notice must include the name and address of the shareholder recommending the individual and proof of share ownership, as well as the individual's name and address; a description of all arrangements or understandings (if any) between the shareholder and the individual being recommended as a potential director; such information about the individual being recommended as would be required for inclusion in a proxy statement filed under then-current SEC rules; and a written indication of the individual's willingness to serve as a director of the company.

## **Committee Reports to Shareholders**

### ***Audit Committee Report***

As set forth in the charter, our management is responsible for the preparation, presentation and integrity of our financial statements, and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to provide reasonable assurance of compliance with accounting standards and related laws and regulations. Our internal auditors are responsible for providing reliable and timely information to the board of directors and senior management concerning the quality and effectiveness of, and the level of adherence to, our control and compliance procedures and risk management systems. Our independent auditor is responsible for planning and carrying out an integrated audit of our consolidated annual financial statements and the effectiveness of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board and reviewing our quarterly financial statements and auditing our annual financial statements prior to the filing of each of our quarterly reports on Form 10-Q and annual reports on Form 10-K, respectively.

In the performance of its oversight function, the audit committee has reviewed and discussed the audited financial statements for the year ended December 31, 2010, with management and with Ernst & Young LLP, our independent auditor for 2010. The audit committee has discussed with our independent auditor the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The audit committee has received the written disclosures and the letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the audit committee concerning independence. Also, in the performance of its oversight function, during 2010 the audit committee received frequent reports from our manager of internal audit.

At various times the audit committee has considered whether the provision of non-audit services by the independent auditor to us is compatible with maintaining the independent auditor's independence and has discussed with Ernst & Young LLP their independence. As a result of the enactment of the Sarbanes-Oxley Act of 2002, the audit



**Table of Contents**

committee or its chairman (acting pursuant to delegated authority) pre-approves all new non-audit services (as defined in the Sarbanes-Oxley Act) proposed to be performed by our independent auditor.

Based upon the review and discussions described in this report, and subject to the limitations on the role and responsibilities of the audit committee referred to above and in the charter, the audit committee recommended to the board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2010, for filing with the SEC.

The audit committee of the board of directors presents the foregoing report.

James C. Stalder (Chairman)  
Cynthia A. Baldwin  
Albert J. Neupaver

Stephen R. Tritch  
T. Michael Young

**Table of Contents**

***Management Development and Compensation Committee Report***

The management development and compensation committee has reviewed and discussed the Compensation Discussion and Analysis with our management. Based on our review and discussions, the committee has recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

The management development and compensation committee of the board of directors presents the foregoing report.

T. Michael Young (Chairman)  
Albert J. Neupaver

James C. Stalder  
Stephen R. Tritch

**Table of Contents****COMMON STOCK OWNERSHIP****Director, Director Nominee and Executive Officer Stock Ownership**

Set forth below is certain information with respect to the beneficial ownership of shares of our common stock as of March 15, 2011, by directors, director nominees, the named executive officers, who are included in the Summary Compensation Table, and all directors and executive officers as a group. Except as otherwise indicated, sole voting power and sole investment power with respect to the shares shown in the table are held either by the individual alone or by the individual together with his or her spouse.

Name of Beneficial Owner	Shares of Beneficially Owned Common Stock	
	Amount of Beneficially Owned Common Stock (1)	Percent of Class
Cynthia A. Baldwin	9,500	*
Sharon Feng	6,000	*
David M. Hillenbrand	11,048	*
Albert J. Neupaver	6,000	*
James C. Stalder	8,750	*
Stephen R. Tritch	7,000	*
T. Michael Young	15,000	*
Walter W. Turner	283,983	1.4%
Brian H. McCurrie	48,636	*
Leroy M. Ball	3,500(2)	*
Steven R. Lacy	44,904	*
James T. Dietz	24,735	*
Mark R. McCormack	43,782	*
All Directors and Executive Officers as a Group (20 in total)	571,019(2)	2.8%

\* Less than one percent

(1) Includes the following amounts of common stock that the following individuals and the group have the right to acquire through the exercise of stock options: Mr. Turner, 29,770; Mr. McCurrie, 11,864; Mr. Lacy, 13,214; Mr. Dietz, 5,558; and Mr. McCormack, 7,320; and all directors and executive officers as a group, 90,817.

(2) Includes 3,500 shares that are pledged as security in a brokerage margin account.

**Table of Contents****Beneficial Owners Of More Than Five Percent**

The following table shows shareholders whom we know were beneficial owners of more than five percent of our common stock as of March 15, 2011.

Name and Address of Beneficial Owner	Amount and Nature of Beneficially Owned Common Stock	Percent of Class
T. Rowe Price Associates, Inc. (1) 100 E. Pratt Street Baltimore, Maryland 21202	2,727,810	13.2%
Michael W. Cook Asset Management, Inc. d/b/a SouthernSun Asset Management (2) 6000 Poplar Avenue, Suite 220 Memphis, Tennessee 38119	2,385,242	11.61%
Lord, Abnett & Co. LLC (3) 90 Hudson Street Jersey City, New Jersey 07302	2,254,141	10.96%
Keeley Asset Management Corp. (4) 401 South LaSalle Street Chicago, Illinois 60605	1,445,890	7.0%
BlackRock Inc. (5) 40 East 52 <sup>nd</sup> Street New York, NY 10022	1,085,363	5.28%

(1) According to the Schedule 13G filed February 9, 2011, 2,727,810 shares of our common stock are owned by various individual and institutional investors, for which T. Rowe Price Associates, Inc. serves as an investment adviser with power to direct investments and/or sole power to vote 424,810 shares and sole dispositive power over 2,727,810 shares. For purposes of the reporting requirements of the Securities Exchange Act of 1934, T. Rowe Price Associates, Inc. is deemed to be a beneficial owner of such securities; however, T. Rowe Price Associates, Inc. expressly disclaims that it is, in fact, the beneficial owner of such securities.

(2) According to the Schedule 13G filed February 14, 2011, Michael W. Cook Asset Management, Inc. d/b/a SouthernSun Asset Management beneficially owns 2,385,242 shares of our common stock and has sole dispositive power over such shares. Michael W. Cook Asset Management, Inc. d/b/a SouthernSun Asset Management has sole voting power over 2,039,552 shares.

(3) According to the Schedule 13G filed January 10, 2011, Lord, Abnett & Co. LLC beneficially owns 2,254,141 shares of our common stock and has sole dispositive power over such shares. Lord, Abnett & Co. LLC has sole voting power over 1,999,666 shares. Lord Abnett

## Edgar Filing: Koppers Holdings Inc. - Form DEF 14A

Research Fund, Inc. Small-Cap Value Series (the Research Fund ) is an investment company registered under the Investment Company Act of 1940 for which Lord, Abnett & Co. LLC serves as investment adviser. The Research Fund beneficially owns 1,358,800 shares of our common stock. All shares held by the Research Fund are included as shares held by Lord, Abnett & Co. LLC by virtue of its authority to vote and direct the disposition of such shares.

- (4) According to the Schedule 13G filed February 7, 2011, Keeley Asset Management Corp. beneficially owns 1,445,890 shares of our common stock and has sole dispositive power over such shares and sole voting power over 1,433,040 shares. Keeley Asset Management Corp. shares beneficial ownership of 1,277,000 with Keeley Small Cap Value Fund, a series of Keeley Funds, Inc., which does not have sole voting nor sole dispositive power over any such shares.
- (5) According to the Schedule 13G filed February 7, 2011, BlackRock, Inc. beneficially owns 1,085,363 shares of our common stock and has sole voting and sole dispositive power over such shares.

-27-

**Table of Contents**

**EXECUTIVE COMPENSATION**

The independent management development and compensation committee (which we refer to as the committee) of our board of directors oversees the compensation program for Walter W. Turner (our president and chief executive officer) Brian H. McCurrie (our senior vice president, global carbon materials & chemicals), Leroy M. Ball (our vice president and chief financial officer), Steven R. Lacy (our senior vice president, administration, general counsel and secretary), Mark R. McCormack (our vice president, Australian operations) and James T. Dietz (our vice president, European operations), who are our named executive officers.

The committee believes that the company's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the company. The committee has designed a total compensation package with features that it believes will mitigate the risks associated with compensation policies and practices including:

Our compensation programs provide a reasonable balance between annual and long-term performance, with a significant portion of compensation being delivered in the form of long-term incentives;

Annual cash incentives are determined based on the company's and the individual's performance;

The committee has the ability to modify annual cash incentives earned to reflect the quality of the company's financial performance, individual performance and other factors that should influence compensation;

The long-term incentive program focuses participants on longer-term operating performance, as well as stock price appreciation; and

Executives are subject to stock ownership requirements that encourage a long-term perspective and ensure that the interests of directors and executive officers are closely aligned with shareholders.

**Compensation Discussion and Analysis**

***Executive Summary***

***Overview of Our Compensation Program.*** The committee makes compensation decisions in a manner it believes will best serve the long-term interests of our shareholders. The committee believes the interests of shareholders are best served by attracting and retaining a talented team of executives who will be inspired to meet and exceed the company's goals and whose interests will be aligned with the interests of our shareholders thereby maximizing shareholder return. To accomplish these objectives, the committee has implemented a strong pay-for-performance compensation program, while striving to pay our executives competitively and align our compensation program with our business strategies, as highlighted below and set forth in more detail in the following pages:

Our named executive officers' total compensation consists primarily of a cash base salary, an annual cash bonus/incentive and long-term incentives.

**Table of Contents**

Our annual cash bonus/incentive is awarded based on a combination of the company's actual consolidated earnings per share and value creation, which means payment of the annual cash bonus/incentive is performance driven. The annual cash bonus/incentive plans in which our named executive officers participate are funded based on a combination of our actual consolidated earnings per share, which we call EPS, and value creation measured at the consolidated company level and at business unit levels compared to targeted levels established at the beginning of each year. EPS is calculated in accordance with generally accepted accounting principles and is adjusted by the committee in its discretion to account for certain extraordinary items. Value creation, which is not a financial measure defined under generally accepted accounting principles, is defined as the amount of our earnings (before interest and taxes), adjusted by the committee in its discretion to account for certain extraordinary items, that exceeds a pre-defined level of return on invested capital. The committee selected EPS as a performance measure because it believes that EPS is an important measure of our success as it incorporates elements of growth, profitability and capital efficiency and is monitored by our shareholders, and selected value creation as a performance measure because it believes that this is an important indicator of the quality of our earnings.

Long term incentive awards comprise a significant portion of our named executive officers' total compensation package and 50 percent of the awards each year is in the form of performance-based restricted stock units. The remaining portion of the long term incentive awards is comprised of stock options (30 percent of the total award) and time-based restricted stock units (20 percent of the total award). Performance-based restricted stock units granted in 2010 are earned based on cumulative value creation over a two-year period, and earned shares are subject to an additional one-year service vesting period until the third anniversary of the grant date, during which time our named executive officers continue to be exposed to changes in our stock price.

Our named executive officers receive only limited perquisites, all of which are for business-related purposes or are in connection with an overseas assignment.

Based on the results of competitive assessments conducted each year since 2006 by Frederic W. Cook & Co., Inc., which have shown that our named executive officers' compensation levels have generally ranged below the median compensation levels of our peers, the committee has taken actions over the past few years to bring compensation of our named executive officers to median levels consistent with our compensation philosophy. Frederic W. Cook & Co., Inc. is retained directly by the committee and performs no other consulting or other services for the company or management.

**Table of Contents**

***Changes Made in 2010 to Our Executive Compensation Program.*** In 2010 the committee made several changes to our executive compensation program:

In 2009, none of the named executive officers received an increase in salary due to the difficult economic conditions experienced that year. In 2010, the committee approved an increase in salary for all of our named executive officers (other than Mr. Ball, who became our vice president and chief financial officer on September 1, 2010) in the range from two to ten percent and management implemented these increases in light of the strengthening economy.

The committee implemented a two-year performance period during which to measure cumulative value creation for awards of performance-based restricted stock units granted in 2010 under the company's amended and restated 2005 long term incentive plan. For awards granted in prior years the committee measured cumulative value creation over a three-year period. The committee selected a two-year performance measurement period for the 2010 performance-based restricted stock unit awards because the committee believes that despite improvement in the global economy, continued volatility and uncertainty in both the global economy and global markets makes the selection of a meaningful value creation target over a three-year period less appropriate as a measure.

***Overview of 2010 Operating Performance and Summary of Compensation Actions.*** Due to the diligent efforts of management in guiding the company through a difficult economic environment, our revenues for 2010 increased by 11 percent over 2009, resulting in the company's third best year in its twenty-two-year history. Our total shareholder return (including reinvested dividends) for the one-year period ending December 31, 2010 was 21.5 percent. Management's accomplishments in 2010 included the following:

Acquired Cindu Chemicals B.V., which increased our revenues in 2010 by approximately \$48 million.

Acquired a portion of the refined tar business of Stella Jones Inc. to increase our revenue and market share for refined tar in the Midwestern United States.

Strengthened our product portfolio offerings to the existing customers of our Railroad and Utility Products business in the United States through the purchase of the rail joint bar business of Portec Rail Products, Inc. located in Huntington, West Virginia in December 2010 and expanded our crosstie procurement business through an asset purchase from Barham-Sevier Tie Company, Inc. in February 2010.

Became the number one supplier in North America of petroleum pitch products for the target shooting market in late 2009 and 2010 and continued to be the number one producer of petroleum pitch in North America in 2010.



**Table of Contents**

As a result of these accomplishments in 2010 and the resulting favorable financial accomplishments achieved in 2010, our annual bonus/cash incentive plans in which our named executive officers participate were all funded at target levels and above because the company's performance in 2010 met and exceeded, respectively, target EPS and target value creation applicable to each particular plan. For 2010, EPS measured in accordance with our annual bonus/cash incentive plan increased 28 percent over EPS measured in accordance with the plan in 2009 and was 103 percent of target EPS for 2010. Value creation measured at the consolidated company level increased 15 percent in 2010 over value creation measured at the consolidated company level in 2009 and was 104 percent of target value creation measured at the consolidated company level for 2010. Actual bonus/cash incentive amounts paid to our named executive officers were also dependent upon individual performance measured against certain pre-established goals, which are communicated to our named executive officers at the beginning of each year. Based on our strong financial performance, our annual bonus/cash incentive plans generally funded above target, and when combined with strong individual performance, our named executive officers' actual bonuses ranged from 95 to 136 percent of their respective individual target amounts (other than Mr. Ball, who became our vice president and chief financial officer on September 1, 2010).

Our strong financial performance in 2010 was also the driving factor in the increase in our chief executive officer's total direct compensation for 2010 as compared to 2009 as described further in the following table:

Compensation Element	2009	2010	Comments
Base Salary	\$640,000	\$685,000	Base salary increased by seven percent in order to move our chief executive officer's base salary towards market median. This marks the first increase in our chief executive officer's base salary since 2008.
Annual Cash Bonus/Incentive	\$360,000	\$525,000	Increase in the annual cash bonus/incentive payment reflects the funding of the corporate plan bonus pool in accordance with the company's strong financial performance in 2010, which resulted in the company achieving above target results, including with respect to the financial measures used to determine our chief executive officer's annual cash bonus/incentive, and achievement of individual objectives.
Grant Date Fair Value of Long Term Incentives	\$960,459	\$959,702	No increase in long-term incentive opportunity. Fifty percent of value of long term incentives is delivered in performance-based restricted stock awards
Total Direct Compensation	\$1,960,459	\$2,169,702	

**Corporate Governance Best Practices.** Our board of directors has implemented a number of best practices to ensure that the company's governance is in full compliance with the law and reflects generally accepted principles of good corporate governance, including the following:

Certain members of our management team, including our named executive officers, are subject to stock ownership requirements, which are intended

## **Table of Contents**

to demonstrate our commitment to and confidence in our long-term prospects, align management's interests with those of our shareholders, support a long-term focus and quantify our expectations with regard to ownership of our stock.

Our named executive officers are prohibited from trading in options, warrants, puts, and calls of our common stock. Short sales of our common stock are also prohibited and any hedging transactions with respect to our common stock require advance clearance by our corporate secretary.

Our named executive officers are not entitled to an excise tax gross-up.

In the event of a change in control, there is no accelerated vesting of the performance-based restricted stock units, time-based restricted stock units and option awards under our amended and restated 2005 long term incentive plan at the time of the change in control (if such awards are assumed or continued by the successor company), unless the named executive officer is involuntarily terminated for reasons other than misconduct within 24 months following the change in control.

### ***Executive Compensation Program Principles***

The committee considers the following principles when it makes compensation decisions:

**Pay for Performance** A significant portion of the total compensation of our named executive officers should be based on our performance. We will pay our named executive officers higher compensation when they exceed our goals and lower compensation when they do not meet our goals.

**Support Business Strategy** Our compensation programs should be aligned with our short-term and long-term business strategies.

**Pay Competitively** We believe that total compensation for our named executive officers should approximate the market median. Market is defined as individuals holding comparable positions and producing similar results at companies that the committee selects as our peers based on similar industry, revenue, and complexity. The companies our committee has selected as our peer group are listed below in the section called Companies Used for Defining Competitive Compensation.

### ***Executive Compensation Objectives***

Consistent with these overall principles, the committee has established the following objectives for its executive compensation programs, which are critical to our long-term success:

**Attract** We want our compensation programs to be comparable to market in terms of level of pay and form of award so that we can attract talented executives.

**Table of Contents**

**Retain** We want to retain talented leaders whose continued employment is a key component of our overall success.

**Engage** We want to inspire our executives to meet or exceed our goals and generate superior returns for our shareholders.

**Align** We want to align the financial interests of our executives with those of our shareholders.

***Key Objectives of Compensation Programs***

The compensation objectives for our named executive officers are achieved through the following ongoing programs, which are discussed in more detail later in this Compensation Discussion and Analysis.

Compensation Program	Description	Objectives Achieved
Base Salary	Fixed cash compensation payable monthly.	Attract
	Base salaries are set to recognize different levels of responsibility within the company. Base salaries also serve as the basis for establishing the target payouts for annual bonuses and long-term incentives as well as the basis for retirement benefits and certain perquisites.	Retain
Annual Cash Bonus/Incentive	Variable annual cash award, where payments can be higher or lower than target based on comparison of EPS and value creation to target performance.	Attract
		Retain
	Purpose is to stimulate creativity and entrepreneurial thinking; and to enhance our business growth and profitability by providing those executives charged with leadership roles an opportunity for additional compensation based upon their contributions to our overall performance.	Engage Align
Long Term Equity Incentives	Designed to align the interests of management with those of our shareholders; focus key employees on the achievement of longer-term operational goals; tie realized compensation to the	Attract
		Retain
		Engage Align

**Table of Contents**

<b>Compensation Program</b>	<b>Description</b>	<b>Objectives Achieved</b>
	achievement of long-term financial objectives; strengthen the retention value of our compensation program for both the named executive officers and for the next generation of our leaders; and provide an industry-competitive long term incentive program that is consistent with practices among companies in our peer group.	
Retirement Benefits	401(k) plan	Attract
	Benefit Restoration Plan	Retain
Perquisites and other benefits	Club dues	Attract
	Survivor Benefit Plan	Retain

## Standard salaried benefit plans

In 2010, our named executive officers were paid a total compensation package consisting of a cash base salary (representing on average 39 percent of the total annual compensation package), an annual cash bonus/incentive (representing on average 19 percent of the total annual compensation package), long-term incentives (with a targeted value representing on average 31 percent of the total annual compensation package) and perquisites and other personal benefits (representing on average 11 percent of the total compensation package). The amounts reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column in the Summary Compensation Table are not included in these amounts because the committee does not view these amounts as being part of our total annual compensation package.

***Role of Consultants***

In accordance with its authority to retain advisors, the committee engaged Frederic W. Cook & Co., Inc., which we refer to as FW Cook, as outside consultants to advise the committee during 2010. FW Cook does not advise our management, and receives no other compensation from us. In its role as independent advisor to the committee, FW Cook has provided advice to the committee from time to time since 2006 on various executive compensation matters including conducting an ongoing competitive compensation analysis, which FW Cook prepared for the committee again early in 2010. FW Cook also provided guidance to the committee early in 2010 on revisions to our 2005 long term incentive plan and early in 2011 on the 2010 annual cash bonus/incentive payments. FW Cook attended certain of the committee meetings in 2010 and in early 2011.

***Role of CEO and Committee***

For each named executive officer (other than himself), our chief executive officer makes recommendations to the committee on compensation levels including recommending

**Table of Contents**

levels of base salary and payments of cash bonus/incentive awards based on his judgment regarding an executive's overall performance and performance against certain written pre-established goals, which are communicated to our named executive officers at the beginning of each year. The committee reviews the recommendations of the chief executive officer and recommends the levels of base salary to the board for approval. The committee approves all other compensation for each named executive officer (other than the chief executive officer), including performance-based compensation, and recommends such compensation to the board of directors for ratification.

For the chief executive officer, the committee reviews all compensation matters relating to the chief executive officer, including his performance during the year, and approves his base salary and all other compensation, including performance-based compensation, and recommends such compensation to the board of directors for ratification.

***Committee Discretion***

The committee has the discretion to supplement, reduce or modify at any time the compensation intended to be paid or awarded to the named executive officers, with the exception of the annual cash bonus/incentive of Mr. Turner, Mr. Lacy and Mr. McCurrie, for which the committee only has the discretion to reduce the compensation. The committee exercises discretion as the committee may determine is in the best interest of the company and its shareholders. The exercise of discretion is an important feature of the company's compensation philosophy and provides the committee with sufficient flexibility to respond to specific circumstances facing the company. The committee also believes that it is in the best interest of the company and its shareholders that the committee have sufficient discretion to recognize and reward superior performance, which is important to attract and retain talented executives, and to adjust awards to reflect the quality of the company's financial performance.

***Companies Used for Defining Competitive Compensation***

As stated above, one of the committee's principles is to try to compensate our named executive officers at market median of our peer companies that were selected based on comparability in terms of industry, revenue and complexity. For 2010, based on FW Cook's recommendation, the committee selected the following peer group, which includes eight of the companies used in the 2008 and 2009 analyses of the competitiveness of our executive compensation levels and practices:

American Railcar Industries, Inc.	H.B. Fuller Company*	OM Group, Inc.
Arch Chemicals, Inc.	Georgia Gulf Corporation	Quaker Chemical Corporation*
Cabot Corporation*	The Greenbrier Companies, Inc.	Rockwood Holdings, Inc.*
L. B. Foster Company*	Minerals Technologies Inc.	Trinity Industries, Inc.*
FreightCar America, Inc.	Olin Corporation*	Westlake Chemical Corporation

\* New to our peer group in 2010. The following companies were removed from our peer group for 2010 because the committee believes the companies listed above are more closely aligned with our industry, revenue, products, customer base and location of operation: A. Schulman, Inc., NewMarket Corporation, Sensient Technologies Corporation, Spartech Corporation and Westinghouse Air Brake Technologies.

## **Table of Contents**

The factors considered in selecting the peer group early in 2010 included industry, revenue, products, customer base and location of operations. In terms of size, our revenue approximated the median of our peer group and our market capitalization as of December 31, 2009 was between the 25<sup>th</sup> percentile and median of our peer group.

The committee uses information relating to the peer group to determine what forms of compensation are market as well as determining whether the amounts of each element of compensation and the total amount of compensation are at market median.

### ***Setting the Level of Compensation***

The committee reviews the compensation structure for the named executive officers and other key executives, including incentive compensation plans and bonus plans, on an annual basis. Early each year, the committee approves targeted amounts of annual cash bonus/incentive awards and related performance measures for those awards, recommends base salaries to the board of directors for approval (other than the base salary of the chief executive officer, which the committee approves and recommends to the board for ratification) and approves various long term equity incentive awards. After the end of each year, the committee approves the level at which the performance measures with respect to the annual cash bonus/incentive awards were satisfied, reviews the calculation of the incentive pools, approves the amount of the incentive pools and determines whether, and the extent to which, to exercise its discretion and approves the amount of the annual cash bonus/incentive award payable to each executive officer.

### ***Trends in Compensation Since 2006***

FW Cook has conducted an ongoing competitive compensation analysis at the request of the committee since 2006. Historically, our actual competitive positioning has been below our targeted competitive positioning of market median.

As part of this ongoing analysis, FW Cook prepared a competitive assessment in early 2010 of the company's senior executive compensation levels relative to compensation levels disclosed in the proxy statements of our peer group companies, as well as proprietary general industry surveys. The committee used this assessment to establish compensation levels and annual cash bonus/ incentive and long-term incentive opportunities for 2010. Through its competitive assessment in early 2010, FW Cook determined that the aggregate target total direct compensation for our named executive officers fell between the 25<sup>th</sup> percentile and median of the proxy data and approximated the median of the survey data. The difference between the total direct compensation levels and market median practice has narrowed over the past couple of years and the committee believes this demonstrates that the changes to base salary levels over the years (with the exception of 2009, during which management determined that no employees, including the named executive officers, should receive a salary increase due to the difficult economic conditions) and the increase in long-term incentive opportunities for Mr. Turner in 2009 have had the intended effect. However, the total direct compensation levels are still somewhat below the company's stated compensation strategy of providing median compensation levels and opportunities. Based on their assessment, FW Cook advised the committee to consider increases in 2010

**Table of Contents**

to the base salaries of the company's senior executives (subject to affordability) to bring total direct compensation in line with the market median. The committee considered the FW Cook study and guidance and approved an increase in salary for all of our named executive officers (other than Mr. Ball, who became our vice president and chief financial officer on September 1, 2010) in the range from two to ten percent.

***2010 Compensation***

The following is a description of the committee's actions and decisions with respect to 2010 compensation matters.

**Base Salary.** The committee reviews base salaries annually and adjustments are typically effective in April. As noted above, the committee approved an increase in salary for all of our named executive officers (other than Mr. Ball, who became our vice president and chief financial officer on September 1, 2010) in the range from two percent to ten percent.

**Annual Cash Bonus/Incentive.** On May 5, 2010, the company's shareholders approved the amended and restated 2005 long term incentive plan, which we refer to as the LTIP and which authorizes the committee to grant, among other things described below, cash bonus/incentive awards under the LTIP for participants designated by the committee at the beginning of the program year. We call this our 2010 Cash Bonus Program. Our 2010 Cash Bonus Program is intended to ensure that amounts paid to certain named executive officers are tax deductible by the company. The committee designated Mr. Turner, Mr. Lacy and Mr. McCurrie as participants in the 2010 Cash Bonus Program and set the performance objective for 2010 at \$1.62 of diluted EPS of the company's common stock. The committee also determined the maximum bonus for each participant in the event that the performance objective was obtained as set forth in the following table:

Participant	Maximum Bonus
Mr. Turner	\$1,500,000
Mr. Lacy	\$1,000,000
Mr. McCurrie	\$1,000,000

If the performance objective is achieved, maximum bonuses are funded and the committee determines the actual amount of the award under the 2010 Cash Bonus Program by reference to the company's performance in relation to the EPS and value creation targets contained in the senior management corporate incentive plan described below, the participant's performance and any other factors it considers relevant. The committee does not have the discretion to increase the amount of any bonus to be paid under the 2010 Cash Bonus Program above the maximum bonus. For 2010, the performance objective was achieved and the maximum bonuses were funded and the committee exercised its discretion to reduce bonuses from the maximum bonus amounts based on company financial and individual performance.

In addition to the 2010 Cash Bonus Program established pursuant to the LTIP, the committee has approved and the board has ratified cash/bonus incentive plans for the company, including a senior management corporate incentive plan, which we refer to as

## **Table of Contents**

our corporate plan, and value creation plans, which we refer to as our business unit plans. Mr. Dietz and Mr. McCormack each participate in our corporate plan and our business unit plans. Mr. Ball participates in our corporate plan.

Our corporate plan and our business unit plans are funded based on a combination of the company's actual consolidated EPS and value creation measured at the consolidated company level and at business unit levels compared to targeted levels established at the beginning of each year. EPS is calculated in accordance with generally accepted accounting principles and is adjusted by the committee in its discretion to account for certain extraordinary items. Value creation, which is not a financial measure defined under generally accepted accounting principles, is defined as the amount of our earnings (before interest and taxes), adjusted by the committee in its discretion to account for certain extraordinary items, that exceeds a pre-defined level of return on invested capital. To calculate the predefined level, we multiply the value of the assets invested in the business unit by 15 percent, which is our assumed cost of capital. In 2010, EPS and value creation goals were developed using the 2010 budget targets approved by the company's board of directors at the beginning of 2010. The committee selected EPS as a performance measure because it believes that EPS is an important measure of our success as it incorporates elements of growth, profitability and capital efficiency and is monitored by our shareholders, and selected value creation as a performance measure because it believes that this is an important indicator of the quality of our earnings.

Mr. Dietz and Mr. McCormack have 25 percent of their annual cash bonus/incentive potential allocated to EPS results as measured under our corporate plan and 75 percent of their cash bonus/incentive potential allocated to value creation under certain business unit plans that relate to their respective business units. This approach holds Messrs. Dietz and McCormack accountable for respective business unit performance, while encouraging teamwork among the business units. In addition, Mr. Dietz also participated in the Uithoorn integration bonus plan in 2010.

### ***Funding of Annual Cash Incentive/Bonus Pools***

At the beginning of the year, the committee approves a threshold, target and maximum performance level for EPS and value creation for the corporate plan and a threshold, target and maximum performance level for value creation for each of the business unit plans. The threshold, target and maximum levels are used in determining the funded pool in each of the plans. Actual results achieved in between the threshold and target and the target and maximum are interpolated.



**Table of Contents**

For 2010, the corporate plan provided that for Mr. Turner, Mr. McCurrie, Mr. Ball and Mr. Lacy, 60 percent of the pool would be funded by EPS performance, and 40 percent would be funded by corporate value creation. The committee selected this allocation because the EPS performance measure more closely aligns the interests of our named executive officers with the interests of our shareholders. The total amount of the pool potentially available for cash bonus/incentive distribution for 2010 performance was established early in 2010 based on a range of EPS and value creation as set forth in the following table:

<b>EPS</b>	<b>Performance</b>	<b>Funded Pool</b>	<b>Value Creation</b>
------------	--------------------	--------------------	---------------------------