

CARPENTER TECHNOLOGY CORP

Form DEF 14A

September 12, 2014

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

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

CARPENTER TECHNOLOGY CORPORATION
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - 1) Title of each class of securities to which 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:
-

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10-K

In a difficult market context, Carpenter Technology executed well in fiscal year 2014. The company produced and sold more pounds of specialty alloys than ever before in our history. At the same time, Carpenter drove significant strategic gains.

Our fiscal year 2014 Adjusted EBITDA was \$381.8 million, just short of the record earnings we achieved in fiscal year 2013. We focus on the top one percent of the specialty steel market, while maintaining the flexibility to meet changes in market demand. In fiscal year 2014, we showed the agility to bring in significant additional volume to offset demand weakness for our ultra-premium aerospace and energy products.

In fiscal year 2014, Carpenter's Specialty Alloys Operations (SAO) segment increased pounds sold by seven percent and also improved manufacturing performance and efficiency. Carpenter's Performance Engineered Products (PEP) segment also drove initiatives that improved its financial trajectory. In total, the Company generated \$2.17 billion in sales. We reduced our Selling, General, and Administrative expenses by 7 percent to help offset sales mix weakness. As a result, we produced net income of \$132.8 million, or \$2.47 per diluted share.

Our long-term investments in premium alloy capacity began to pay off during the year. We continued to drive gains from our Latrobe acquisition, surpassing our original synergy projections by 70 percent. We completed the construction of the Athens, Alabama facility, which we believe is the world's most advanced specialty alloy manufacturing facility. Our Athens Operations enables Carpenter to produce ultra-premium alloys using highly automated, procedure-driven processes to ensure quality and fast delivery. The project was completed ahead of schedule and below budget. Athens produced 1,000 tons of saleable products in the fourth quarter of fiscal year 2014. We expect to increase the facility's production of specialty alloys once internal and customer qualifications are complete. We also made progress on our new finishing facility in

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Changshu, China. In our PEP segment, we expanded titanium wire capacity to better meet the growing aerospace industry demand for titanium.

During the year, we negotiated multiple long-term agreements with customers, which are key to future growth. We licensed Pratt & Whitney's superalloy powder technology to expand our supply position in the rapidly growing additive manufacturing market. This unique technology will be utilized in our new superalloy powder facility that's currently under construction in Athens. The new facility is scheduled to open in calendar year 2015. The combination of these two key components helped solidify a long-term superalloy powder supply agreement with Pratt & Whitney.

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With additional capacity, strong market positions, a solid balance sheet, and what we believe to be indications of a strengthening demand cycle, we are well-positioned to increase financial results in the years ahead.

Thank you as always for your investment and continued confidence in Carpenter.

Gregory A. Pratt
Chairman, Board of Directors

William A. Wulfsohn
President & Chief Executive Officer

Safe Harbor Statement

Please refer to the Safe Harbor Statement on page A-46 for information about factors that could cause future results to differ materially from forward-looking statements, expectations, and assumptions expressed or implied in this letter to stockholders or elsewhere in this publication.

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Annual Meeting Invitation

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September 16, 2014

To Our Stockholders:

It is our pleasure to invite you to attend the 2014 Annual Meeting of Stockholders of Carpenter Technology Corporation, to be held at 11:00 a.m. on Tuesday, October 14, 2014. The meeting will be held at the Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103.

Business scheduled for the Annual Meeting includes:

- The election of three directors to three-year terms expiring in 2017;
- Approval of the appointment of PricewaterhouseCoopers LLP as Carpenter's independent registered public accounting firm to perform its integrated audit for fiscal year 2015; and
- Approval of the compensation of the Company's named executive officers, in an advisory vote.

Information concerning these matters is included in the enclosed Notice of Annual Meeting and Proxy Statement. Also, at the meeting, I will respond to questions concerning Carpenter's operations.

If you plan to attend the meeting in person, please visit the News and Events page of our website at www.carttech.com for directions to the Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103. Please bring the admission ticket attached to your proxy card with you. If you are receiving this Proxy Statement by e-mail and wish to attend the meeting, you should print out the admission ticket attached to the e-mail. **If your shares are held in the name of a broker, bank, or other nominee, and you wish to attend the meeting, you should obtain a letter from your broker, bank, or other nominee indicating that you are the beneficial owner of a stated number of shares of Carpenter stock as of the record date, August 15, 2014.**

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If you do not plan to attend the meeting, you may vote over the Internet, by telephone, or by returning your proxy card. To ensure proper representation of your shares at the meeting, please follow the voting instructions beginning on page 2 of the Proxy Statement. You may also mark your proxy card, then sign, date, and return it at your earliest convenience.

I look forward to seeing you at the meeting.

Sincerely,

William A. Wulfsohn
President and
Chief Executive Officer

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Notice of Annual Meeting

and

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

on

October 14, 2014

CARPENTER TECHNOLOGY CORPORATION will hold its 2014 Annual Meeting of Stockholders at the Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103 on Tuesday, October 14, 2014, at 11:00 a.m. We will vote on the following matters:

1. The election of three directors to three-year terms expiring in 2017;
2. Approval of the appointment of PricewaterhouseCoopers LLP as Carpenter's independent registered public accounting firm to perform its integrated audit for fiscal year 2015;
3. Approval of the compensation of the Company's named executive officers, in an advisory vote; and
4. Any other business that is properly presented at the meeting.

Only stockholders who were record owners of shares of common stock at the close of business on August 15, 2014, may vote at the meeting. A list of those stockholders will be available at the meeting and also during the ten days before the meeting at Carpenter's office of the Corporate Secretary, 2 Meridian Boulevard, 3rd Floor, Wyomissing, Pennsylvania 19610. The accompanying form proxy is solicited by the Board of

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Directors of the Company.

Regardless of the number of shares that you own, it is important that your shares be represented at the meeting. You are encouraged to take advantage of the easy and cost-effective Internet and telephone voting that Carpenter offers. Please see page 2 of the Proxy Statement for Internet and telephone voting instructions. You may also vote by completing and signing the proxy card and returning it in the enclosed postage pre-paid envelope as soon as possible.

You are cordially invited to attend the meeting. If you plan to attend the meeting, please use the admission ticket attached to your proxy card or included in the e-mail by which you received this Proxy Statement or the letter you obtained from your broker. Upon presentation of proper identification, you may attend the meeting without an admission ticket.

By Order of the Board of Directors,

James D. Dee
Secretary

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September 16, 2014

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON OCTOBER 14, 2014

This Proxy Statement is furnished in connection with the solicitation of proxies for the Annual Meeting of Stockholders of Carpenter Technology Corporation to be held on October 14, 2014 (the Annual Meeting), and any postponements or adjournments. The meeting will be held at the Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103 at 11:00 a.m. Selected information from Carpenter's 2014 Annual Report on Form 10-K, including financial statements, is being delivered along with this Proxy Statement, but is not incorporated as part of the Proxy Statement and is not to be considered part of the proxy solicitation material. Carpenter Technology Corporation is referred to in this Proxy Statement as Carpenter or the Company.

This Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders are being sent to stockholders on or about September 16, 2014.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

ANNUAL MEETING TO BE HELD ON OCTOBER 14, 2014

This Proxy Statement and our Annual Report to Stockholders for the fiscal year ended June 30, 2014, are available electronically at: <http://www.proxyvote.com>.

GENERAL INFORMATION

Why Proxies are Solicited

Carpenter's Board of Directors is soliciting proxies so that every stockholder will have an opportunity to vote during the Annual Meeting, whether or not the stockholder attends the Annual Meeting in person. You are being asked to vote on three proposals:

- The election of three directors, Steven E. Karol, Robert R. McMaster and Gregory A. Pratt, each to three-year terms, which will expire in 2017;
- Approval of the appointment of PricewaterhouseCoopers LLP as Carpenter's independent registered public accounting firm to perform its integrated audit for fiscal year 2015; and
- Approval of the compensation of the Company's named executive officers, in an advisory vote.

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Cost of Solicitation

Carpenter will pay the cost of preparing, assembling, and delivering the Notice of Annual Meeting, Proxy Statement and proxy card. Directors, officers, and regular employees of Carpenter may solicit proxies in person or by telephone without additional compensation. Carpenter will reimburse brokerage houses and other nominees for their expenses in forwarding proxy materials to beneficial owners of Carpenter common stock.

Who Can Vote

Stockholders who were record owners of Carpenter common stock at the close of business on August 15, 2014, which is the record date for the Annual Meeting, may vote at the Annual Meeting. On August 15, 2014, there were 53,201,803 shares of Carpenter common stock issued and outstanding and entitled to vote. Each share of common stock is entitled to one vote.

Each participant in the Savings Plan of Carpenter Technology Corporation, the Savings Plan of Carpenter Technology Corporation effective January 1, 2012, the Savings Plan of Amega West Services LLC, or the Latrobe Steel Company Voluntary Investment Program (collectively, the Savings Plans) may direct The Vanguard Group, Inc. (Vanguard), as trustee of the Savings Plans, how to vote the shares credited to the participant's account. Vanguard will vote the shares as directed and will treat any such directions it receives as confidential. Vanguard will vote any blank proxies or any shares for which no direction is received in the same proportion or manner as the directed shares. Directions must be received by Vanguard no later than Thursday, October 9, 2014.

How to Vote

You may vote in one of four ways:

Vote Over the Internet

- *If your shares are held in the name of a broker, bank, or other nominee:* Vote your Carpenter shares over the Internet by accessing the website address given on the proxy card you received from such broker, bank, or other nominee. You will need the control number that appears on your proxy card when you access the web page.

- *If your shares are registered in your name:* Vote your Carpenter shares over the Internet by accessing the website www.proxyvote.com and following the on-screen instructions. You will need the control number that appears on your proxy card when you access the web page.

Vote by Telephone (Touch-Tone Phone Only)

- *If your shares are held in the name of a broker, bank, or other nominee:* Vote your Carpenter shares over the telephone by following the telephone voting instructions, if any, provided on the proxy card you received from such broker, bank, or other nominee.

- *If your shares are registered in your name:* Vote your Carpenter shares over the telephone by accessing the telephone voting system toll-free at 1-800-690-6903 and following the telephone voting instructions. The telephone instructions will lead you through the voting process. You will need the control number that appears on your proxy card when you call.

Based on your Internet or telephone voting, the proxy holders will vote your shares according to your directions.

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Vote by Ballot at the Meeting

You also may attend the Annual Meeting and vote by ballot that you will receive at the meeting. Your admission ticket to the Annual Meeting is either attached to your proxy card or is in the e-mail by which you received your Proxy Statement.

Vote by Returning Your Proxy Card

You may vote by signing and returning your proxy card. Stockholders of record receive the proxy materials, including a proxy card, from the Company whereas stockholders who beneficially own their shares through a bank or brokerage firm in street name will receive the proxy materials, together with a voting instruction form, from the bank or broker. The proxy holders will vote your shares according to your directions. If you sign and return your proxy card without specifying choices, your shares will be voted as recommended by the Board of Directors. If you are a stockholder of record, unless you tell us on the proxy card to vote differently, we plan to vote signed and returned proxies for the nominees for director; for the approval of the appointment of PricewaterhouseCoopers LLP (PwC) as the Company's independent registered public accounting firm; and for the approval of the compensation of the Company's named executive officers in an advisory vote.

Stockholders who hold their shares in street name should refer to Broker Non-Votes and Abstentions below for information concerning the voting of their shares on any matter for which they do not provide instructions to their bank or broker, either by returning a completed, dated and signed voting instruction form in the envelope provided, or by telephone or Internet as provided elsewhere herein.

If you wish to give a proxy to someone other than those designated on the proxy card, you may do so by crossing out the names of the designated proxies and inserting the name of another person. The person representing you should then present your signed proxy card at the meeting.

Broker Non-Votes and Abstentions

A broker non-vote occurs when banks or brokerage firms holding shares on behalf of a stockholder do not receive voting instructions from the beneficial owner of the shares by a specified date before the Annual Meeting and do not have discretionary authority to vote those undirected shares on specified matters under applicable stock exchange rules. The uncontested election of directors and an advisory vote related to executive compensation are considered non-routine matters and discretionary voting on these matters is prohibited. As a result, if you are a beneficial owner and hold your shares in street name, and do not give your broker or other nominee instructions on how to vote your shares with respect to the election of directors or the advisory vote on executive compensation, no votes will be cast on your behalf with respect to those proposals. The ratification of auditors is still a discretionary matter, so your broker or nominee will be permitted to exercise discretionary authority to vote your shares with respect to the ratification of our selection of PwC as our independent registered public accounting firm even if you do not give your broker or other nominee instructions on how to vote your shares with respect to that proposal. Shares with respect to which brokers do not have authority to vote may still be counted in determining whether a quorum is present.

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Because the Company has a plurality voting standard for the election of directors, and the other proposals will be determined by a majority of the votes cast, broker non-votes will have no effect on the outcome of the vote on any of the proposals.

Abstentions as to any matter are counted in determining the presence of a quorum at the Annual Meeting, but are not included in the vote count for that matter, and will have no impact on the outcome of the approval of those matters.

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Quorum and Required Votes

We need a quorum of stockholders to hold a valid annual meeting so that business may be conducted. A quorum will be present if the holders of at least a majority of the outstanding shares entitled to vote either attend or are represented by proxy at the Annual Meeting. Broker non-votes and votes withheld are counted as present for the purpose of establishing a quorum. Carpenter's By-Laws and Delaware law govern the vote needed to approve the proposals. Assuming the presence of a quorum, directors are elected by a plurality of the total votes cast at the Annual Meeting and the appointment of the independent registered public accounting firm and the advisory vote on executive compensation, and any other actions properly presented at the Annual Meeting are approved by a majority of the total votes cast at the Annual Meeting.

If You Change Your Mind After Voting

You can revoke your proxy at any time before it is voted. Proxies are voted at the Annual Meeting. You can write to Carpenter's Corporate Secretary at P.O. Box 14662, Reading, PA 19612-4662, stating that you wish to revoke your proxy and that you need another proxy card. More simply, you can vote again, either over the Internet or by telephone. Your last vote is the vote that will be counted. If you attend the Annual Meeting, you may vote by ballot, which will cancel your previous proxy vote.

Stockholder Nominations to the Board of Directors

As described in its charter, the Corporate Governance Committee of the Board of Directors (the Corporate Governance Committee) performs the functions of a nominating committee and is responsible for identifying and recommending qualified persons to become members of the Board of Directors. The nominees for election to the Board of Directors listed in this Proxy Statement were nominated and recommended by the Corporate Governance Committee.

The Corporate Governance Committee will consider sound and meritorious nomination suggestions from stockholders and will review those nominations under the same criteria as other candidates identified by the Corporate Governance Committee. Our Corporate Governance Guidelines provide that candidates are considered for nomination to the Board of Directors based upon various criteria, including their general training and experience in business, science, engineering, finance or administration, and their personal integrity and judgment. In evaluating candidates to recommend to the Board of Directors, the Corporate Governance Committee considers whether a candidate enhances the diversity of the Board. In its consideration of such diversity, the Corporate Governance Committee considers a number of characteristics including each candidate's professional background and capabilities, knowledge of specific industries and geographic experience. In Carpenter's view, the foremost responsibility of a Carpenter director is to represent the interests of stockholders as a whole. To accomplish this, Carpenter believes that directors must have time available to devote to board activities. Accordingly, Carpenter seeks to attract and retain highly qualified directors who have sufficient time to attend to their substantial duties and responsibilities to Carpenter. Recent developments in corporate governance and financial reporting have resulted in an increased demand for highly qualified and productive public company directors. Carpenter believes that there should be a majority of independent directors on its Board, and it is Carpenter's policy to avoid the nomination of outside professionals, including lawyers, investment bankers, or accountants, whose firms provide services to Carpenter.

Under Carpenter's By-Laws, in order to nominate a person for election at the 2015 Annual Meeting of Stockholders, you must provide written notice of your proposed nomination to the Corporate Secretary at Carpenter's headquarters, P.O. Box 14662, Reading, PA 19612-4662, between July 16, 2015 and August 17, 2015. Your notice to the Corporate Secretary should contain your name, address, and number of shares of

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Carpenter stock you own, in addition to the following information:

- For each person you propose to nominate for election as a director, specify:
 - (i) name, age, business address, and residence address;
 - (ii) principal occupation or employment;

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(iii) number of shares of Carpenter stock beneficially owned by the person; and

(iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Schedule 14A under the proxy rules of the Securities and Exchange Commission (the "SEC").

• A signed statement from the person recommended for nomination indicating that he or she consents to be considered as a nominee and will serve as a director if elected.

Carpenter may require any proposed nominee to furnish other information reasonably necessary to determine the person's eligibility to serve as a director. Only individuals nominated in accordance with Carpenter's By-Laws and applicable Delaware law are eligible for election as a director.

2015 Stockholder Proposals

If you wish to include a proposal in the Proxy Statement for the 2015 Annual Meeting of Stockholders, your written proposal must be received by Carpenter no later than May 19, 2015. The proposal should be mailed by certified mail, return receipt requested, and must comply in all respects with applicable rules and regulations of the SEC, the laws of the State of Delaware, and Carpenter's By-Laws. Stockholder proposals may be mailed to the Corporate Secretary, Carpenter Technology Corporation, P.O. Box 14662, Reading, PA 19612-4662.

Under Carpenter's By-Laws, stockholder proposals that are not included in the proxy materials may be presented at the 2015 Annual Meeting of Stockholders only if they meet the above requirements and the Corporate Secretary is notified in writing of the proposals between July 16, 2015, and August 17, 2015. For each matter that you wish to bring before the meeting, provide the following information:

(i) a brief description of the matter and the reason for bringing it to the meeting;

(ii) your name and record address;

(iii) the number of shares of Carpenter stock that you own; and

(iv) any material interest (such as financial or personal interest) that you have in the matter.

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Listed below are the only individuals and entities known by Carpenter to own more than 5% of the outstanding common stock of the Company as of the record date of August 15, 2014 (assuming that their holdings have not changed from such other date as may be shown below):

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class⁽¹⁾</u>
Neuberger Berman Management, LLC New York, NY	6,552,192 ⁽²⁾	12.32%
Fidelity Management & Research Company Boston, MA	4,137,902 ⁽³⁾	7.78%
The Vanguard Group, Inc. Malvern, PA	3,107,285 ⁽⁴⁾	5.84%
BlackRock Fund Advisors New York, NY	2,992,390 ⁽⁵⁾	5.62%
EdgePoint Investment Group Inc. Toronto, Canada	2,657,729 ⁽⁶⁾	5.00%

(1) The percentages are calculated on the basis of shares of common stock outstanding as of August 15, 2014.

(2) This information was based upon the Neuberger Berman Management, LLC (Neuberger) Section 13 filing reflecting shares owned as of June 30, 2014. Neuberger is an investment advisor registered under the Investment Advisors Act of 1940, as amended. It furnishes investment advice to investment companies and serves as investment manager to certain other investment vehicles, including commingled group trusts. In its role as investment advisor and investment manager, Neuberger possesses sole voting power and investment power over all of these shares of Carpenter stock. The investment companies and investment vehicles own all these shares of Carpenter stock. Neuberger disclaims beneficial ownership of these shares.

(3) This information was based upon the Fidelity Management & Research Company (Fidelity) Section 13 filing reflecting shares owned as of June 30, 2014. Fidelity is an investment advisor registered under the Investment Advisors Act of 1940, as amended. It furnishes investment advice to investment companies and serves as investment manager to certain other investment vehicles, including commingled group trusts. In its role as investment advisor and investment manager, Fidelity possesses sole voting power and investment power over all of these shares of Carpenter stock. The investment companies and investment vehicles own all these shares of Carpenter stock. Fidelity disclaims beneficial ownership of these shares.

(4) This information was based upon the The Vanguard Group, Inc. (Vanguard) Section 13 filing reflecting shares owned as of June 30, 2014. Vanguard is an investment advisor registered under the Investment Advisors Act of 1940, as amended. It furnishes investment advice to investment companies and serves as investment manager to certain other investment vehicles, including commingled group trusts. In its role as investment advisor and investment manager, Vanguard possesses sole voting power and investment power over all of these shares of Carpenter stock. The investment companies and investment vehicles own all these shares of Carpenter stock. Vanguard disclaims beneficial ownership of these shares.

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(5) This information was based upon the BlackRock Fund Advisors (BlackRock) Section 13 filing reflecting shares owned as of June 30, 2014. BlackRock is an investment advisor registered under the Investment Advisors Act of 1940, as amended. It furnishes investment advice to investment companies and serves as investment manager to certain other investment vehicles, including commingled group trusts. In its role as investment advisor and investment manager, BlackRock possesses sole voting power and investment power over all of these shares of Carpenter stock. The investment companies and investment vehicles own all these shares of Carpenter stock. BlackRock disclaims beneficial ownership of these shares.

(6) This information was based upon the EdgePoint Investment Group, Inc. (EdgePoint) Section 13 filing reflecting shares owned as of June 30, 2014. EdgePoint is an investment advisor registered under the Investment Advisors Act of 1940, as amended. It furnishes investment advice to investment companies and serves as investment manager to certain other investment vehicles, including commingled group trusts. In its role as investment advisor and investment manager, EdgePoint possesses sole voting power and investment power over all of these shares of Carpenter stock. The investment companies and investment vehicles own all these shares of Carpenter stock. EdgePoint disclaims beneficial ownership of these shares.

DIRECTORS, NOMINEES AND MANAGEMENT

The following table shows the ownership of Carpenter common stock as of August 15, 2014, by each director or nominee, by any person acting as Carpenter's Chief Executive Officer during fiscal year 2014, any person acting as Carpenter's Chief Financial Officer during fiscal year 2014, the other executive officers during fiscal year 2014 who are considered to be named executive officers under applicable SEC regulations (collectively, such officers are referred to herein as the Named Executive Officers or NEOs), and Carpenter's directors and executive officers as a group. Except as noted below, the directors and executive officers have sole voting and investment power over their respective shares of common stock.

<u>Name</u>	<u>Number of Shares Beneficially Owned</u> (1)	<u>Employee Restricted Stock Units</u> (2)	<u>Director Stock Units</u> (3)	<u>Shares and Units Beneficially Owned</u> (1)	<u>Percentage of Outstanding Shares</u> (4)(5)
Anderson, Jr., C. G.	62,203(6)	0	37,539	99,742(6)	0.1%
Anderson, P. M.	21,243	0	16,893	38,136	0.0%
Hicks, T. O.	178,554(6)(7)	0	4,328	182,882(6)(7)	0.3%
Inglis, I. M.	24,743(6)	0	24,818	49,561(6)	0.0%
Karol, S. E.	661,813(6)(8)	0	4,328	666,141(6)(8)	1.2%
McMaster, R. R.	22,343	0	18,467	40,810	0.0%
Pratt, G. A.	149,674	2,125	39,421	191,220	0.3%
Stephans, P. N.	121,177(9)	0	24,107	145,284(9)	0.2%
Turner, K. C.	26,312	0	38,162	64,474	0.0%
Wadsworth, J.	21,343	0	18,481	39,824	0.0%
Ward, Jr., S. M.	28,213(6)	0	33,723	61,936(6)	0.1%
Wulfsohn, W. A.	230,031	5,470	6,923	242,424	0.4%
Heasley, G. E.	1,615	0	n/a	1,615	0.0%

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Strobel, D. L.	42,806(10)	3,799	n/a	46,605(10)	0.1%
Thene, T. R.	2,827	6,689	n/a	9,516	0.0%
Ziolkowski, A. T.	37,720(10)	4,027	n/a	41,747(10)	0.1%
All directors and executive officers as a group (16 persons)	1,632,617(6)(7)(8)(9)(10)	22,110	267,190	1,921,917 (6)(7)(8)(9)(10)	3.0%

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(1) The amounts include the following shares of common stock that the individuals have the right to acquire by exercising outstanding stock options within 60 days after August 15, 2014:

C. G. Anderson, Jr.	21,143	G. A. Pratt	145,061	G. E. Heasley	1,615
P. M. Anderson	21,143	P. N. Stephans	10,785	D. L. Strobel	20,545
T. O. Hicks	5,397	K. C. Turner	21,143	T. R. Thene	2,827
I. M. Inglis	21,143	J. Wadsworth	21,143	A. T. Ziolkowski	11,114
S. E. Karol	5,397	S. M. Ward, Jr.	21,143		
R. R. McMaster	21,143	W. A. Wulfsohn	106,490		
All directors and executive officers as a group (16 persons)			457,232		

(2) These stock units convert to an equivalent number of shares of common stock when they become vested as per the terms of the relative agreement(s) and the plan. The stock unit values are equivalent to Carpenter's common stock values, but the units have no voting rights.

(3) These stock units convert to an equivalent number of shares of common stock upon the director's termination of service as allowed under the plan. The stock unit values are equivalent to Carpenter's common stock values, but the units have no voting rights.

(4) Ownership is rounded to the nearest 0.1% and is less than 0.1% except where stated.

(5) The percentages are calculated on the basis of the number of shares of common stock outstanding plus the number of shares of common stock that would be outstanding if the individual's options were exercised, but does not include any shares issuable upon the conversion of stock units.

(6) Voting and investment power is shared with respect to the following shares of common stock:

C. G. Anderson, Jr.	41,060
T. O. Hicks	81,781
I. M. Inglis	400
S. E. Karol	410,998
S. M. Ward, Jr	7,070

(7) The shares are held by affiliates of Mr. Hicks and he disclaims beneficial ownership of the shares except to the extent of his pecuniary interest therein.

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(8) The amount includes shares held by the following institutions, of which Mr. Karol is an affiliate:

SEK Limited	300,530
HMK Enterprises Inc.	75,145
Watermill Group	25,323

(9) The amount includes the following shares held in trusts in the name of family members and for which Mr. Stephans disclaims beneficial ownership:

Joan R. Stephans Revocable Trust	38,296
Elizabeth L. Stephans 1989 Trust	10,005
Katherine R. Stephans 1989 Trust	10,005

(10) The amounts include the following shares of common stock held in the Savings Plans:

D. L. Strobel	11
A. T. Ziolkowski	6,622
All executive officers as a group	6,633

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

Carpenter's Board of Directors consists of twelve directors serving in three classes. Each class of directors serves for a period of three years. The term of office of one class of directors expires each year at the Annual Meeting.

Steven E. Karol, Robert R. McMaster and Gregory A. Pratt have been nominated for election at the 2014 Annual Meeting of Stockholders. If elected, their terms will expire at the 2017 Annual Meeting. The biographical summaries and summary of qualifications of the nominees and the remaining nine directors appear below. Unless otherwise directed by the stockholders, the shares represented by the proxies will be voted for the three nominees. Each nominee has consented to being nominated as a director and is expected to serve as a director if elected.

As anticipated in the Stockholders Agreement entered into in connection with Carpenter's acquisition of Latrobe Specialty Metals, Inc. (see Transactions with Related Persons), Thomas O. Hicks, who has been a member of Carpenter's Board of Directors since February 2012 when Carpenter acquired Latrobe, was not renominated for election and will retire from Carpenter's Board upon the expiration of his current term at the 2014 Annual Meeting. Upon recommendation of Carpenter's Corporate Governance Committee, and subsequent approval by Carpenter's Board of Directors, the total number of directors of Carpenter's Board has been reduced from twelve to eleven effective as of the 2014 Annual Meeting of Stockholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF MESSRS. KAROL, MCMASTER AND PRATT.

Nominees Terms to Expire 2017

STEVEN E. KAROL, age 60, has been a director of Carpenter since February 2012. He is a member of the Human Resources, Corporate Governance and Operations Committees. Mr. Karol is Managing Partner and founder of Watermill Group, a private investment firm. Additionally, Mr. Karol is Chairman of the Board and CEO of HMK Enterprises, Inc., a privately held investment company specializing in strategic and operational management. Mr. Karol is currently a member of the Board of Advisors of J. Walter Company. From 2006 through February 2012, Mr. Karol served as a director of Latrobe Specialty Metals, Inc., a manufacturer and distributor of high performance materials (Latrobe), which was partially owned by the Watermill Group during this time period and acquired by Carpenter in February 2012. He has also served as Chairman of the Board at Mooney Aircraft Company, Director and Chairman of the audit committee at StockerYale, and as a Director for Jeepers! Inc., Intelligent Energy Limited, Inter-Tel Corp, Superior Tubes and Fine Tubes. Mr. Karol is currently a member of World President's Organization (WPO) and has served as a member of the leadership team for the Young Presidents Organization (YPO). While with YPO, Mr. Karol served on the International Board of Directors (1991- 2001), Chairman of Strategic Planning (1993 - 1996), and as International President (1999 - 2001). He is Chairman of the Board of Advisors for the School of Engineering of Tufts University and recipient of the 2009 Tufts Distinguished Service Award. He is also past Chairman of the Board of Trustees of Vermont Academy, and a Director Emeritus at the Brain Tumor Society. In addition, he is a co-founder and President of the Herbert M. Karol Cancer Foundation. He formerly served as a member of the Board of Overseers of the Boston Symphony Orchestra and as a Trustee and member of the Executive Committee of the Boston Ballet.

The Board believes that Mr. Karol's qualifications include, among other things, his extensive business experience and experience as a CEO and Chairman of the Board, which enable him to contribute to the Board's operational and growth initiatives. In addition, Mr. Karol's experience as a director of Latrobe (which is now a wholly-owned subsidiary of Carpenter), enhances his contributions to the Board, particularly with respect to his industry knowledge and expertise.

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ROBERT R. McMASTER, age 66, has been a director of Carpenter since 2007 and is a member of Carpenter's Audit/Finance Committee and Operations Committee. Mr. McMaster held various positions at KPMG, LLP, an international audit, advisory and tax services firm, from May 1970 to June 1997, including Ohio Valley Area Managing Partner. He served from 1992 to 1997 as a member of KPMG's Management Committee. From June 1997 to February 2005, Mr. McMaster was Chairman and Chief Executive Officer of Westward Communications and President and Chief Executive Officer of its successor company, ASP Westward Holdings, publishers of community newspapers in Texas, Arkansas, and Colorado. He is also a director of Sally Beauty Holdings Inc., where he serves as Lead Director and chairman, Audit Committee, a public company listed on the NYSE. Additionally, from September 2008 through May 2013, Mr. McMaster served as Senior Financial Advisor to the Chairman of Worthington Industries, a diversified metal processing company. He also is a former board member of American Eagle Outfitters, Inc. and Dominion Homes Inc. He is active in a wide variety of community affairs organizations in the Columbus, Ohio region. He received his B.S. magna cum laude in accounting from Miami University, Oxford, Ohio in 1970, and is the recipient of the Haskins & Sells Foundation Award for excellence in accounting.

The Board believes that Mr. McMaster's qualifications include, among other things, his extensive accounting and financial expertise and background as managing partner at a large international firm providing audit, tax and advisory services.

GREGORY A. PRATT, age 65, has been a director of Carpenter since 2002, is the Chairman of the Board of Directors of the Company and served as interim President and Chief Executive Officer of Carpenter in fiscal year 2010. He is a member of the Human Resources, Corporate Governance and Operations Committees. Mr. Pratt is former Vice Chairman and a director of OAO Technology Solutions, Inc. (OAOT), an information technology and professional services company. He joined OAOT in 1998 as President and Chief Executive Officer after OAOT acquired Enterprise Technology Group, Inc., a software engineering firm founded by Mr. Pratt. Mr. Pratt served as President and Chief Operations Officer of Intelligent Electronics, Inc. from 1991 through 1996, and was co-founder, and served variously as Chief Financial Officer and President of Atari (US) Corporation from 1984 through 1991. Since February 2014, Mr. Pratt serves as a director of Tredegar Corporation, a public company listed on the NYSE where he serves as the Chairman of the Governance Committee and a member of the Special Finance and Audit Committees. He served as a director and Audit Committee Chairman of AmeriGas Propane, Inc., a public company listed on the NYSE until April 2013. Mr. Pratt is also a National Association of Corporate Directors Board (NACD) Leadership Fellow. He has demonstrated his commitment to boardroom excellence by completing NACD's comprehensive program of study for experienced corporate directors - a rigorous suite of courses spanning leading practices for boards and committees. He also was appointed to serve a three year term on the Standing Advisory Group of the Public Company Oversight Board commencing January 2014. He supplements his skill sets through ongoing engagement with the director community and access to leading practices.

The Board believes that Mr. Pratt's qualifications include, among other things, his extensive financial expertise, his leadership skills and significant operational and international management experience as a President of a large public company, all of which contribute to Mr. Pratt's valuable perspective that he brings to our Board of Directors.

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Current Directors

These are the other directors whose terms are indicated:

Term to Expire 2014

THOMAS O. HICKS, age 68, has been a director of Carpenter since February 2012, and is a member of the Audit/Finance Committee and the Science and Technology Committee. Mr. Hicks has over 39 years experience in the private equity industry, which has provided him with exposure to a wide variety of businesses and industries in his career. Since 2005, Mr. Hicks has served as the Chairman of the Board of Hicks Holdings LLC, a holding company that owns and manages the Hicks Family's investments, real estate, and corporate assets. Investments through Hicks Equity Partners LLC (HEP), a private equity firm led by Mr. Hicks, include: Drilling Tools International, a privately held oilfield services company; Glori Energy, an oil technology company; Grupo Pilar, an animal and pet food company in Argentina; Just Brakes, a retail provider of automotive brake and maintenance services; Latrobe Specialty Metals, Inc., a manufacturer and distributor of high performance materials, subsequently acquired by Carpenter Technology Corporation; Ocular LCD, Inc., a designer, manufacturer and marketer of high-performance liquid crystal displays, modules and systems; and, through H-D Advanced Manufacturing, Inc., investments including Overton Chicago Gear, a premier manufacturer and distributor of large, custom, mission-critical gears and gearboxes; Innovative Mechanical Solutions, an industry leader in the engineering, design and manufacture of custom bearings for the directional drilling motor industry; and Sungear, a manufacturer of aerospace gears. Previously, Mr. Hicks co-founded, and was Chairman from 1989 through 2004 of Hicks, Muse, Tate & Furst, Inc., a nationally prominent private equity firm specializing in leveraged acquisitions. From 1984 to 1989, Mr. Hicks was Co-Founder and Co-CEO of Hicks & Haas, a private equity firm. Additionally, from 1995 to 2011, Mr. Hicks was the Owner and Chairman of the Dallas Stars and the Texas Rangers. Mr. Hicks currently serves as a director of Drilling Tools International, Glori Energy, Just Brakes and Ocular LCD. He is also a member of the University of Texas Chancellor's Council. Mr. Hicks formerly served on the Board of Trustees for The Center for Strategic and International Studies. He is a former member of the University of Texas System Board of Regents, and he served as Chairman of the University of Texas Investment Management Company. Mr. Hicks received a Masters of Business Administration degree from the University of Southern California in 1970 and a Bachelor of Business Administration degree from the University of Texas in 1968.

The Board believes that Mr. Hicks' qualifications include, among other things, his leadership and extensive business expertise with both private and public companies, which enable him to provide valuable insights to the Board. In addition, Mr. Hicks' experience as a director of Latrobe (which is now a wholly-owned subsidiary of Carpenter), enhances his contributions to the Board, particularly with respect to his industry knowledge and expertise.

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Terms to Expire 2015

CARL G. ANDERSON, JR., age 69, has been a director of Carpenter since 2003 and is a member of the Audit/Finance Committee and Chair of the Operations Committee. Mr. Anderson is the former Chairman of the Board, President and Chief Executive Officer of Arrow International, Inc., a leading manufacturer of medical devices where he was employed from 2002 to 2007. He previously served as Vice-Chairman of the Board of Directors and General Manager of Arrow's Critical Care Business. From 1997 to 2002, he was President and Chief Executive Officer of ABC School Supply Inc., a manufacturer and marketer of educational products. Prior to joining ABC School Supply in May 1997, Mr. Anderson served as Vice President - General Manager of the Retail Consumer Products Division of James River Corporation from 1994 to 1997 and as Vice President of Marketing from May 1992 to August 1994. He was Vice President and General Manager at Nestle Foods Corporation from 1984 to 1992 and a marketing executive at Procter & Gamble from 1972 to 1984. Mr. Anderson served as a director of Arrow International, Inc., a director of IWT Tesoro until December 2007, and as a trustee of Lafayette College and Alvernia College. He is a general partner of Cannondale Partners, LLC, a private equity firm located in Reading, Pennsylvania.

The Board believes that Mr. Anderson's qualifications include, among other things, his experience as a former Chief Executive Officer of two companies including a company within the medical device industry, a key market focus for Carpenter. In addition, Mr. Anderson's insights reflect his significant international business expertise, and extensive experience in the financial and manufacturing operations areas of business.

DR. PHILIP M. ANDERSON, age 66, has been a director of Carpenter since 2007 and is a member of Carpenter's Human Resources, Corporate Governance and Science and Technology Committees. Dr. Anderson is a professor of physics at Ramapo College of New Jersey, where he has taught since 1990. He holds more than 100 foreign and 37 U.S. patents, and was named Inventor of the Year by the New Jersey Inventor's Hall of Fame in 2001. He also is a respected consultant on technical and intellectual property on new technology and product development for Fortune 100 companies, with particular emphasis on security systems, medical devices, sensors, magnetics, acoustics and materials. Prior to teaching, he was founder, President and Chief Executive Officer of Identitech Corp., 1986-1988; and new venture manager and senior research physicist at Allied Corp. (now Honeywell Corp.) from 1979-1986. Dr. Anderson received his B.S. in physics in 1970 from Widener University, M.S. degrees in both physics and electrical engineering from Drexel University in June 1977, and a Ph.D. in physics from Drexel in 1979. He served as a pilot in the U.S. Air Force and Air National Guard from 1970-1975.

The Board believes that Dr. Anderson's qualifications include, among other things, new product development and his strong background in the intellectual property area of the metals industry as an inventor, teacher and entrepreneur. In addition, Dr. Anderson's experience as a Chief Executive Officer contributes to his valuable perspective on our Board.

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DR. JEFFREY WADSWORTH, age 64, has been a director of Carpenter since 2006 and is a member of Carpenter's Corporate Governance and Human Resources Committees and the Chair of the Science and Technology Committee. Dr. Wadsworth has been President and Chief Executive Officer of Battelle, a research and development enterprise headquartered in Columbus, Ohio (Battelle) since January 2009. He formerly was Executive Vice President, Global Laboratory Operations at Battelle, Director of Oak Ridge National Laboratory and Chief Executive Officer and President of UT-Battelle LLC and Senior Vice President for U.S. Department of Energy Science Programs at Battelle. Previously, he was director of Homeland Security Programs at Battelle and part of the White House Transition Planning Office for the newly formed U.S. Department of Homeland Security. From 1992 to 2002, Dr. Wadsworth was at the Lawrence Livermore National Laboratory in Livermore, California, where from 1995 he was Deputy Director for Science and Technology. Prior to that, he was with Lockheed Missiles and Space Company, Research and Development Division. He was elected to the U.S. National Academy of Engineering in 2005, has been elected Fellow of three technical societies, and holds numerous awards and honors. Dr. Wadsworth holds a bachelor's degree in metallurgy, Ph.D., D.Met, and D.Eng. degrees from Sheffield University, England.

The Board believes that Dr. Wadsworth's qualifications include, among other things, his strong background in the Company's precise area of focus metallurgy. Additionally, Dr. Wadsworth's significant leadership experience in the research and development arena enriches his contributions to the Board, particularly with respect to innovation and strategy matters.

WILLIAM A. WULFSOHN, age 52, has been a director of Carpenter since April 2009 and is a member of Carpenter's Science and Technology Committee. Commencing July 1, 2010, Mr. Wulfsohn began serving as Carpenter's President and Chief Executive Officer. Previously, Mr. Wulfsohn was Senior Vice President, Industrial Coatings, of PPG Industries, responsible for automotive original-equipment, industrial and packaging coatings as well as Asia/Pacific. He joined PPG as Vice President, Coatings, and Managing Director, PPG Europe, in 2003, and he was appointed Senior Vice President, Coatings, in 2005. Prior to joining PPG, Mr. Wulfsohn worked for Morton International in Chicago as Vice President and General Manager, Automotive Coatings; for Rohm & Haas in Chicago as Vice President, Automotive Coatings Business Director; and for Honeywell in Richmond, Virginia, as Vice President and General Manager, Nylon System. He also worked as an Associate with McKinsey & Company. Mr. Wulfsohn earned a chemical engineering degree from the University of Michigan and received a Master of Business Administration degree from Harvard University. He serves as a member of the Board of Directors of PolyOne Corporation, a public company listed on the New York Stock Exchange. Prior to accepting the position as Carpenter's President and Chief Executive Officer in Reading, Pennsylvania, he was a board member of the Pittsburgh Symphony Orchestra and Greater Pittsburgh Community Food Bank.

The Board believes that Mr. Wulfsohn's qualifications include, among other things, his deep and varied leadership experience in innovative technology and best-in-class business operations. Additionally, Mr. Wulfsohn's success at driving international growth at an advanced materials manufacturing company provides valuable strategic focus for his contributions to the Board.

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Terms to Expire 2016

I. MARTIN INGLIS, age 63, has been a director of Carpenter since 2003 and is the Chair of the Audit/Finance Committee and is a member of the Operations Committee. Mr. Inglis joined Battelle, a research and development enterprise headquartered in Columbus, Ohio, in 2004, and served as Executive Vice President and Chief Operating Officer, retiring at the end of July 2014. Through July 2013, he also served as Chief Financial Officer. Previously, he had retired as Group Vice President, Business Strategy for Ford Motor Company, a manufacturer of motor vehicles. He joined Ford of Europe in London in 1971 and held various finance and operations positions in international and domestic markets during his career at Ford, where he was named head, Global Products and Business Strategy and elected a corporate Vice President in 1996; President, Ford South America in 1999; head, Ford North America in 2000; Chief Financial Officer in 2001; and Group Vice President, Business Strategy in 2002. Mr. Inglis also serves on the Advisory Board of three venture funds (Fletcher Spaght, Reservoir Ventures and Battelle Ventures). Mr. Inglis is active in local charities and has served as the Chairman of the Columbus Symphony Orchestra for six years. He holds a bachelor's degree in business economics from Strathclyde University, Glasgow, Scotland.

The Board believes that Mr. Inglis' qualifications include, among other things, his extensive financial expertise and background as a Chief Financial Officer in both the public and private sectors. Additionally, Mr. Inglis' substantial operational and labor relations experience and broad international knowledge enable him to provide valuable perspective to support Carpenter's growth strategies.

PETER N. STEPHANS, age 71, has been a director of Carpenter since 2003 and is a member of the Audit/Finance and Operations Committees. Mr. Stephans has been Chairman and Chief Executive Officer of Trigon Holding, Inc., parent company for its subsidiary that manufactures forged and machined components for aerospace and medical applications, and its subsidiary that designs, develops and markets orthopedic implants since 1997. Prior to Trigon, Mr. Stephans served as President and Chief Operating Officer of Dynamet Incorporated, a privately-held titanium processor that Carpenter purchased in 1997. At Dynamet, he was appointed Vice President and Technical Director in October 1972 and Executive Vice President in October 1982. He began his career at IBM Corporation, ultimately serving as Manufacturing Manager for one of the company's divisions in New York. Mr. Stephans holds a bachelor's and master's degree in electrical engineering from the South Dakota School of Mines and Technology.

The Board believes that Mr. Stephans' qualifications include, among other things, his leadership and extensive operational and international management experience. As a former President of Dynamet, Inc. (a subsidiary of Carpenter), Mr. Stephans has valuable institutional knowledge of Carpenter's titanium operations. He also has deep experience in the medical and aerospace components markets (primary markets of focus for Carpenter) as the Chairman and Chief Executive Officer of Trigon.

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KATHRYN C. TURNER, age 67, has been a director of Carpenter since 1994, and is Chair of the Human Resources Committee and a member of the Corporate Governance and Science and Technology Committees. Ms. Turner is Chairperson, Chief Executive Officer and President of Standard Technology, Inc. Ms. Turner founded Standard Technology, Inc., a management and technology solutions firm with a focus in the healthcare sector in 1985. Standard Technology, Inc. is headquartered in Bethesda, Maryland. Ms. Turner has also served on the Board of Directors of ConocoPhillips, Schering-Plough, The Tribune Corporation and COMSAT. She currently serves on the Capital Area chapter board of the National Association of Corporate Directors as well as on the Advisory Board of the Smithsonian Institute Libraries. She has served on the President's Export Council, the ExIm Bank Advisory Committee, the Commission on the Future of Worker-Management Relations, and the Defense Policy Advisory Committee on Trade.

The Board believes that Ms. Turner's qualifications include, among other things, her expansive board leadership expertise and Chief Executive Officer experience which enables Ms. Turner to provide a wide range of perspectives on governance and management issues. Ms. Turner's knowledge of the defense aerospace industry, one of Carpenter's markets, renders her well-suited for addressing strategy matters.

STEPHEN M. WARD, JR., age 58, has been a director of Carpenter since 2001, and is Chair of the Corporate Governance Committee and a member of the Human Resources and Science and Technology Committees. Mr. Ward is the retired President and Chief Executive Officer of Lenovo Corporation, the international PC company formed by the acquisition of IBM's PC business by Lenovo of China. Prior to joining Lenovo, he was senior vice president and general manager of IBM's Personal Systems Group, responsible for the Personal Computing Division, the Retail Store Solutions Division and the Printing Systems Division. In his 26-year career with IBM, Mr. Ward also served as IBM's chief information officer and Vice President, Business Transformation, directing business process and information technology investments. Mr. Ward was also general manager of IBM's Global Industrial Sector, responsible for the marketing, sales, and service of IBM e-business solutions. In the mid-1990's, he served as Vice President, Information Technology and was later named General Manager, IBM ThinkPad, in the IBM Personal Computer Company. He first joined IBM in Tucson, Arizona as an engineer in the Storage Products Division. He held various management positions in manufacturing, production control and project development for disk drive, tape and optical storage projects and software development, and was also an assistant to the IBM chairman at company headquarters in Armonk, New York. He holds a B.S. degree in mechanical engineering from California Polytechnic State University at San Luis Obispo. Mr. Ward is also a co-founder and member of the Board of Directors of E2open, a maker of enterprise software which is a public company listed on the NASDAQ, where he serves as Chair of the HR/Compensation Committee; and is a member of the Executive, Governance and Audit Committees, and co-founder, board member, Chair of the Compensation Committee and member of the Executive Committee of C3, a company that develops and sells software to manage energy and monitor, mitigate and monetize carbon dioxide and greenhouse gasses. He also serves as a Director of QD Vision, a nanomaterials product company delivering advanced display and lighting solutions. In addition, until its sale in 2009, Mr. Ward was an investor and Board member of E-Ink Corporation, a maker of electronic paper displays.

The Board believes that Mr. Ward's qualifications include, among other things, his broad executive experience and focus on innovation which enable him to share with the Board valuable perspectives on a variety of issues relating to management, strategic planning, tactical capital investments, and international growth.

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CORPORATE GOVERNANCE

In accordance with the General Corporation Law of the State of Delaware and Carpenter's Certificate of Incorporation and By-Laws, Carpenter's business, property and affairs are managed under the direction of its Board of Directors (sometimes referred to simply as the Board). While Carpenter's non-employee directors are not involved in day-to-day operating details, they are kept informed of Carpenter's business through written reports and documents provided to them regularly, as well as by operating, financial and other reports presented by Carpenter's officers during meetings of the Board of Directors and its committees.

Meetings of the Board

The Board of Directors held six meetings during fiscal year 2014. In addition, there were 35 committee meetings. Carpenter's policy is to require attendance and active participation by directors at Board and committee meetings. The average attendance for Carpenter's directors at these meetings was over 98%. Each director attended at least 75% of the total number of meetings of the Board and the committees on which the director served during fiscal year 2014. Directors are encouraged to attend the Annual Meeting and all of Carpenter's directors attended the Annual Meeting of Stockholders held on October 15, 2013 (the 2013 Annual Meeting).

Board Independence and Leadership Structure

With the exception of Mr. Wulfsohn, the Company's President and Chief Executive Officer, all members of the Board of Directors qualify as independent directors (Independent Directors) under the applicable requirements of the SEC and NYSE. Board committees also reflect applicable requirements for certain of their members to qualify as Independent Directors.

In determining independence, each year the Board affirmatively determines, among other things, whether directors have a material relationship with Carpenter. When assessing the materiality of a director's relationship with Carpenter, the Board considers all relevant facts and circumstances, including a consideration of the persons or organizations with which the director has an affiliation. Where an affiliation involves the delivery of services to or by Carpenter, the Board considers the frequency or regularity of the provision of services, whether the services are being carried out at arm's length in the ordinary course of business and whether the services are being provided substantially on the same terms to Carpenter as those prevailing at the time from unrelated parties for comparable transactions. With respect to Audit/Finance Committee members, the Board must affirmatively determine that such directors, in addition to the general independence requirements described above, satisfy certain financial education requirements and do not, among other things, accept any consulting, advisory, or other compensatory fee from Carpenter.

The Board has determined that the following directors are Independent Directors: Carl G. Anderson, Jr., Philip M. Anderson, Thomas O. Hicks, I. Martin Inglis, Steven E. Karol, Robert R. McMaster, Gregory A. Pratt, Peter N. Stephans, Kathryn C. Turner, Jeffrey Wadsworth, and Stephen M. Ward, Jr. The Board considered Steven E. Karol, Gregory A. Pratt and Peter N. Stephans as independent for all purposes except participation on the Human Resources Compensation Sub-Committee due to application of Section 162(m) of the Internal Revenue Code.

At Carpenter, the roles of Chairman and Chief Executive Officer are split into two separate positions. The Board of Directors believes that this is the most appropriate leadership structure for the Company at this time in order to clearly distinguish the roles of the Board and management. The separation of the Chairman and Chief Executive Officer positions allows our Chief Executive Officer to direct his or her energy towards operational and strategic issues while the non-executive Chairman focuses on governance and stockholders. The Company believes that

separating the Chairman and Chief Executive Officer positions enhances the independence of the Board, provides independent business counsel for our Chief Executive Officer, and facilitates improved communications between Company management and Board members.

Meetings of the Independent Directors

Under Carpenter's Corporate Governance Guidelines, which reflect applicable requirements of the NYSE, the Independent Directors of the Board meet in an executive session at least twice per year to: (a) review the performance of the Chief Executive Officer; and (b) address any other matters affecting Carpenter that may concern such directors. During fiscal year 2014, the Independent Directors met in executive session five times. Mr. Gregory A. Pratt, Chairman of the Board, presided over these executive sessions.

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Board of Directors Role in Risk Oversight

As a part of its oversight function, the Board monitors how management operates the Company. Risk is an important part of deliberations at the Board and committee level throughout the year. Enterprise risks, the specific financial, operational, business and strategic risks that the Company faces, whether internal or external, are identified and prioritized by the Board and management together. Certain strategic and business risks, such as those relating to our products, markets and capital investments, are overseen by the entire Board. The Audit/Finance Committee oversees management of market and operational risks that could have a financial impact, such as those relating to internal controls, liquidity or raw materials. The Corporate Governance Committee manages the risks associated with governance issues, such as the independence of the Board and key executive succession, and the Human Resources Committee is responsible for managing the risks relating to the Company's executive compensation plans and policies. The Operations Committee oversees management of the Company's operational risks and business operations. The Science and Technology Committee manages the risks associated with major scientific or technological developments that could affect the Company's business, operations or strategic planning.

In addition to the formal compliance program, the Board encourages management to promote a corporate culture that understands risk management and incorporates it into the overall corporate strategy and day-to-day business operations of the Company. The Company's risk management structure also includes an ongoing effort to assess and analyze the most likely areas of future risk for the Company and to address them in its long-term planning process.

Stockholder Communication with the Board

Stockholders may communicate with the Board of Directors by sending a letter addressed to Carpenter Technology Board of Directors, c/o Corporate Secretary, P.O. Box 14662, Reading, PA 19612-4662. Carpenter's Corporate Secretary will review the correspondence and forward it to the Chairman of the Board of Directors or to the Chair of the appropriate Board committee or to any individual director or directors to whom the communication may be specifically directed. If the communication is unduly hostile, threatening or illegal, does not reasonably relate to Carpenter or its business, or is similarly inappropriate, the Corporate Secretary will not forward the communication, and will so notify the sender if and as appropriate. Stockholders and other interested parties may also communicate with the non-employee directors, non-executive Chairman, or the Audit/Finance Committee by sending an e-mail to boardauditcommittee@cartech.com.

Code of Ethics

The Board of Directors has adopted a Code of Ethics for the Chief Executive Officer and senior financial officers of the Company. There were no waivers of the Code of Ethics for fiscal year 2014 or through the date of this Proxy Statement.

Director Training and Education

Directors are encouraged to attend outside educational seminars presented by accredited third party organizations as well as internal programs organized by Carpenter for the ongoing education of directors. All members of the Board of Directors are National Association of Corporate Directors (NACD) Board Leadership Fellows, awarded in recognition of their commitment to boardroom excellence by completing NACD's comprehensive program of study for corporate directors and their access to leading practices.

Committees of the Board

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The Board of Directors has five standing committees: the Audit/Finance Committee, Corporate Governance Committee, Human Resources Committee, Science and Technology Committee and Operations Committee. Summary information about each standing committee is set forth in the following table. From time to time, the Board has established *ad hoc* committees, on an interim basis, to assist the Board with its consideration of specific matters, and it expects to continue to do so as it may determine to be prudent and advisable in the future.

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Committee and Members	Purpose of the Committee	FY 2014 Meetings
<p><i>Audit/Finance Committee</i></p> <p>I. Martin Inglis, Chair Carl G. Anderson, Jr.</p> <p>Thomas O. Hicks</p> <p>Robert R. McMaster</p> <p>Peter N. Stephans</p> <p>All members are Independent Directors.</p>	<ul style="list-style-type: none"> • Assist the Board in its oversight of (i) the integrity of the Company's financial statements; (ii) the qualifications, independence and performance of the Company's independent registered public accounting firm; (iii) the performance of the Company's internal audit personnel; and (iv) the Company's overall compliance with accounting, legal, regulatory, ethical and business conduct requirements. • Select the Company's independent registered public accounting firm and recommend to the Board with respect to the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K. • Review of (and the provision of recommendations to the Board of Directors relating to) major financial matters affecting the Company. 	10
<p><i>Corporate Governance Committee</i></p> <p>Stephen M. Ward, Jr., Chair</p> <p>Philip M. Anderson</p> <p>Steven E. Karol</p> <p>Gregory A. Pratt</p> <p>Kathryn C. Turner</p> <p>Jeffrey Wadsworth</p>	<ul style="list-style-type: none"> • Assist the Board in identifying qualified individuals to become members of the Board (and otherwise functioning as a nominating committee with respect to directors), and determining the overall composition of the Board and its committees. • Assist the Board in developing, implementing and monitoring a set of corporate governance principles for the Company, and overseeing processes to assess the performance and effectiveness of the Board of Directors, its committees and management of the Company. • Ensure orderly succession at the Board and management levels. 	5

All members are Independent Directors.		
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Committee and Members	Purpose of the Committee	FY 2014 Meetings
<p><i>Human Resources Committee</i></p> <p>Kathryn C. Turner, Chair</p> <p>Philip M. Anderson</p> <p>Steven E. Karol</p> <p>Gregory A. Pratt</p> <p>Jeffrey Wadsworth</p> <p>Stephen M. Ward, Jr.</p> <p>All members are Independent Directors except Mr. Karol and Mr. Pratt who are not considered independent for participation on the Human Resources Compensation Sub-Committee due to application of Section 162(m) of the Internal Revenue Code.</p>	<ul style="list-style-type: none"> • Assist the Board with its overall responsibility for supervising the Company's management and human resources and for reviewing the Company's strategies and plans to support organizational and employee effectiveness. • Review and approve compensation of the Company's executive officers • Administer the Company's incentive compensation programs and plans. • Provide oversight for the Company's employee benefits programs. • Delegate authority to subcommittees or its individual members, or delegate authority or responsibilities to management of the Company, when it deems appropriate. • Review succession plans for the CEO and the Company's executive officers. 	<p>13</p> <p>(including 6 Compensation Sub-committee meetings)</p>
<p><i>Science and Technology Committee</i></p> <p>Jeffrey Wadsworth, Chair</p> <p>Philip M. Anderson</p> <p>Thomas O. Hicks</p> <p>Kathryn C. Turner</p> <p>Stephen M. Ward, Jr.</p>	<ul style="list-style-type: none"> • Review and monitor major scientific or technological developments that could affect the Company's current business or operations or implicate significant strategic planning or considerations for the future. • Make periodic recommendations to the Board concerning such major developments or potential business opportunities for the Company with respect to scientific or technological matters that implicate significant strategic planning or Company prospects. 	<p>4</p>

<p>William A. Wulfsohn</p> <p>All members are Independent Directors except Mr. Wulfsohn, who is the Company's President and Chief Executive Officer.</p>		
<p><i>Operations Committee</i></p> <p>Carl G. Anderson, Jr., Chair</p> <p>I. Martin Inglis</p> <p>Steven E. Karol</p> <p>Robert R. McMaster</p> <p>Gregory A. Pratt</p> <p>Peter N. Stephans</p> <p>All members are Independent Directors.</p>	<ul style="list-style-type: none"> • Review and provide strategic advice and counsel to the Company regarding its business operations. • Present to the Board an independent assessment of the Company's business operations. 	<p>3</p>

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Corporate Governance Guidelines and Charters

Carpenter's Corporate Governance Guidelines, as well as the charters for all the Board committees, the Company's Code of Business Conduct and Ethics, and the Company's Code of Ethics and any information regarding any waivers of the Code of Ethics, are available on Carpenter's website at www.carttech.com. Copies will also be mailed to stockholders upon written request to the Corporate Secretary, Carpenter Technology Corporation, P.O. Box 14662, Reading, PA 19612-4662.

Transactions with Related Persons

On February 29, 2012, Carpenter completed the acquisition of Latrobe in exchange for 8.1 million shares of Carpenter common stock (the Merger) pursuant to an agreement and plan of merger by and among Carpenter, Latrobe, a wholly-owned subsidiary of Carpenter, Watermill-Toolrock Partners, L.P. (Watermill), solely as the representative of the Watermill equity holders of Latrobe, and HHEP-Latrobe, L.P. (Hicks), solely as the representative of the Hicks equity holders of Latrobe executed June 20, 2011 (as amended, the Merger Agreement). The value of the exchange was approximately \$53.46/share, which was an average calculated at the time of the exchange in accordance with the Merger Agreement.

In connection with the closing of the Merger, Carpenter executed a stockholders' agreement with Hicks, Watermill, Watermill-Toolrock Partners II, L.P. (Watermill II) and Watermill-Toolrock Enterprises, LLC (Watermill Enterprises) and, collectively with Watermill and Watermill II, the Watermill Group and, collectively with Hicks, Watermill and Watermill II, the Investors), dated February 29, 2012 (the Stockholders Agreement). The Stockholders Agreement provides for each of Hicks and the Watermill Group to appoint a member of the Board of Directors to serve from the consummation of the Merger until Carpenter's 2014 Annual Meeting of Stockholders. Hicks designated Mr. Hicks and the Watermill Group designated Mr. Karol to serve on the Board of Directors. The Stockholders Agreement includes a voting agreement, which provides that on or before Carpenter's 2014 Annual Meeting or an earlier date in the event the Investors' designees on the Board of Directors resign from the Board of Directors, they will vote the shares of Carpenter's common stock in favor of Carpenter's nominees for directors and not contrary to the recommendations of the Board of Directors on other matters. The Investors have also agreed pursuant to the Stockholders Agreement that for a period of five years following the consummation of the Merger they will not acquire any additional shares of Carpenter's common stock or, with limited exceptions, sell their shares of Carpenter's common stock where the result of such sale would be for a third party to own more than 5% of Carpenter's outstanding common stock.

Each of the Investors is an affiliate of Toolrock Investment, LLC, the former majority stockholder of Latrobe (Toolrock). Toolrock received 7,666,028 shares of Carpenter common stock upon completion of the Merger, of which 3,516,647 shares of Carpenter common stock were distributed to Hicks and 2,835,554 shares of Carpenter common stock were distributed to the members of the Watermill Group. The 1,313,827 shares of Carpenter common stock received by Toolrock upon completion of the Merger that were not distributed to Hicks or members of the Watermill Group were distributed to other affiliates of Toolrock that are not otherwise affiliated with Mr. Hicks, Mr. Karol, Hicks or the Watermill Group. Mr. Hicks is an affiliate of Hicks and Mr. Karol is an affiliate of the Watermill Group.

In addition to the Stockholders Agreement, upon the completion of the Merger, Carpenter and the Investors executed a registration rights agreement, dated February 29, 2012 (the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, Carpenter filed with the SEC on June 14, 2012, a Registration Statement on Form S-3 to register the 6,352,201 shares of Carpenter common stock held by Hicks and the Watermill Group for resale to third parties.

Except as provided above, during fiscal year 2014 there were no related party transactions. Any proposed transactions with executive officers, directors, substantial stockholders or their respective family members or affiliates require approval by the Audit/Finance Committee and will be disclosed as required by the SEC. The Company's Code of Business Conduct and Ethics requires that the Company's officers and directors avoid

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conflicts of interest, as well as the appearance of conflicts of interest, and disclose to the Company's General Counsel any material transaction or relationship that could reasonably be expected to give rise to such a conflict of interest between private interests and the interests of the Company. The Company checks for any potential related party transactions, primarily through the annual circulation of a Directors and Officers Questionnaire to each member of the Board of Directors and each executive officer of the Company. A related party transaction is a transaction with the Company in an amount exceeding \$120,000 in which a related person has a direct or indirect material interest. A related person includes the executive officers, directors, and five percent stockholders of the Company, and any immediate family member of such a person. If Company management identifies a related party transaction, such

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transaction is brought to the attention of the Audit/Finance Committee for its approval, ratification, revision, or rejection in consideration of all of the relevant facts and circumstances.

Human Resources Committee Interlocks and Insider Participation

The Human Resources Committee, comprised of Ms. Turner (Chair) and Messrs. P. Anderson, Karol, Pratt, Wadsworth and Ward, Jr., performs the functions of a compensation committee of the Board. No member of the Human Resources Committee, except Mr. Karol and Mr. Pratt, was a current or former officer or employee of Carpenter or any of its subsidiaries during fiscal year 2014, or had any relationship requiring disclosure by Carpenter under the SEC's proxy rules. Mr. Karol is a former officer of Latrobe which Carpenter acquired in February 2012. Mr. Pratt served as Interim Chief Executive Officer of Carpenter from October 11, 2009 through June 30, 2010. As a result, neither Mr. Karol nor Mr. Pratt is deemed independent for purposes of the application of 162(m) of the Internal Revenue Code.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of the Company's common stock, to file with the SEC and the NYSE reports of ownership and changes in ownership of common stock. Directors, executive officers and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the review of the copies of such reports furnished to Carpenter and other Company records or information otherwise provided to the Company, Carpenter believes that all applicable Section 16(a) reports were timely filed by its directors, executive officers, and more than 10% stockholders during the fiscal year 2014, with the exception of one late report filed by Mr. Karol.

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The following table sets forth certain information regarding the compensation paid or awarded to each non-employee director during fiscal year 2014. Any director who is an employee of Carpenter is not compensated for Board service.

Fiscal Year 2014 Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)		Stock Awards (1) (\$)	Option Awards (2) (\$)	All Other Compensation (3) (\$)	Total (\$)
Anderson, Jr., Carl G.	\$55,000	(4)	\$90,048	\$30,025	\$26,175	\$201,248
Anderson, Philip M.	\$45,000		\$90,048	\$30,025	\$11,805	\$176,878
Hicks, Thomas O.	\$45,000		\$90,048	\$30,025	\$2,821	\$167,894
Inglis, I. Martin	\$67,500	(5)	\$90,048	\$30,025	\$17,470	\$205,043
Karol, Steven E.	\$45,000		\$90,048	\$30,025	\$2,821	\$167,894
McMaster, Robert R.	\$45,000		\$90,048	\$30,025	\$12,930	\$178,003
Pratt, Gregory A.	\$90,000		\$190,061	\$60,025	\$27,607	\$367,693
Stephans, Peter N.	\$45,000		\$90,048	\$30,025	\$16,862	\$181,935
Turner, Kathryn C.	\$60,000	(6)	\$90,048	\$30,025	\$26,976	\$207,049
Wadsworth, Jeffrey	\$55,000	(7)	\$90,048	\$30,025	\$12,940	\$188,013
Ward, Jr., Stephen M.	\$55,000	(8)	\$90,048	\$30,025	\$23,836	\$198,909

(1) The grant date fair value of stock units granted to our directors in fiscal year 2014 was computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Compensation Stock Compensation. Assumptions made in this valuation are set forth in Note 14 to the financial statements contained in Carpenter s 2014 Annual Report on Form 10-K. Stock units were credited to each director s account on October 15, 2013, but are subject to partial forfeiture if the director separates from Board service prior to the first anniversary of grant date for any reason other than death or Disability.

Each director, with the exception of Mr. Pratt, was credited with 1,518 stock units for fiscal year 2014 on October 15, 2013, representing a grant date value of \$90,048. One-half of the stock units credited to each director represents \$45,024 of his or her annual retainer paid in stock units. The remaining stock units credited represent an annual award of additional stock units as described below with a fair value on the grant date of \$45,024.

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Mr. Pratt, who serves as Chairman, was credited with 3,204 stock units for fiscal year 2014 on October 15, 2013, representing a grant date value of \$190,061. 1,518 stock units represent \$90,048 of his annual retainer paid in stock units. The remaining stock units credited represent an annual award of additional stock units as described below with a fair value on the grant date of \$100,013.

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The total number of stock units credited to each director under Carpenter's Stock-Based Compensation Plan for Non-Employee Directors (Director Stock Plan) as of June 30, 2014, including stock units that were credited with respect to prior fiscal years and reinvested dividend equivalents, was: C. Anderson, Jr. 37,539; P. Anderson 16,893; T. Hicks 4,328; I. M. Inglis 24,818; S. Karol 4,328; R. McMaster 18,467; G. Pratt 39,421; P. Stephans 24,107; K. Turner 38,162; J. Wadsworth 18,481; and S. Ward, Jr. 33,723.

(2) The grant date fair value of option awards granted to our directors in fiscal year 2014 was computed in accordance with FASB ASC Topic 718, Compensation - Stock Compensation. Assumptions made in this valuation are set forth in Note 14 to the financial statements contained in Carpenter's 2014 Annual Report on Form 10-K.

During fiscal year 2014, each director, with the exception of Mr. Pratt, received an annual award of 1,227 stock options, representing a grant date fair value of \$30,025. Mr. Pratt received an annual award of 2,453 stock options, representing a grant date fair value of \$60,025.

The total number of shares subject to stock options credited to each director as of June 30, 2014, including stock options that were granted in prior fiscal years, was: C. Anderson, Jr. 22,370; P. Anderson 22,370; T. Hicks 6,624; I. M. Inglis 22,370; S. Karol 6,624; R. McMaster 22,370; G. Pratt 26,766; P. Stephans 12,012; K. Turner 22,370; J. Wadsworth 22,370; and S. Ward, Jr. 22,370.

(3) Includes the aggregate dollar amount of dividend equivalents paid in fiscal year 2014 on the stock unit balance credited to each director's account with respect to dividends paid on outstanding common stock during fiscal year 2014. Dividend equivalents are reinvested in the form of additional stock units, with the number of units credited being determined by dividing the dividend dollar amount by the close price on the NYSE on the dividend equivalent payment date.

(4) Includes additional retainer for service as Chair of the Operations Committee.

(5) Includes additional retainer for service as Chair of the Audit/Finance Committee.

(6) Includes additional retainer for service as Chair of the Human Resources Committee.

(7) Includes additional retainer for service as Chair of the Science and Technology Committee.

(8) Includes additional retainer for service as Chair of the Corporate Governance Committee.

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The director compensation amounts provided above are based upon compensation elements that were established in 2010. These compensation elements are reviewed regularly by the Board with the assistance of its outside advisor to ensure that they are appropriate and competitive in light of market circumstances and prevailing best practices for corporate governance. They reflect the Board's view of the appropriate balance between cash and equity, and its determination that all compensation to the non-employee directors should be in the form of cash and equity awards, as described below. Our director compensation approach provides for quarterly vesting of equity awards and allows elective deferral of the delivery of earned shares and cash. The narrative below describing our director compensation approach reflects the above.

Compensation for non-employee directors, excluding the Chairman, consists of an annual retainer of \$90,000 (plus travel expenses, where appropriate) for attending all Board and committee meetings. Each Committee Chair receives the following additional annual cash retainer: Audit/Finance Committee Chair - \$22,500; Human Resources Committee Chair - \$15,000; Corporate Governance, Operations and Science and Technology Committee Chairs - \$10,000.

As disclosed in the Corporate Governance Board Independence and Leadership Structure section of this Proxy Statement, the roles of Chairman and Chief Executive Officer are divided. Compensation for the Chairman consists of an annual retainer of \$180,000 (plus travel expenses, where appropriate) for attending all Board and committee meetings.

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Directors may also receive up to 4,000 stock options (or such different number as the Board may determine by resolution and in compliance with securities laws and NYSE listing standards) upon joining the Board. In addition to the initial grant of stock options, a director may be granted a number of stock options annually, on or about the date of the Company's Annual Meeting of Stockholders, or such other date as the Board may determine from time to time in light of prevailing practices for the grant of equity-based awards to other personnel, having a fair value on the grant date, alone or in combination with the annual non-retainer stock units described below, of up to \$90,000 (or such different number as the Board may determine by resolution and in compliance with securities laws and NYSE listing standards). Subject generally to the director's continued service, one-quarter of the stock options vest for every three months of service following the grant date (and are fully vested on the first anniversary of the date of grant). All stock options have a ten year term.

In addition to the grant of options described above, or an award of retainer stock units as described below, each director may be granted an additional award of stock units annually having a fair value on the grant date, alone or in combination with the annual stock option grant described above, of up to \$90,000 (or such different number as the Board may determine by resolution and in compliance with securities laws and NYSE listing standards). Subject generally to the director's continued service, one-quarter of these units vest for every three months of service following the grant date (and are fully vested on the first anniversary of the date of grant). In the event of separation from service due to death or Disability, all stock units shall immediately vest. The stock units are granted on or about the date of the Annual Meeting of Stockholders, or such other date as the Board may determine from time to time, for the year in which Board service is to be provided, and the number of units is based on the trading price of Carpenter's common stock on such date of grant. Directors may elect to have all or a portion of these units deferred until the later of their separation from service or a specific date/event. Carpenter distributes a participating director's deferred units, at the director's election, in a lump sum or in 10 or 15 annual installments, commencing on the later of their separation from service or the date/event elected.

It is the policy of the Company that non-employee directors maintain a reasonable equity interest in the Company in order to provide them with a proprietary interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company's future success and prosperity by their personal efforts and generally to enhance the community of interest between directors and stockholders of the Company. The current policy provides that each director should hold equity in the Company with an aggregate fair market value equal to at least six times his or her annual cash retainer. There is a five year phase-in period for satisfying the minimum equity holding requirements, and he or she is expected to retain the equity for as long as he or she remains a director of the Company.

At least 50% of the \$90,000 annual retainer (\$180,000 in the case of the Chairman) for Board service is paid in stock units that, subject generally to the director's continued service, vest as to one-quarter of these units for every three months of service following the grant date (and are fully vested on the first anniversary of the date of grant). In the event of separation from service due to death or Disability, all stock units shall immediately vest. The stock units are granted on or about the date of the Annual Meeting of Stockholders, or such other date as the Board may determine from time to time, for the year in which Board service is to be provided, and the number of units is based on the trading price of Carpenter's common stock on such date of grant. Directors may elect to have all or a portion of these retainer units deferred until the later of their separation from service or a specific date/event. Carpenter distributes a participating director's deferred retainer units, at the director's election, in a lump sum or in 10 or 15 annual installments, commencing on the later of their separation from service or the date/event elected.

At the director's election, the remaining 50% of the annual retainer and 100% of committee chair fees can be paid in cash currently, or all or a portion can be deferred until a future date/event and paid in cash under Carpenter's Deferred Compensation Plan for Non-Employee Directors (Director Cash Deferral Plan) or deferred until the later of their separation from service or a specific date/event and paid in common stock under the Director Stock Plan. Under the Director Cash Deferral Plan, interest is credited semi-annually at the Company's Five-Year Medium Term Note Borrowing Rate, as provided by one of the Company's investment bankers during the Plan Year prior to the Plan Year to which such rate relates. Carpenter distributes a participating director's deferred cash or units, at the director's election, in a lump sum or in 10 or 15 annual installments commencing, in the case of cash, on a future date/event elected and, in the case of common stock, on the later of separation of service or a future date/event elected.

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In addition, each director's account is credited with stock units with respect to dividends paid on outstanding common stock during the fiscal year. Dividend equivalents are reinvested in the form of additional stock units, with the number of units credited being determined by dividing the dividend dollar amount by the close price on the NYSE on the dividend equivalent payment date.

Upon a Change in Control of the Company, all stock units vest immediately and are payable in shares of common stock and stock options become immediately exercisable. Once vested, a director may exercise exercisable options at any time during the original term. In the event of removal for cause, all existing stock options and unvested stock units shall be forfeited.

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COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

This Compensation Discussion and Analysis (CD&A) outlines the compensation we pay to our Chief Executive Officer (CEO), our Chief Financial Officer (CFO) and our other Named Executive Officers. Importantly, this CD&A also provides information regarding:

- The rationale for why we deliver compensation in the forms and amounts we do, and how we ensure a strong pay-for-performance linkage;
- The process our Human Resources Committee of the Board of Directors (Committee) undertakes in evaluating our compensation and decision-making; and
- An explanation of how the compensation and benefit programs align with the interests of our stockholders while facilitating, attracting and retaining top talent needed to execute our strategy and achieve our corporate objectives.

To the extent any part of this discussion refers to future individual or Company performance goals and targets, such references are made only to assist in the comprehension of our compensation and benefit programs. No such reference should be considered to be a projection or forecast of future Company performance.

Our Named Executive Officers

For fiscal year 2014, our Named Executive Officers (NEOs) under applicable SEC regulations include:

Executive	Position
William A. Wulfsohn	President and Chief Executive Officer
Tony R. Thene	Senior Vice President & Chief Financial Officer
Gary E. Heasley	Senior Vice President Performance Engineered Products (effective July 22, 2013)
David L. Strobel	Senior Vice President Global Operations
Andrew T. Ziolkowski	Senior Vice President Commercial Specialty Alloys Operations

Fiscal Year 2014 Performance

Ø In fiscal year 2014, Carpenter executed strongly in a challenging market environment.

- Carpenter's Specialty Alloys Operations (SAO) segment increased pounds sold by 7% and improved manufacturing performance and efficiencies compared to fiscal year 2013.

- Carpenter's Performance Engineered Products (PEP) segment drove initiatives which improved financial trajectory.

Ø Carpenter completed important growth-enabling initiatives in fiscal year 2014.

- Completed construction of the Limestone County, Alabama (Athens) premium alloy manufacturing facility and began shipping commercial product.

- Announced a superalloy powder license and long-term supply agreement with Pratt & Whitney.

- Added titanium fastener wire line capacity to the Dynamet operations.

- Installed bar finishing equipment at Carpenter's new facility in China.

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Fiscal Year 2014 NEO Compensation Highlights

Consistent with the performance-driven compensation strategy described below, Carpenter's fiscal year 2014 compensation structure was aligned with the Company's operational performance as well as its total shareholder return performance.

Base Salary Highlights

Base salary increases from fiscal year 2013 to 2014 for our NEOs averaged 4.5%. Base salary for Mr. Ziolkowski was increased by 3%, consistent with the merit wage increases generally implemented for the Company's salaried employees. The other NEOs received larger increases to reflect internal equity considerations and/or changing competitive market pay levels. Specifically, Mr. Wulfsohn's base salary was increased by 5.9%, Mr. Thene's base salary was increased by 5%, and Mr. Strobel's base salary was increased by 4%. Mr. Heasley joined the Company in fiscal year 2014 and, therefore, his base salary was not changed.

Annual Cash Incentive Highlights

Each year the Committee, with input from management, establishes performance metrics that focus our executives on the key drivers of our business. Fiscal year 2014 performance metrics (as detailed in the Annual Cash Incentive section) continued the shift started in 2013 from efficiency metrics to income generating metrics.

For fiscal year 2014, year-end results for Carpenter's Executive Bonus Compensation Plan (EBCP) resulted in 55% of target incentive attainment.

Long-Term Equity Incentives Highlights

Our long-term incentive program is designed to create alignment between our executives and our stockholders. To this end, in our view, our annual equity grants are 100% performance-based, consisting of stock options (25%) and performance-based restricted stock units (RSUs) (75%) vesting over three years. Total grant value for each NEO for fiscal year 2014 awards is detailed under the Long-Term Equity Incentives section. Performance-based RSUs are comprised of two components, those tied to annual Earnings per Share (EPS) goals and those tied to Carpenter's three-year Total Shareholder Return (TSR) vs. Peers for fiscal years 2012 and 2013, and vs. Growth Index for fiscal year 2014 (as detailed in the Long-Term Equity Incentives section). For those cycles concluding at the end of fiscal year 2014, performance attainment was: 0% of target (EPS-based RSUs) and 158% of target (TSR-based RSUs).

In fiscal year 2014, a special one-time stock option incentive award vesting three years from the grant date was granted to certain key employees identified as being important to the successful start-up of Carpenter's new premium alloy manufacturing facility in Limestone County, Alabama

(Athens), including Messrs. Thene, Heasley, Strobel and Ziolkowski (as detailed in the Special Inducement, Recognition or Retention Awards section).

As in past years, target long-term incentive grants are based on an assessment of a NEO's position and responsibilities within the Company, the competitiveness of his or her total compensation and internal equity considerations. However, due to the at-risk nature of the long-term incentive award, executives may not realize any value.

Alignment of Pay with Performance

Carpenter's compensation philosophy targets total compensation for each of our NEOs at the market median; a substantial portion (66% - 80%) of the target total compensation is delivered through variable performance-based incentives that are at risk. Carpenter's performance-driven compensation program has maintained a strong alignment between Company performance, as measured by stockholder value creation and key financial metrics, and total direct compensation (TDC). TDC consists of base salary, target annual cash incentive and the grant date target value of long-term incentive awards.

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Good Compensation Governance Practices

Our executive compensation program reflects our strong commitment to good governance, as follows:

- Ø No Option Repricing: Our long-term incentive plan does not permit repricing of stock options without stockholder approval. Additionally, the plan does not permit cash buyout of underwater options.
- Ø Elimination of Excise Tax Gross-Ups: The Company's Amended and Restated Change in Control Severance Plan (effective September 1, 2010) eliminated the gross-up on excise taxes.
- Ø Committee Discretion to Reduce Annual Cash Incentive: The Human Resources Committee retains discretion to reduce annual cash incentive payouts in appropriate circumstances.
- Ø Vesting of Equity Awards: most equity awards vest over a three-year period. Stock options vest 1/3 each year, TSR-Based RSUs vest 100% at the end of three years, and EPS-Based RSUs vest 50% in Year 2 and 50% in Year 3.
- Ø Dividend Payments: We do not pay dividends on unearned shares.
- Ø Limited Perquisites: We provide a minimal level of perquisites to our NEOs, consisting primarily of financial and tax counseling, tax preparation, medical examinations and relocation expenses.
- Ø Equity Ownership Guidelines: We maintain equity ownership guidelines that require that Vice Presidents and above achieve an equity ownership level, over a five-year period, equal to a certain multiple of base salary. For the CEO, the level is 5x base salary; for all other NEOs, the level is 3x base salary. Each of our NEOs, except Messrs. Heasley and Thene (both of whom were hired in calendar year 2013), is currently in compliance with these guidelines.
- Ø Hedging/Pledging of Company stock: The Company's policy prohibits hedging or pledging of Company stock by our NEOs and directors.

Consideration of Results of Stockholder Advisory Vote on Executive Compensation (Say-on-Pay)

At the 2013 Annual Meeting, stockholders were presented with an advisory vote on executive compensation, which was approved by approximately 99% of the votes cast on the proposal. These results continue to demonstrate strong stockholder support for Carpenter's overall executive compensation program. The Human Resources Committee reviews the results of Say-on-Pay votes when considering future executive compensation structure and potential changes to the executive compensation program.

After considering the previous year's favorable Say-on-Pay vote of the stockholders, the Human Resources Committee did not make any significant changes to the design of the executive compensation program for fiscal year 2014.

This year, the Company is again providing stockholders with an opportunity to express their views with another Say-on-Pay stockholder advisory vote. For more information, please see Proposal No. 3 Advisory Vote to Approve the Compensation of the Company's Named Executive Officers on page 62.

OUR COMPENSATION PHILOSOPHY AND OBJECTIVES

The Human Resources Committee is charged with setting all executive officer pay and reviewing all executive compensation in accordance with its charter. The Human Resources Committee also has a Compensation Sub-committee for the purpose of reviewing and approving NEO Performance-based equity grants and for facilitating compliance with certain exemptions from the deduction limitations of Section 162(m) of the Internal Revenue Code. The term Human Resources Committee as used herein also refers to the Compensation Sub-committee as appropriate.

Our overarching principle is oriented around a pay for performance mindset. The Human Resources Committee structures our executive compensation program to reward our senior leaders when they meet or exceed annual financial and operational goals and create long-term value for our stockholders. A significant component of this incentive structure is weighted towards overall leadership team performance against targeted goals, so that, if we meet or exceed our goals, the team earns target or better awards and conversely, if the team fails to meet the minimum thresholds, that component of performance-based compensation may not be awarded. In general, the Company targets total compensation at the median of an individual's market reference point. We consider an

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executive to be within the range of market median if his/her total compensation is +/-15% of the market data reference point.

The Human Resources Committee routinely reviews all components of compensation for our executive officers. The Human Resources Committee draws upon several resources during this process, and its members consider, among other things, competitive surveys, public compensation filings of our compensation peer group companies, other relevant market data, and recommendations made by our Chairman, CEO, external compensation consultants and members of our Human Resources Department. The resulting executive compensation program is designed to achieve the following:

- Motivate and reward our executives to:
 - (i) achieve or exceed the Company's financial and non-financial performance objectives; and
 - (ii) propel the Company's business forward through focus on operational excellence and execution of our business strategy;
- Link executives' compensation with specific business objectives set by the Company's senior management and Board and with the interests of our stockholders, by tying a significant portion of personal income opportunity to the value of our stock;
- Reinforce the importance of accountability and team cooperation by tying a significant portion of executive compensation to overall Company performance;
- Motivate, attract and retain talented leaders who are, and will continue to be, needed for the implementation of our growth and operational excellence strategies;
- Provide the Human Resources Committee discretion to reward individual performance or accomplishments, while also emphasizing teamwork and the Company's overall success; and
- Be competitive with compensation packages offered by our peers and other companies with which we compete for talent.

OUR COMPENSATION PROGRAM

Compensation Consultants

For purposes of its fiscal year 2014 determinations, the Human Resources Committee engaged Pearl Meyer & Partners (PM&P), an outside compensation consulting firm, to conduct a competitive assessment of our executive compensation program for the NEOs and to make recommendations to the Human Resources Committee for the Human Resources Committee's review and approval. PM&P was also retained by the Human Resources Committee in fiscal year 2014 to update and review peer group member companies, and to provide advice as needed to the Human Resources Committee on an ongoing basis. Separately, the Human Resources Committee engaged Compensation Advisory Partners LLC (CAP), an outside compensation consulting firm, to conduct a TSR analysis and an annual risk assessment of the Company's compensation programs. CAP also regularly attends Human Resources Committee meetings to provide advice and information on compensation trends and regulatory developments in the market.

The Human Resources Committee believes that there was no conflict of interest between the Company and either PM&P or CAP during fiscal year 2014. In reaching this conclusion, the Human Resources Committee considered the factors set forth in the SEC rule effective July 27, 2012 regarding compensation advisor independence. Specifically, the Human Resources Committee has analyzed whether the work of PM&P or CAP as compensation consultants raised any conflict of interest, taking into consideration the following factors: (i) the provision of other services to the Company by the consultant; (ii) the amount of fees from the Company paid to the consultant as a percentage of the consultant's total revenue; (iii) the policies and procedures of the consultant that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the consultant or the individual compensation advisors employed by the consultant with an executive officer of the Company; (v) any business or personal relationship of the individual compensation advisors with any member of the Human Resources

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Committee; and (vi) any stock of the Company owned by the consultant or the individual compensation advisors employed by the consultant.

Benchmarking and Comparator Group Analysis

In developing competitive compensation recommendations with respect to the NEOs, the consultants established a benchmark match for each position, except Mr. Heasley's, who joined the Company in fiscal year 2014, based on a broad perspective of the relevant market and detailed competitive survey data and proxy disclosures of peer companies, for each of the following elements of compensation:

- base salary;
- target annual cash incentive;
- target total cash compensation;
- expected value of long-term incentives; and
- target total direct compensation.

The Human Resources Committee used this benchmark data and it also accepted the consultants' recommendations that it use a comparator group for competitive compensation analysis that consists of nine public companies that manufacture and sell specialty metals and related products and that draw upon similar executive talent (the Comparator Group). The Comparator Group used by the Human Resources Committee for fiscal year 2014 consisted of the below public companies operating in various parts of the world with median revenue of \$3.6 billion. These companies were selected for inclusion in the Comparator Group based on industry, size, US-based headquarters, with a particular focus on companies with which Carpenter competes for executive talent, customers and/or investor capital.

(\$ in millions)	As of 6/30/2014	
<u>Company Name</u>	<u>Revenue</u>	<u>Mkt. Cap.</u>
Precision Castparts Corp.	\$9,777	\$36,538
Allegheny Technologies Inc.	\$3,994	\$4,897
Cabot Corporation	\$3,639	\$3,740
Kennametal Inc.	\$2,837	\$3,636
Hexcel Corp.	\$1,771	\$4,000
Kaiser Aluminum Corporation	\$1,310	\$1,314

Barnes Group Inc.	\$1,195	\$2,089
RTI International Metals, Inc.	\$775	\$816
Haynes International, Inc.	\$448	\$702

While the Human Resources Committee uses benchmark data as a reference point, it is not the sole determining factor in making our executive compensation decisions. In addition to the market reference point, the Human Resources Committee also considers an individual's performance and their criticality to the organization as further discussed below. The market data is used primarily to ensure that, in totality, our executive compensation program is competitive when the Company achieves targeted performance levels.

Key Elements of Our Fiscal Year 2014 Compensation Program

The Company's compensation program is designed to be competitive and align the interests of our executive officers and other senior leaders with Company performance and stockholder returns. For our NEOs, this is accomplished through a mix of base salary and performance-based rewards, including performance-based cash incentives and equity awards, as well as minimal perquisites, retirement plans and post-employment benefits. Performance-based compensation (annual and long-term) continues to constitute the largest portion of total compensation. A brief overview of each element of compensation is provided in the chart below, with further details provided later in this CD&A.

Table of Contents**Elements - Overview**

Compensation Element	Description	Rationale
Base Salary	<ul style="list-style-type: none"> Fixed component of pay targeted at the median of the market. 	<ul style="list-style-type: none"> Provides compensation for executive to perform his/her job functions.
Annual Cash Incentive	<ul style="list-style-type: none"> Delivered in cash annually; Tied to achievement of financial and operational goals (operating income, free cash flow, Athens and safety metrics); and Executives can earn 0-200% of their target award based on achievement of pre-established targets. 	<ul style="list-style-type: none"> Rewards for achievement of key drivers of long-term value; and Provides strong line-of-sight and reinforces key priorities of the organization.
Stock Options (25% of long-term incentive)	<ul style="list-style-type: none"> Granted with an exercise price equal to the fair market value of Carpenter stock at the date of grant; and Vests ratably over three years. 	<ul style="list-style-type: none"> Provides strong tie to stockholder value as executives only realize value if the stock price increases; and Vesting period assists with retention.
TSR-Based Restricted Stock Units (40% of long-term incentive)*	<ul style="list-style-type: none"> Executives can earn 0-200% of their target award based upon our TSR compared to growth index over a three-year period; and Immediately vests at the end of the three-year period, if earned. 	<ul style="list-style-type: none"> Provides strong tie to stockholders as it only delivers maximum value if our stock performance far exceeds that of the growth index; and Performance period assists with retention.
EPS-Based Restricted Stock Units (35% of long-term incentive)*	<ul style="list-style-type: none"> Executives can earn 0-200% of their target award based upon actual EPS achieved compared to our annual EPS goal; If an award is earned at the end of the first year, the award will vest 50% over each of the next two years; and May elect to receive payment in cash or stock. 	<ul style="list-style-type: none"> Focuses executives on achievement of our EPS goal, which is strongly tied to stockholder value creation; Provides line-of-sight as senior leaders have the greatest ability to drive EPS; and Vesting period assists with retention.

* Dividends are not paid on these RSUs until the RSUs are earned.

The Human Resources Committee developed fiscal year 2014 compensation levels by taking into account the general philosophy and objectives summarized above. The Human Resources Committee benchmarked against the Comparator Group and survey data, and took into account the differing fiscal years of members of the Comparator Group, which complicates financial and compensation comparisons when there is a significant shift in customer demand or commodity costs.

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NEO pay is targeted to be within the competitive range (+/- 15%) of market median. In isolated circumstances, we will deviate from the target pay positioning based on several factors, including:

- Attraction and retention needs;
- Individual performance; and
- Internal equity issues.

The Human Resources Committee established fiscal year 2014 compensation components for the NEOs relative to the Comparator Group and survey data as follows:

- Base salary approximating the 50th percentile, reflecting the Company's desire to provide competitive fixed compensation to motivate, attract and retain talent;
- Target total cash compensation (consisting of base salary plus target annual cash incentive) approximating the 50th percentile; and
- Target total direct compensation (consisting of target total cash compensation plus the target value of long-term equity incentives) approximating the 50th percentile.

A compensation program (as illustrated below) which targets market median positioning, but delivers the majority of that compensation through performance-based compensation elements ensures proper alignment with our stockholders and ties the ultimate value delivered (above/below target) to NEOs to Company performance.

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Positioning of compensation relative to median for each of the NEOs is provided below:

Executive	Base Salary	Target Total Cash Compensation (Salary + Target Annual Cash Incentive)	Target Total Direct Compensation (Target Total Cash Compensation + Grant Date Value of Target Long-term Incentive)
William A. Wulfsohn	0%	-4%	-1%
Tony R. Thene	4%	12%	0%
Gary E. Heasley*	N/A	N/A	N/A
David L. Strobel	-1%	6%	3%
Andrew T. Ziolkowski	-9%	1%	0%

* Mr. Heasley's position was not benchmarked since he was hired July 22, 2013.

As mentioned above, individual compensation levels for each NEO may vary based on performance. The Human Resources Committee may further differentiate the performance of NEOs through multiple mechanisms, including:

- The ability to reduce, upon the CEO's recommendation, the annual cash incentive for an individual by up to 50% based on that individual's performance; and
- The ability to grant equity awards, upon the CEO's recommendation, including RSUs and stock options, to top performers.

Base Salaries

The Human Resources Committee reviews base salaries annually and may also do so in connection with a promotion or other major change in responsibilities. In performing such a review, the Human Resources Committee usually considers, among other factors, the person's job duties, critical skills, performance and achievements; the level of pay relative to comparable persons at relevant companies reviewed by the Human

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Resources Committee, including the Comparator Group discussed above; and retention concerns.

The Human Resources Committee considered these factors in setting salaries for fiscal year 2014, and awarded the NEOs base salary increases averaging 4.5%. Base salary for Mr. Ziolkowski was increased by 3%, consistent with the merit wage increases generally implemented for the Company's salaried employees. The other NEOs, with the exception of Mr. Heasley who joined the Company in fiscal year 2014, received larger increases to reflect internal equity considerations and/or competitive market pay practices as noted below.

NEO	Base Salary Increase (%)	Rationale
William A. Wulfsohn	5.9%	Alignment with market rates for scope of responsibilities
Tony R. Thene	5.0%	Alignment with market rates for scope of responsibilities
David L. Strobel	4.0%	Alignment with market rates for scope of responsibilities

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Upon Mr. Heasley's appointment as Senior Vice President Performance Engineered Products during fiscal year 2014, his base salary was \$370,000.

Annual Cash Incentive

The Company maintains an Executive Bonus Compensation Plan (EBCP) because it believes that a significant portion of a NEO's potential compensation should be contingent on Company business results and his or her successful leadership of the Company's business that ultimately drives long-term value for our stockholders. The Human Resources Committee oversees the EBCP and establishes the metrics that will be used each year, with input from management and outside compensation consultants. For fiscal year 2014, the metrics, the respective weightings and the rationale for the selection of each metric for the NEOs are detailed below.

Fiscal Year 2014 Annual Cash Incentive Metrics Summary

Metric	Definition	Weighting	Rationale
Operating Income	<ul style="list-style-type: none"> Net Sales minus Operating Expenses includes (1) cost of sales and (2) selling, general and administrative expenses; and excludes pension earnings, interest and deferrals. 	48%	<ul style="list-style-type: none"> Focuses management on driving top line growth and managing expenses; Drives line-of-sight and focuses on factors most in the organization's control; and When considered in conjunction with EPS used in long-term incentive, focuses management on the overall profitability of the organization.
Free Cash Flow	<ul style="list-style-type: none"> Cash flows provided from Operating activities less: (1) cash paid for purchases of property, equipment and software, (2) dividends paid, and (3) cash paid for the acquisition of businesses; plus: (1) cash received from the disposal of property and equipment, and (2) cash received from the sale of businesses. 	12%	<ul style="list-style-type: none"> Focuses management on achievement of positive free cash flow through increased earnings and aggressive management of working capital levels and capital expenditures.
Athens Metrics	<ul style="list-style-type: none"> Comprised of three Athens related metrics (each weighted equally): (1) date of first saleable product, (2) on-budget (net capital project), and (3) sold products. 	32%	<ul style="list-style-type: none"> Focuses management on the Athens start-up and production to achieve positive Return on Investment; and Drives accountability for Athens capital expectations from cost, timing and output/sale perspectives.
Safety Metrics		8%	

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- Measured using TCIR (Total Case Incident Rate) and reported in terms of percent improvement over prior fiscal year.

- TCIR is defined as the average number of work-related injuries incurred by 100 workers during a one-year period.

- Emphasizes that our employees' safety is an integral part of our culture.

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The Human Resources Committee sets performance goals for each metric. Overall achievement of all goals results in payment of the following annual cash incentive for the fiscal year:

Incentive Opportunity as % of Base Salary

NEO	<u>At Threshold</u>	<u>At Target</u>	<u>At Maximum</u>
William A. Wulfsohn	62.5%	125%	250%
Tony R. Thene	50%	100%	200%
Gary E. Heasley	50%	100%	200%
David L. Strobel	50%	100%	200%
Andrew T. Ziolkowski	50%	100%	200%

If performance on a particular metric does not reach the minimum level set forth in the EBCP Metrics and Attainment table, no incentive payout is earned under the EBCP for that metric in the normal course. The overall attainment is based on the total weighted attainment of all of the individual metrics.

As part of the Human Resources Committee's data verification process for approving EBCP awards, performance data relative to the Company's operating results for financial reporting purposes is reviewed by the Audit/Finance Committee of the Board before being applied by the Human Resources Committee in making its award determinations.

For fiscal year 2014, the achievement targets for the Operating Income, Free Cash Flow, Athens and Safety metrics, and actual year-end attainment adjusted as described below, were as follows:

EBCP Metrics and Attainment

(\$ in Millions)	Weight	50%	100%	200%	Year End Result	Actual Attainment
Operating Income	48%	\$253	\$285	\$314	\$237	0%
Free Cash Flow	12%	(\$140)	(\$132)	(\$66)	(\$135)	82%
Safety*	8%	0%	10%	25%	10%	100%
Athens metrics **	32%					117%
Overall Attainment	100%					55%

* percentage of improvement over fiscal year 2013

**Athens Metrics

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	0%	50%	Attainment % 100%	150%	200%	Year End Result	Actual Attainment
Date of first saleable product	Fiscal Year 2015	May 2014	April 2014	Prior to April 1, 2014		March 2014	150%
On budget (net capital project)	> 105%	103% - 105%	98% - 102%	< 98%	All Three Metrics at 150%	96%	150%
Sold product (tons)	0 Tons	1,000	1,000 - 2,000	> 2,000		1,000	50%
Attainment							117%

These specific targets were selected by the Human Resources Committee after reviewing the Company's operating plan and the environment within which the Company operates, and using its judgment to define appropriate targets to align the relationship between pay and performance. Targets are based on the Company's 2014 operating plan, which considers many factors, including:

- Broad macro-economic factors that affect our business;
- Industry factors that affect us directly or the industries we serve; and
- Strategic initiatives underway or planned for the upcoming year.

The threshold and maximum operating income targets were set at -11% and +10% of the operating plan, respectively.

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The primary financial objectives for setting the fiscal year 2014 annual incentive metrics were to encourage earnings performance in an uncertain market environment along with incremental costs related to the new Athens manufacturing facility. The 2014 annual incentive metrics also focused on driving the completion of the Athens facility, on time, in full and on budget. Additionally, the Company wanted to maintain its strong financial position (balance sheet) by funding the remaining Athens investment through income generation and aggressive management of working capital levels in the context of planned sales increases.

For fiscal year 2014, the Human Resources Committee determined that the year-end results of each metric (see the Attainment column in the above EBCP Metrics and Attainment table), weighted as described above, resulted in 55% of overall target incentive attainment. See the Summary Compensation Table column (g) for actual incentive payout for each NEO.

Extraordinary items and items that were unusual in nature, non-recurring or infrequent in occurrence throughout the year, were considered by the Board's Audit/Finance Committee to determine any adjustments to a particular bonus metric attainment. These adjustments were then reviewed and approved by the Human Resources Committee. For determining attainment for fiscal year 2014, adjustments for extraordinary items and unanticipated developments included certain strategic initiatives and other non-recurring expenses.

Long-Term Equity Incentives

The Human Resources Committee uses a Stock-Based Incentive Compensation Plan for Officers and Key Employees (the Executive Stock Plan) to provide equity compensation to NEOs and other key personnel. Our long-term incentive program is designed to create alignment between our executives and our stockholders. To this end, in our view, our long-term incentive program is 100% performance-based and delivered through a combination of three equity vehicles. The Human Resources Committee believes such awards focus executives on the Company's longer-term interests and strategic business decisions and encourage retention. To determine the mix of equity-based compensation for the long-term incentive program, the Human Resources Committee considered current industry trends, practice among our Comparator Group, and the behaviors the awards are intended to drive (balancing performance-based RSU awards and stock options, which focus primarily on operating and stock performance, with the time-based vesting elements of performance-based RSUs and options, which focus primarily on retention). Applying this analysis for fiscal year 2014, the Human Resources Committee granted a mix of stock options and performance-based RSUs, more fully described below. Overall, the mix of incentives for the long-term program is as follows:

Vehicle	Weighting	Description
Stock Options	25%	<ul style="list-style-type: none"> • Vest 1/3 per year on the first three anniversary dates of the grant. • When stock options are granted, the exercise price is the closing share price on the NYSE on the date of the grant. • Options provide a strong tie to stockholders and are inherently performance-based as they only deliver value if the stock price increases.
Performance-based RSUs (TSR)*	40%	<ul style="list-style-type: none"> • Provide executives the opportunity to earn 0-200% of the target award of shares based on our TSR vs. growth index over a three-year period.

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Performance-based RSUs (EPS)*	35%	<ul style="list-style-type: none">• Earned/scored shares are immediately vested at the end of the three-year performance period.• Provide executives the opportunity to earn 0-200% of the target award of shares based on our EPS vs. target over a one-year period.• If any shares are earned/scored at the end of the one-year performance period, they vest 50% per year over the subsequent two years.• May elect to receive payment in cash or stock.
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*Dividends are not paid on these RSUs until the RSUs are earned.

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For fiscal year 2014, the Human Resources Committee relied on benchmarking and each executive's contributions towards corporate goals to determine the following target values of incentives for each NEO under the long-term incentive program:

<u>NEO</u>	<u>LTI Opportunity</u> (thousands)
William A. Wulfsohn	\$2,800
Tony R. Thene	\$700
Gary E. Heasley	\$400
David L. Strobel	\$400
Andrew T. Ziolkowski	\$400

Goals for Performance-Based RSUs

As noted above, our performance-based RSUs are comprised of two components, those tied to three-year relative TSR vs. TSR Peers for fiscal years 2012 and 2013, and vs. a growth index for 2014, and those tied to achievement of annual EPS goals. The goals for the fiscal year 2014 EPS awards are detailed below, with the results noted for the cycle concluded for each component at the end of fiscal year 2014.

Performance Targets for EPS-based RSUs

Performance	EPS	Payout As % of Target
Threshold	\$2.64	50%
Target	\$3.04	100%
Max	\$3.37	200%
Actual	\$2.47	0%

Performance Targets for TSR-based RSUs

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Performance	TSR vs. Peers	Payout As % of Target
Threshold	25th percentile	50%
Target	50th percentile	100%
Max	75th percentile	200%
Actual*	65th percentile	158%

* Reflects achievement of FY12 3-year performance period; the achievement for FY14 3-year performance targets will be determined in FY16. (See the Long-Term Equity Incentive Plan illustration)

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For the fiscal year 2014 grant of TSR-based RSUs, performance is assessed against the Russell Materials & Processing Growth Index. It should be noted that the TSR peers differ from the compensation peers due to several factors, including:

- **Size** size of a company is less of a factor in stock performance, but does have greater influence on compensation paid to executives; and
- **Domestic vs. International** due to constraints of disclosure, we focus the compensation peers on United States-based companies as the level of disclosure of compensation practices outside the United States varies on a country-by-country basis.

Participants may elect to receive payment under the 1-year EPS-based performance award program in either cash or Carpenter stock. An election to receive cash payment of the award must be made on the earlier of the last day of the fiscal year in which the award is granted and six months prior to the end of the performance period. The Human Resources Committee will condition the cash election on the individual's having met the holding requirement under the Company's equity ownership guidelines. Even if an election is made to receive payment in cash, the award continues to be denominated as a unit until payment and therefore its value will continue to be tied to the Company's stock price. A participant may also elect a deferral option, whereby an individual participant may defer payment of his or her earned EPS-based performance awards until a specific date or event, including separation of service, Disability or a Change in Control event. Upon such date or event, the Company distributes the participant's deferred award in a lump sum or in 10 annual installments, as the participant may elect.

The following chart illustrates graphically the long-term equity incentive plan described above. Actual long-term incentive awards for fiscal year 2014 for each NEO are set forth in the Summary Compensation Table, columns (e) and (f).

Long-Term Equity Incentive Plan Illustration

Special Inducement, Recognition or Retention Awards

From time to time, the Human Resources Committee identifies circumstances giving rise to the need to issue an incentive award, other than during the ordinary cycle, to fulfill particular retention or incentive objectives or to recognize special achievements or contributions to the Company.

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Upon recommendation of the CEO, the Human Resources Committee approved a special one-time incentive award in fiscal year 2014 to certain key employees identified as being important to the successful start-up of Carpenter's new Athens facility. This special stock option award was provided to Messrs. Thene, Heasley, Strobel and Ziolkowski relative to their roles and contributions to this Athens initiative. The options will vest and become 100% exercisable three years from the grant date. The respective fair market value at time of grant for these awards is as follows:

Tony R. Thene	\$168,750
Gary E. Heasley	\$100,000
David L. Strobel	\$300,000
Andrew T. Ziolkowski	\$300,000

Equity Ownership Guidelines

Equity awards earned through the Company's long-term incentive program help NEOs and other executives adhere to the Company's equity ownership guidelines. These guidelines require that Senior Vice Presidents and above hold specific values of equity expressed as a multiple of the executive's base salary. Holdings may consist of either earned restricted or unrestricted stock or stock units, including shares held in retirement accounts, and there is a five-year phase-in period for satisfying the minimum equity holding requirements. All NEOs satisfied the Company's equity holding requirements, with the exceptions of Messrs. Heasley and Thene, both of whom joined the Company in calendar year 2013. The Human Resources Committee, with the input of outside consultants, reviews these requirements regularly and continues to believe these levels are competitive with the market:

Executive Level	Multiple of Base Salary
Chief Executive Officer	5x
Senior Vice Presidents	3x

Retirement and Post-Employment Benefits

We believe retirement plans and other post-employment benefits serve to attract and retain talented personnel generally.

The General Retirement Plan for Employees of Carpenter Technology Corporation (GRP) is a tax-qualified plan that generally provides retirement benefits to employees, including NEOs, at age 65 (with five years of service), from age 55 (with ten years of service), or at any age with 30 years of service. For most employees, including the NEOs, these benefits are based on either: (a) a fixed monthly rate for each year of service; or (b) the sum of (i) the employee's highest average annual earnings multiplied by 1.3% for each of the first 20 years of service, and (ii) the employee's highest average annual earnings multiplied by 1.4% for each year of service over 20. This average is calculated from the highest five annual periods (within the last 20 years) ending on the date of retirement. Earnings generally include all salaries, bonuses and other cash compensation. The GRP includes Qualified Supplemental Retirement Benefits (QSERP) under the GRP provision, which serve to reduce

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the Company's obligations under its non-qualified defined benefit plans (described below) by providing the maximum available benefit under the GRP permitted by applicable nondiscrimination rules under the Internal Revenue Code of 1986, as amended. The GRP and QSERP were closed to new hires and rehires effective January 1, 2012, and therefore do not apply to Messrs. Heasley and Thene, both of whom commenced employment with the Company in calendar year 2013. Benefits under the QSERP were frozen effective January 1, 2014.

The Company has two restoration plans for those participants whose benefits under the GRP are reduced by limitations under the Internal Revenue Code (the Code). The Earnings Adjustment Plan of Carpenter Technology Corporation (EAP) restores any benefits lost under the GRP due to Code limitations on compensation that may be considered in the calculation of benefits under the GRP. The Benefit Equalization Plan of Carpenter Technology Corporation (BEP) restores any benefits lost under the GRP as a result of Code limitations on the maximum annual benefit that may be payable under the GRP. In general, benefits under these plans are subject to the same administrative

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rules as the GRP. Each NEO, with the exceptions of Messrs. Heasley and Thene, is eligible for benefits under the EAP and the BEP.

Our Officers and Key Employees Supplemental Retirement Plan of Carpenter Technology Corporation (OSRP) provides supplemental pension benefits to participants, including NEOs, whose benefits will be reduced under the GRP because of income that they elected to defer under the Company's deferred compensation plan. This plan aids our ability to retain talent by ensuring that a participant's post-retirement income reflects all of his or her actual earnings during active employment. The OSRP restores reductions that occur under the GRP because of income deferrals, without regard to any limitations under the Code. These benefits are subject to the same administrative rules as the GRP. Each NEO, with the exceptions of Messrs. Heasley and Thene, is eligible for benefits under the OSRP.

Messrs. Strobel and Ziolkowski have been designated by the Board as participants under our Supplemental Retirement Plan for Executives of Carpenter Technology Corporation (SRP), which was designed to provide a minimum level of post-retirement income to such persons in recognition of their service and dedication to the Company at the management level. This supplemental benefit is payable for a fixed term of fifteen years, generally commencing in the seventh month following eligibility for GRP monthly payments. The Human Resources Committee determined in fiscal year 2010 that the Company's goals underlying the SRP could be better achieved using alternative means. Accordingly, the Board of Directors decided on June 29, 2010 to use compensation programs, primarily long-term incentives, to attract and retain mid-career hires, rather than rely upon the SRP, as we believe such long-term incentives further support the Company's goal of tying pay to performance. The Board therefore, effective June 30, 2010, closed entry into the SRP and enacted a freeze on SRP benefits to be earned by current active participants in the plan. Under the freeze, future accruals (5% of a participant's highest annual earnings per year of service for up to ten years of participation) ceased effective December 31, 2012.

The Health Protection Account (HPA) provides retiree medical benefits for certain employees, including NEOs, who are eligible to receive an immediate retirement benefit from the GRP upon termination of employment. The benefits are equal to monthly credits that participants can use to pay for qualified medical expenses, including the ability to buy into the Carpenter-sponsored retiree medical plans. The monthly credits are determined at retirement by multiplying a participant's earned percentage by the applicable premiums for the Carpenter-sponsored retiree medical plan in the year of retirement and vary before and after the age at which a participant and/or dependents are eligible for Medicare. Monthly credits are capped at \$528 per month pre-Medicare and \$338 per month post-Medicare for single coverage and at \$922 per month pre-Medicare and \$593 per month post-Medicare for family coverage. The earned percentage is equal to 3% per year of continuous service but not less than 50% nor more than 90%. The HPA was closed to new hires effective January 1, 2012, and therefore does not apply to Messrs. Heasley and Thene, both of whom commenced employment in calendar year 2013.

The Company also provides retiree life insurance benefits for some employees, including NEOs, who are eligible to receive an immediate retirement benefit from the GRP upon termination of employment. The face amount of the retiree life insurance benefit is equal to \$5,000.

Benefits for NEOs under the above plans are discussed in detail in the Executive Compensation section of this Proxy Statement.

Savings Plans and Deferred Compensation Plan

Our Savings Plans are tax-qualified profit sharing plans. The Company has a savings plan available to employees of the Company and certain affiliates who were hired prior to January 1, 2012, a savings plan available to employees of the Company and certain affiliates who were hired

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on and after January 1, 2012, a savings plan for employees of Amega West Services LLC, and a savings plan for collectively bargained employees of Latrobe Steel Company (together referred to as the Savings Plans). As further described in the Tax-Qualified Defined Contribution Pension Plans section on page 54, NEOs participate in one of the first two savings plans listed above. If the Company's contribution to a savings plan for any executive is limited under the Code, the executive will receive any lost contributions under the Company's deferred compensation plan discussed immediately below.

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The Company sponsors a non-qualified, deferred compensation plan for executives, including NEOs, to supplement its tax-qualified Savings Plans. Executives may annually defer up to 100% of their base pay and entire cash incentive payout. Each executive, including NEOs, is fully vested in all amounts deferred under this plan, including any Company contributions. These sums are deliverable to the executive later, either on a date selected by the person or upon the occurrence of a specified event.

Perquisites

Perquisites are not a focus or significant part of our executive compensation program. The Company provides a limited number of perquisites and other personal benefits to NEOs, which it believes are reasonable and consistent with its goal to motivate, attract and retain key executives. Carpenter believes the perquisites offered also provide benefit to the Company (e.g., encourage executives to manage their health). The following perquisites are available to each NEO:

- Tax preparation fees up to \$1,500 (annually);
- Financial planning and tax planning expenses up to \$8,500 (annually);
- Medical examination up to \$7,500 (annually or bi-annually, depending on age); and
- Employment relocation expenses.

Carpenter believes these items are advantageous to the Company and its stockholders, and they keep these executives focused on the legitimate interests of the business.

Health Benefits and Disability Insurance

The Company currently provides its executive officers with the same health and disability insurance plans afforded to all employees of the Company. In addition, as mentioned in the Perquisites section above, the Company encourages each executive officer to have a periodic physical examination, reimbursing the executive for certain additional out-of-pocket health costs associated with it that are not covered by the Company's self-funded plan. This reimbursement is tax deductible to the Company.

Severance and Employment Arrangements

On June 29, 2010, the Board of Directors approved an executive severance plan, effective July 1, 2010, to create a standard practice of addressing executive severance in certain circumstances. The plan provides for the continuation of certain elements of compensation and benefits following a termination without cause or resignation for good reason in the absence of a Change in Control. The continuation period is 18 months for the CEO and 12 months for an Executive Vice President, Senior Vice President or Vice President.

Mr. Wulfsohn has a separate written agreement with the Company relating to his employment, entered into on June 3, 2010, effective July 1, 2010. So long as this arrangement remains in existence, the executive severance plan described above does not apply to Mr. Wulfsohn. This arrangement does not require a minimum period of employment for Mr. Wulfsohn. The arrangement provides for the continuation of certain minimum levels of salary during his employment tenure and for payments in some termination circumstances. With respect to payments upon separation from employment from the Company under some circumstances, Mr. Wulfsohn is entitled to payments if his separation is initiated by the Company without cause or is initiated by him for good reason.

Effective September 1, 2010, the Board of Directors approved the Amended and Restated Carpenter Technology Corporation Change in Control Severance Plan (Change in Control Severance Plan). The Change in Control Severance Plan provides for certain payments and benefits to a covered executive whose employment with the Company ceases during the two-year period following a Change in Control of the Company due to (i) a termination without cause or (ii) a resignation for good reason. In such circumstances, an Associate Vice President or Vice President level employee of the Company would receive: (i) one times his or her annual base salary and (ii) continuation of medical and prescription benefits for 12 months. A Senior or Executive Vice President would receive: (i) two times his or her annual base salary and (ii) continuation of medical and prescription benefits for 24 months. Each terminated covered executive would also receive: (i) one times his or her target annual cash incentive and (ii) outplacement services.

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for 12 months. The new Change in Control Severance Plan eliminates the gross-up on excise taxes for all executives. All NEOs except Mr. Wulfsohn are covered under the Change in Control Severance Plan.

Mr. Wulfsohn has a special severance agreement with the Company, which was designed to encourage him to remain with the Company and continue in his duties if there is a pending or potential Change in Control of the Company, and to afford income protection if his position is terminated or significantly changed following a Change in Control.

These agreements and plans are discussed in more detail in the Potential Payments Upon Termination of Employment section of this Proxy Statement.

Tax Deductibility of Compensation

To the extent that the aggregate compensation subject to Section 162(m) of the Internal Revenue Code paid to any NEO (other than our principal financial officer) exceeds \$1 million, it is not deductible by the Company for federal income tax purposes unless it is performance-based as defined in the Code. Cash incentives and RSU grants are performance-based only if they are earned based on achieving objective goals under stockholder approved plans. Cash incentives granted under the EBCP and stock options and performance-based RSUs granted under the Executive Stock Plan are intended to qualify as performance-based compensation under the Code, and each Plan has been approved by the Company's stockholders. The Human Resources Committee has the authority to award compensation that may not be deductible under the Code, such as RSU grants that are solely time-based, if such compensation advances the overall interests of the business. Certain portions of the compensation paid to the NEOs may not be deductible under the Code.

HUMAN RESOURCES COMMITTEE REPORT

The Human Resources Committee, which serves as the compensation committee of the Board of Directors for purposes of applicable NYSE and SEC requirements, has reviewed and discussed the foregoing Compensation Discussion and Analysis (CD&A) with management. Based on such review and discussion, the Human Resources Committee recommended to the Board that the CD&A be included in this Proxy Statement and incorporated by reference into our 2014 Annual Report on Form 10-K.

This report is respectfully submitted by the members of the Human Resources Committee.

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Kathryn C. Turner, Chair
Philip M. Anderson
Steven E. Karol

Gregory A. Pratt
Jeffrey Wadsworth
Stephen M. Ward, Jr.

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The following table contains information concerning the compensation accrued or paid by Carpenter for services rendered during the fiscal years ended June 30, 2014, 2013 and 2012, by Carpenter's CEO, CFO and each of the other NEOs.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (1) (\$)	Option Awards (2) (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation (4) (\$)	Total (\$)
							Earnings (3) (\$)		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Wulfsohn, William A. President and Chief Executive Officer	2014	\$894,764	\$0	\$2,603,921	\$734,260	\$612,865	\$265,230	\$84,911	\$5,195,951
	2013	\$845,467	\$0	\$2,091,671	\$601,481	\$634,738	\$154,777	\$112,711	\$4,440,845
	2012	\$820,578	\$0	\$2,181,147	\$614,712	\$984,229	\$184,806	\$128,484	\$4,913,956
Thene, Tony R. Senior Vice President and Chief Financial Officer	2014	\$449,515	\$0	\$651,032	\$352,322	\$246,360	\$0	\$69,648	\$1,768,877
	2013	\$276,862	\$100,000 (5)	\$350,035	\$0	\$96,463	\$0	\$14,677	\$838,037
Heasley, Gary E. Senior Vice President - PEP	2014	\$350,077	\$0	\$372,037	\$204,913	\$184,334	\$0	\$56,339	\$1,167,700
Strobel, David L. Senior Vice President- Global Operations	2014	\$381,878	\$0	\$372,037	\$404,911	\$209,367	\$719,372	\$32,683	\$2,120,248
	2013	\$360,743	\$0	\$508,084	\$102,945	\$215,915	\$842,102	\$21,662	\$2,051,451
	2012	\$326,250	\$0	\$384,655	\$108,368	\$312,182	\$1,055,329	\$25,626	\$2,212,410
Ziolkowski, Andrew T. Senior Vice President - Commercial SAO	2014	\$380,644	\$0	\$372,037	\$404,911	\$208,768	\$613,192	\$26,156	\$2,005,708
	2013	\$335,147	\$0	\$421,216	\$70,781	\$200,599	\$211,300	\$43,114	\$1,282,157
	2012	\$296,134	\$0	\$564,513	\$74,513	\$211,796	\$609,983	\$31,643	\$1,788,583

(1) The grant date fair value of stock awards granted to our NEOs in fiscal year 2014 was computed in accordance with FASB ASC Topic 718, Compensation - Stock Compensation.

The values shown include time-based restricted stock unit awards and both one- and three-year performance share award opportunities. For the performance share awards, the values in column (e) represent the probable award value on the grant date, which has been determined to be achievement of the relevant performance goals at target. The maximum values of the performance share awards (200% of target) on the grant date were:

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Name	Fiscal Year 2014	
	1 Year Maximum	3 Year Maximum
William A. Wulfsohn	\$1,960,000	\$3,247,813
Tony R. Thene	\$490,000	\$812,029
Gary E. Heasley	\$280,000	\$463,995
David L. Strobel	\$280,000	\$463,995
Andrew T. Ziolkowski	\$280,000	\$463,995

Actual attainment for one-year performance share awards for all NEOs was 0% in fiscal year 2014.

(2) The grant date fair value of option awards granted to our NEOs in fiscal year 2014 was computed in accordance with FASB ASC Topic 718, Compensation – Stock Compensation.

(3) Shows the aggregate change in the actuarial present value of accumulated benefits under all defined benefit plans (including non-qualified plans) from July 1 to June 30 of fiscal years 2014, 2013 and 2012. The amounts were computed using the same assumptions used for financial statement reporting purposes described in Note 10 to the financial statements contained in Carpenter's 2014 Annual Report on Form 10-K. Amounts paid under the plans use assumptions contained in the plans and may be different than those used for financial reporting purposes.

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(4) The amounts shown in this column for fiscal years 2014, 2013 and 2012 are broken down in detail in the All Other Compensation Table below.

(5) Value represents a sign-on bonus received as part of Mr. Thene's employment offer.

All Other Compensation Table (Detail of Summary Compensation Column (i))

Name	Year	Perquisites and Other Personal Benefits (\$)	Insurance Premiums (\$)	Company Contributions to Retirement and 401(k) Plans (\$)	Dividend Equivalents on Restricted Stock Units (\$)	Total (\$)
Wulfohn, William A.	2014	\$16,360 (1)	\$2,027	\$26,681	\$39,843	\$84,911
President	2013	\$5,041	\$1,836	\$29,258	\$76,576	\$112,711
and Chief Executive Officer	2012	\$9,959	\$1,598	\$19,716	\$97,211	\$128,484
Thene, Tony R.	2014	\$35,676 (2)	\$1,351	\$27,805	\$4,816	\$69,648
Senior Vice President and Chief Financial Officer	2013	\$0	\$510	\$11,759	\$2,408	\$14,677
Heasley, Gary E.	2014	\$34,912 (3)	\$1,148	\$20,279	\$0	\$56,339
Senior Vice President - PEP						
Strobel, David L.	2014	\$15,183 (4)	\$1,286	\$11,395		