Koppers Holdings Inc.
Form DEF 14A
April 04, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Koppers Holdings Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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):

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(3) Filing Party:

(4) Date Filed:

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Notice of 2017

Annual Meeting

and

Proxy Statement

Koppers Holdings Inc.

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April 4, 2017

Dear Fellow Shareholder:

You are cordially invited to attend the 2017 Annual Meeting of Shareholders of Koppers Holdings Inc. (Koppers). The meeting will be held at the The Duquesne Club, 325 Sixth Avenue, Pittsburgh, PA 15222 on Thursday, May 4, 2017, beginning at 10:00 a.m. Eastern Daylight Time.

The purpose of the meeting will be to elect eight directors, to approve our Employee Stock Purchase Plan, to hold an advisory vote on executive compensation, to hold an advisory vote on the frequency of future advisory votes on executive compensation and to ratify the audit committee s appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2017.

This booklet includes the Notice of Annual Meeting and Proxy Statement. The proxy statement describes the business we will conduct

at the meeting and provides information about Koppers that you should consider when you vote your shares. Also enclosed is our Annual Report, which includes our consolidated financial statements for 2016.

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

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

Sincerely,

Leroy M. Ball, Jr.

President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING

OF SHAREHOLDERS

Date: Thursday, May 4, 2017
Time: 10:00 a.m. Eastern Daylight Time
Place: The Duquesne Club

325 Sixth Avenue, Pittsburgh, PA 15222

Proposals:

1. To elect eight members of our board of directors.
2. To approve our Employee Stock Purchase Plan.
3. To approve an advisory resolution on our executive compensation.
4. To approve, on an advisory basis, the frequency of future advisory votes on executive compensation.
5. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2017.

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

Record Date:

You can vote if you were a shareholder of record on March 21, 2017.

By Order of the Board of Directors

Steven R. Lacy

Senior Vice President, Administration,

General Counsel and Secretary

April 4, 2017

Your Vote Is Important

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

Important Notice Regarding the Availability of Proxy

Materials for the Annual Meeting of Shareholders to Be Held on May 4, 2017

A complete copy of this proxy statement, proxy card and our annual report for the year ended December 31, 2016 are also available at www.proxydocs.com/KOP.

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2017 Proxy Summary

This 2017 Proxy Summary highlights certain information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider before voting, and we strongly encourage you to carefully read the entire proxy statement before voting.

General Information About This Annual Meeting

Date and Time:	Thursday, May 4, 2017 at 10:00 a.m. Eastern Daylight Time
Location:	The Duquesne Club, 325 Sixth Avenue, Pittsburgh, PA 15222
Record Date:	March 21, 2017
Voting:	Shareholders as of the record date have one vote for each share held on the record date for each proposal.

Who can vote (page 55)

You are entitled to vote if you owned shares of our common stock at the close of business on the record date, March 21, 2017. This proxy statement and the related proxy materials were first mailed to shareholders and made available on the internet on or about April 4, 2017.

How to cast your vote (page 55)

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

Proposals to be Considered and Board Recommendations

Proposal	Board Voting Recommendation	Page Reference
Elect 8 members of the board of directors	**FOR each director nominee**	1
Approve our Employee Stock Purchase Plan	**FOR**	48
Approve an advisory resolution on our executive compensation	**FOR**	52

Approve, on an advisory basis, the frequency of future advisory votes on executive compensation	**ONE YEAR**	53
Ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2017	**FOR**	54

Board Nominees

Name	Age	Director Since	Independent	Committee Memberships
Cynthia A. Baldwin	72	2008	Yes	AC; SHE
Leroy M. Ball, Jr.	48	2015	No	SHE
Sharon Feng, Ph.D.	58	2009	Yes	NCG; SHE (Chair)
David M. Hillenbrand, Ph.D.	69	2004	Yes	SHE
Albert J. Neupaver	66	2009	Yes	AC; MDC; SRC (Chair)
Louis L. Testoni	67	2013	Yes	AC (Chair); NCG; SRC
Stephen R. Tritch	67	2009	Yes	AC; MDC (Chair); NCG; SRC
T. Michael Young	72	2006	Yes	AC; MDC; NCG (Chair); SRC

AC *Audit Committee*
MDC *Management Development and Compensation Committee*
NCG *Nominating and Corporate Governance Committee*
SHE *Safety, Health and Environmental Committee*
SRC *Strategy and Risk Committee*

2016 Performance Highlights:

We continued our transformation into a global leader in wood-based technologies and successfully executed a strategic shift to focus on more fundamentally stable and healthier end markets.

We achieved our best safety performance year ever.

We achieved earnings per share (EPS) of $1.39 for fiscal year 2016. As adjusted for compensation purposes, EPS[1] was $2.60, which represented year-over-year growth of approximately 72%.

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2017 PROXY SUMMARY

Net income attributable to Koppers for 2016 was $29.3 million. As adjusted for compensation purposes, earnings before interest, taxes, depreciation and amortization (EBITDA) was $174.2 million, which represented year-over-year growth of approximately 16%.

We continued to improve the health of our balance sheet, paying down $179 million in debt over the past two years.

Executive Compensation Highlights:

In awarding compensation to each of our named executive officers (NEOs) in 2016, our management development and compensation committee considered the company s overall performance for the year and performance for the business units managed by the NEO, as applicable. The table below reflects, for each NEO, the total direct compensation awarded in 2016.

			Long-Term Incentive			
NEO	**Base Salary**	**Annual Cash Incentive**	**Performance-Based RSUs**	**Stock Options**	**Time-Based RSUs**	**Total Direct Compensation**
Leroy M. Ball, Jr.	$ 716,250	$786,600	$981,488	$449,994	$299,992	$3,234,324
Michael J. Zugay	$ 365,000	$244,120	$291,913	$133,832	$ 89,210	$1,124,075
Steven R. Lacy	$ 405,900	$270,248	$323,150	$148,156	$ 98,772	$1,246,226
James A. Sullivan	$ 338,100	$217,597	$268,426	$123,073	$ 82,038	$1,029,234
Stephen C. Reeder	$ 310,000	$252,030	$243,399	$	$201,492	$1,006,921

Our Summary Compensation Table can be found on page 29. In accordance with SEC regulations, the Summary Compensation Table also reports amounts for Changes in Pension Value and Nonqualified Deferred Compensation and All Other Compensation.

Key Pay-for-Performance Features of Our Executive Compensation Program:

Total compensation consists primarily of base salary, an annual cash incentive and long-term equity incentives.

Under our 2016 Cash Bonus Program, based on our strong adjusted EPS and adjusted EBITDA performance, our CEO received an annual incentive award at 114% of his target. Our other NEOs received annual incentive awards ranging from 111% to 136% of their targets, in certain cases after taking into account adjusted EBITDA performance at the business units they run.
Long-term incentives comprise a significant portion of executives total compensation package, with approximately 50% of such awards consisting of performance-based restricted stock units (RSUs) with a three-year performance measurement period.

Performance-based RSUs do not vest unless a threshold level of performance is achieved.

Executives receive only limited perquisites, all of which are for business-related purposes.

Corporate Governance Highlights:

Majority Voting and Director Resignation Policy	Our board is subject to a majority voting requirement; any director not receiving a majority of votes cast (excluding abstentions) in an uncontested election must tender his or her resignation to the board.
Declassified Board Structure	Our entire board is re-elected every year; we have no staggered elections.
Annual Board and Committee Self-Evaluations	Our board and committees engage in thorough self-evaluations on an annual basis.
No Poison Pill	The company currently does not have a poison pill in place.
Independent Board	Our board is comprised of all independent directors, other than Mr. Ball, and our independent directors regularly meet in executive sessions.
Stock Ownership Guidelines for Directors and Stock Ownership Requirements for Executive Officers	We have adopted stock ownership guidelines for directors and stock ownership requirements for executives that encourage a long-term perspective and ensure that the interests of directors and executives are closely aligned with shareholders.
Corporate Governance Guidelines	We have adopted corporate governance guidelines to ensure we are fully compliant with the law and engaging in corporate governance best practices. These guidelines are reviewed at least annually.

Strong Board Attendance	In 2016, we had cumulative director attendance of 95% at board and committee meetings.

[1] On pages iv-v, 17 and 19-24, we refer to our 2016 adjusted EBITDA and adjusted EPS results. Adjusted EBITDA and adjusted EPS are non-GAAP measures, which provide information useful to investors in understanding the underlying operational performance of our company, its business and performance trends, and facilitates comparisons between periods and with other corporations in similar industries. The exclusion of certain items permits evaluation and a comparison of results for ongoing business operations, and it is on this basis that our management internally assesses the company s performance. In addition, our board of directors and executive management team use adjusted EBITDA and adjusted EPS as performance measures under the company s annual incentive plans. The adjustments to EBITDA and EPS, as well as reconciliations to the most directly comparable GAAP measures are set forth in Annex A of this proxy statement.

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PROXY STATEMENT

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PROXY ITEM 1 PROPOSAL FOR ELECTION OF DIRECTORS

General

We are asking shareholders to elect the eight nominees named in this proxy statement to serve on the board of directors of Koppers Holdings Inc. (the company, Koppers, we or us) until the 2018 Annual Meeting of sharehold or until their successors have been duly elected and qualified.

Each nominee currently serves on our board of directors, has been nominated for election by our nominating and corporate governance committee and approved by our board. The board has nominated Cynthia A. Baldwin, Leroy M. Ball, Jr., Sharon Feng, David M. Hillenbrand, Albert J. Neupaver, Louis L. Testoni, Stephen R. Tritch and T. Michael Young for election.

Each nominee who is elected as a director will hold office for the length of their term or until the director s death, resignation, incapacity or until the director s successor shall be elected and shall

qualify. Vacancies on the board of directors, including vacancies resulting from an increase in the number of directors, will be filled by a majority vote of the directors then in office, even if less than a quorum.

It is the board s policy as set forth in our corporate governance guidelines not to set a limit on the number of terms for which a director may serve. Setting term limits may prevent the contribution of directors who have been able to develop, over a period of time, increasing insight into our business and therefore provide an increasing contribution to the board. Also, management accountability may be undermined by frequent turnover of directors. A director will not be eligible to stand for re-election as a director where he or she has reached the age of 74 before the date of election, unless the board approves an exception to this guideline, which the board has the authority to do on a case-by-case basis.

Vote Required

In any uncontested election of directors, each director will be elected if more votes are cast for the director s election than are cast against the director s election, with abstentions and broker non-votes not being counted as a vote cast either for or against the director s election. A plurality standard will apply in any contested election of directors, which is an election in which the number of nominees for director exceeds the number of directors to be elected.

If any incumbent director fails to receive a majority of the votes cast in any uncontested election, the director will be required to tender his or her resignation to the board of directors within ten days following certification of the election results. The nominating and corporate governance committee of the board of directors, or such other committee as the board may designate, will then recommend to the board whether to accept or reject such director s resignation, or whether other action should be taken. The nominating and corporate governance committee may consider any factors it considers appropriate or relevant in considering whether to accept or reject a director s resignation, or whether other action should be taken. The board will act on the nominating and corporate governance committee s recommendation and publicly disclose its decision within 120 days following the date of the certification of the election results. If the tendered resignation is accepted by the board, the board may fill the resulting vacancy or decrease the number of directors comprising the board in accordance with our bylaws.

Your proxy will be voted FOR the election of these nominees, unless you vote against, or abstain from voting for or against, one or more of them. If any nominee is unable or unwilling to stand for election, your proxy authorizes us to vote for a replacement nominee if the board names one.

Director Qualifications

There are no specific minimum qualifications a nominee must meet in order to be recommended for the board. However, our nominating and corporate governance committee seeks to establish, as required by the committee s charter, a board that consists of individuals from diverse educational and professional experiences and backgrounds, that, when taken as a whole, provide meaningful counsel to management. Board candidates are considered based upon various criteria, such as their broad-

based business skills and experiences, prominence and reputation in their profession, global business perspective, concern for the long-term interests of our shareholders and personal integrity, values and judgment all in the context of an assessment of the perceived needs of the board. In addition, directors must have significant time available to devote to board activities and to enhance their knowledge of our business. Although we do not have a formal policy with respect to diversity, our

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PROXY ITEM 1 PROPOSAL FOR ELECTION OF DIRECTORS

nominating and corporate governance committee considers the diversity of our board as a whole, including the skills, background and experience of our directors.

Our nominating and corporate governance committee believes each member of our board of directors possesses the individual qualities necessary to serve on the company s board of directors, including high personal and professional ethical standards and integrity, honesty and good values. Our directors are highly educated and have diverse backgrounds and extensive track records of success in what we believe are highly relevant positions with large international companies, firms and major private and public institutions. They have each demonstrated an ability to exercise sound judgment and have exhibited a commitment of

service to the company and to the board, and each of our directors possesses strong communication skills. In addition, we believe that each director brings the skills, experience and perspective that, when taken as a whole, creates a board that possesses the requirements necessary to oversee the company s business. Each nominee s particular experience, qualifications, attributes and skills that led the board to conclude that such nominee should serve as a director for the company are set forth below. The committee reviews the board membership criteria and modifies them as necessary each year.

The board of directors recommends a vote FOR the election of all eight nominees.

Biographical Summaries of Nominees

NOMINEES

Cynthia A. Baldwin

Age 72

Director Since 2008

Justice Baldwin served as the Vice President and General Counsel of The Pennsylvania State University, a major public research university, from February 2010 to July 2012. An experienced board member, Justice Baldwin was Chair of the board of trustees of The Pennsylvania State University from 2004 to 2007, and a board member for 15 years before taking her position as Vice President and General Counsel. Justice Baldwin is an emerita trustee of both The Pennsylvania State University and Duquesne University. Justice Baldwin also serves as a director of Vibrant Pittsburgh, a non-profit organization dedicated to bringing a more diverse workforce to Pittsburgh, and the Fulbright Association, a private, non-profit organization which supports and promotes the Fulbright Program of international educational and cultural exchange. She is also the co-chair of the Advisory Board for the Duquesne University School of Law.

Justice Baldwin brings a wealth of knowledge and experience to the board from the legal field and public sector, having served as a partner at Duane Morris LLP, a large international law firm, from March 2008 to February 2010, as a former Pennsylvania Supreme Court Justice from 2006 to 2008, and as Judge on the Allegheny County Court of Common Pleas for 16 years. Prior to serving in the judiciary, Justice Baldwin practiced law in various areas, including real estate law and commercial litigation. Justice Baldwin s experience gives her particular insight into assessing litigation risk.

Leroy M. Ball, Jr.

Age 48

Director Since 2015

Mr. Ball has served as President and Chief Executive Officer of the company and Koppers Inc., our wholly-owned subsidiary, since January 1, 2015. From August 2014 through December 2014, Mr. Ball served as Chief Operating Officer of the company and Koppers Inc. and from May 2014 until August 2014, Mr. Ball served as both Chief Operating Officer and Chief Financial Officer of the company and Koppers Inc. Mr. Ball served as Vice President and Chief Financial Officer of the company and Koppers Inc. from September 2010 to May 2014. Prior to joining Koppers, Mr. Ball was Senior Vice President and Chief Financial Officer of Calgon Carbon Inc., a provider of services, products and solutions for purifying water and air, since 2002. Mr. Ball has been a director of Koppers Inc. since May 2013.

Mr. Ball has significant leadership experience in global businesses and valuable financial expertise and experience. As the only current management representative on our board, Mr. Ball enhances board discussions by providing an insider s perspective on the company s business, operations and strategic direction and insight into all aspects of the company s business.

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PROXY ITEM 1 PROPOSAL FOR ELECTION OF DIRECTORS

Sharon Feng, Ph.D.

Age 58

Director Since 2009

Since September 2012, Dr. Feng has held the positions of Executive Director and Senior Associate Dean for Budget and Strategy of the University of Chicago s Institute for Molecular Engineering, an interdisciplinary research institute and academic unit of a private research university. From February 2010 to August 2012, Dr. Feng served as the Vice President of Business Development of the Coatings, Adhesives and Specialties Division of Bayer MaterialScience LLC, a global supplier of specialty chemicals. Prior to that, Dr. Feng was the Vice President, Industrial and Environmental Affairs/Logistics Management of Lanxess Corporation, a global manufacturer of high-quality products for the chemical, synthetic rubber and plastics industries, from January 2009 through January 2010 and the Vice President, Technical Services/Industrial and Environmental Affairs of Lanxess Corporation from August 2006 through December 2008, with responsibility for that company s risk management and regulatory compliance. From February 2005 to August 2006, Dr. Feng served as the Vice President of Business Development, Coatings and Adhesives, Asia Pacific Region for Bayer MaterialScience LLC and from January 2004 to January 2005, Dr. Feng was the Director of Polyurethane Research, North America, for Bayer MaterialScience LLC.

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

David M. Hillenbrand, Ph.D.

Age 69

Director Since 2004

Dr. Hillenbrand served as President and Chief Executive Officer of the Carnegie Museums of Pittsburgh, a non-profit organization, from July 2005 through February 2011 and from January 2013 to June 2014.

Dr. Hillenbrand has proven experience and leadership within the specialty chemicals industry, having served in a number of senior management positions during his 27-year career with Bayer AG, a global enterprise providing products and services in the fields of health care, nutrition, high-tech materials and specialty chemicals. Dr. Hillenbrand retired from his most recent position with Bayer AG in August 2003, where he was Executive Vice President and a member of the executive committee and Labor Director of Bayer Polymers. Dr. Hillenbrand had previously served as the President and Chief Executive Officer of Bayer AG s Canadian operations for eight years.

Dr. Hillenbrand s board experience also includes The Hillman Company and his service as a trustee of the Carnegie Museums of Pittsburgh.

Dr. Hillenbrand has a depth of experience with our industry and our company, having served as a director of Koppers Inc., our wholly-owned subsidiary, for 16 years and as a director of the company for over 12 years. The board benefits from his intimate knowledge of our operations and corporate philosophy. Dr. Hillenbrand was born in Germany and holds a Ph.D. in Germanics, which, combined with his experience at Bayer AG, gives him an international perspective on the company s operations and growth strategy.

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PROXY ITEM 1 PROPOSAL FOR ELECTION OF DIRECTORS

Albert J. Neupaver

Age 66

Director Since 2009

Mr. Neupaver has served as the Executive Chairman of Westinghouse Air Brake Technologies Corporation, a public company and one of the world s largest providers of value-added, technology-based equipment and services for the global rail industry, since May 2014. From February 2006 until May 2014, Mr. Neupaver served as the President and Chief Executive Officer of Westinghouse Air Brake Technologies Corporation. His operational knowledge and leadership skills are further demonstrated by his additional public company experience at AMETEK, Inc., a leading global manufacturer of electronic instruments and electromechanical devices, where he served as the President of the electromechanical group from 1998 to February 2006.

Mr. Neupaver is also an experienced board member, having served as a director of Westinghouse Air Brake Technologies Corporation since 2006, a director of Robbins & Myers, Inc., a public company and leading supplier of engineered equipment and systems, from January 2009 to February 2013 and a director of Genesee & Wyoming Inc., a public company and owner/operator of short line and regional freight railroads, since October 2015. His other affiliations include service on the board of directors of the Carnegie Science Center and the board of trustees of the Carnegie Museums of Pittsburgh. Mr. Neupaver s experience as a chief executive officer allows him to better assess our operational risks and growth opportunities.

Louis L. Testoni

Age 67

Director Since 2013

Mr. Testoni has served as a member of the board of directors of ABARTA, Inc., a private holding company, since April 2011 and a member of the board of advisors of Henderson Brothers, Inc., a privately-held insurance agency, since December 2012. Mr. Testoni served as an executive in residence at the University of Pittsburgh Katz School of Business, a major public university, from September 2012 until June 2016. From September 2007 through June 2010, Mr. Testoni served as the Lake Erie Market Managing Partner of PricewaterhouseCoopers LLP, an international professional services firm.

Mr. Testoni s board experience also includes his position as a member of the board of trustees of The Frick Art and Historical Center and as a member of the board of Achieving The Dream, Inc., a non-profit seeking to bring under-educated urban youth into colleges for advanced education and technical training. Mr. Testoni also previously served as Chairman of the board of trustees of the Carnegie Library of Pittsburgh and as a director of the Three Rivers Chapter of the National Association of Corporate Directors, a non-profit membership group for corporate board members. In addition to his broad board experience, Mr. Testoni s financial background offers the board a key perspective and depth on financial and accounting matters.

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Stephen R. Tritch

Age 67

Director Since 2009

Mr. Tritch served as the Chief Executive Officer of Westinghouse Electric Company, a global provider of fuel, services, technology, plant design, and equipment for the commercial nuclear electric power industry, from June 2002 to June 2008. While serving in that role, Mr. Tritch had oversight of that company s operations, financial reporting and risk analysis. During his 37 years with Westinghouse Electric Company, Mr. Tritch held a number of management positions, including Senior Vice President Fuel Business Unit, Senior Vice President Integration and Senior Vice President Services Business Unit. His business acumen and proven leadership skills developed through years of managing this international organization provide the board with an executive and leadership perspective on the management and operations of a large company with global operations.

An experienced board member, Mr. Tritch served as the Chairman of the board of Westinghouse Electric Company from June 2006 until his retirement in June 2010. He also served as Chairman of the audit committee of Westinghouse Electric Company. Mr. Tritch served as a director of The Shaw Group, Inc., a public company and a global provider of pumping systems, engineering procurement and construction services, from April 2009 to February 2013. His additional leadership roles include service as the Chairman of the board of trustees at the University of Pittsburgh and as a member of the board of trustees of the John Heinz History Center.

T. Michael Young

Age 72

Director Since 2006

Mr. Young is an executive officer of, and since July 2006 has been a Managing Partner of, The CapStreet Group, LLC, a private equity firm that invests in lower-tier middle market companies.

Mr. Young brings executive management experience and a strong financial background to our board. Mr. Young is a former Partner of Arthur Andersen LLP, formerly one of the largest international accountancy and professional services firms. He was also formerly the Chief Financial Officer of Weatherford International Inc., a public company and one of the largest global providers of mechanical solutions, technology applications, and services for oil and gas developments. Mr. Young was the President and Chief Executive Officer of Metal Supermarkets International, a leading global supplier of small quantity metals, from December 2002 to December 2005. Mr. Young also served as the Chief Executive Officer of a number of other companies including Hi-Lo Automotive, Inc., a supplier of automotive parts, which was acquired by O Reilly Automotive, Inc., and Transportation Components, Inc., a distributor of replacement parts for commercial trucks and trailers.

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

Board Meetings and Committees

Board Meetings

Our corporate governance guidelines provide that our directors are expected to attend the meetings of the board, the board committees on which they serve and the annual meeting of shareholders. All of directors then in office attended our 2016 annual meeting of shareholders.

During 2016, the board held seven meetings. Each incumbent director attended at least 75 percent of the aggregate number of meetings of our board and of the committees on which he or she sat, and the cumulative attendance at meetings of our board and committees of our board during 2016 was 95 percent.

Board Committees

Our board of directors currently has five standing committees: an audit committee, a management development and compensation committee, a nominating and corporate governance committee, a safety, health and environmental committee and a strategy and risk committee. Descriptions of these committees are set forth below. Each of our committees operates under a charter adopted by our board of directors. The charters of our

committees are available on our website at *www.koppers.com*. You may also request a printed copy of any committee charter at no cost by writing to our corporate secretary at Koppers Holdings Inc., Attention: Corporate Secretary s Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219.

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

PROXY ITEM 1 PROPOSAL FOR ELECTION OF DIRECTORS

Audit Committee	*Members: Louis L. Testoni (Chair, Audit Committee Financial Expert), Cynthia A. Baldwin, Albert J. Neupaver, Stephen R. Tritch, T. Michael Young*
All Members Independent *6 meetings in 2016*	**Responsibilities.** The audit committee s responsibilities include oversight of the integrity of our financial statements; the appointment, compensation and supervision of our independent registered public accounting firm, which we also refer to as our independent auditor; review of the independence of our independent auditor; resolution of disagreements between our management and our independent auditor and oversight of our internal audit function. The audit committee has the authority to engage independent counsel or other outside advisors and experts as necessary to advise the committee in the performance of its duties.

Overseeing the Integrity of our Financial Statements. The audit committee s responsibilities include oversight of the integrity of our financial statements, which entails:

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

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

Meeting with the independent auditor, without our management, to discuss the audit or other issues deemed relevant by the audit committee, including, but not limited to significant audit issues or concerns and management s response thereto;

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

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

Reviewing disclosures in our periodic reports filed with the SEC, including the Management s Discussion and Analysis of Financial Condition and Results of Operations section of such reports.

Appointment and Supervision of the Independent Auditor. In connection with the appointment and supervision of our independent auditor, the audit committee s responsibilities include, among other things:

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

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

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

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

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

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

Management Development and Compensation Committee

All Members Independent

5 meetings in 2016

Members: Stephen R. Tritch (Chair), Albert J. Neupaver, T. Michael Young

Responsibilities. The management development and compensation committee is responsible, among other things, for establishing and reviewing compensation criteria at the board and executive levels. The committee seeks to ensure that our compensation practices are in compliance with the law and with our Code of Business Conduct and Ethics and are commensurate with the high standards of performance expected of our directors and officers.

Director and Executive Compensation. The committee will periodically review and propose to the full board the compensation for non-employee directors. Such review must occur at least once every two years. In addition, the management development and compensation committee annually approves and recommends to the board for ratification our chief executive officer s compensation and, based in part on recommendations from our chief executive officer, the compensation structure for all other officers and key executives, including the adoption of cash-based and equity-based incentive and bonus compensation plans.

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

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

Use of Advisers. The management development and compensation committee has the sole power to retain and terminate consulting firms to assist it in performing its responsibilities, including the authority to approve the firm s fees and retention terms. The committee has the authority to obtain advice and assistance from internal or external legal, accounting, human resource or other advisors and to have direct access to such advisors without the presence of our management or other employees. The committee is directly responsible for the appointment, compensation and oversight of the work of any such advisors retained by the committee and may select a compensation consultant, legal counsel or other advisor only after taking into consideration all factors relevant to that person s independence from management, as required by NYSE rules.

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PROXY ITEM 1 PROPOSAL FOR ELECTION OF DIRECTORS

Nominating and Corporate Governance Committee

All Members Independent

4 meetings in 2016

Members: T. Michael Young (Chair), Sharon Feng, Louis L. Testoni, Stephen R. Tritch

Recommendations for Director Candidates. The nominating and corporate governance committee s goals and responsibilities include identifying and recommending individuals qualified to serve as members of the board of directors consistent with criteria approved by the board of directors. The committee identifies candidates for the board of directors by soliciting recommendations from committee members and incumbent directors and considering recommendations from employees and shareholders. The committee also has sole authority to retain and terminate search firms, which will report directly to the committee, to assist in identifying director candidates. The nominating and corporate governance committee charter provides that the committee will ensure that the nominees for membership on the board of directors are of a high caliber and are able to provide insightful, intelligent and effective guidance to our management.

Oversight and Evaluation of the Board and Management. The committee is responsible for the oversight of the evaluation of the board of directors and corporate management. In doing so, the nominating and corporate governance committee evaluates, and reports to the board of directors, the performance and effectiveness of the board of directors as a whole and each committee of the board as a whole (including an evaluation of itself and the effectiveness of the management development and compensation committee in its process of establishing goals and objectives for, and evaluating the performance of, our chief executive officer and our other officers).

Corporate Governance Matters. The committee is committed to ensuring that our corporate governance is in full compliance with the law, reflects generally accepted principles of good corporate governance, encourages flexible and dynamic management without undue burdens and effectively manages the risks of our business and our operations. To accomplish this, the committee developed and recommended to the board of directors a set of corporate governance guidelines. The committee must review and, if appropriate, recommend to the board appropriate changes to the corporate governance guidelines at least once every year and the articles of incorporation, bylaws, the Code of Business Conduct and Ethics and the Code of Ethics Applicable to Senior Officers at least once every two years. The committee is charged with investigating and advising the board with respect to any violations of the Code of Ethics Applicable to

Senior Officers and, to the extent involving directors or officers, the Code of Business Conduct and Ethics, including conflicts of interest between directors or officers and us, and including a review of the outside activities of directors and officers. It is the obligation of each director and officer to bring to the attention of the nominating and corporate governance committee any actual, apparent or possible conflict of interest.

Safety, Health and Environmental Committee	*Members: Sharon Feng (Chair), Cynthia A. Baldwin, Leroy M. Ball, Jr., David M. Hillenbrand*
4 meetings in 2016	Our safety, health and environmental committee is responsible for reviewing our policies and practices that address safety, health and environmental concerns and significant legislative and regulatory trends and developments concerning safety, health and environmental issues. The committee reviews management practices and results to ensure that our managers are promoting proper and government-mandated practices in the areas of safety, health and the environment and that we have written procedures and an audit program in place to ensure proper training, safeguards and controls in these areas. The safety, health and environmental committee s charter requires the committee to meet regularly with the relevant executive officers and senior operations managers accountable for product and process safety, health and environmental programs.
Strategy and Risk Committee	*Members: Albert J. Neupaver (Chair), Louis L. Testoni, Stephen R. Tritch, T. Michael Young*
All Members Independent	Our strategy and risk committee was formed in September 2014. The committee s responsibilities include, among other things:
5 meetings in 2016	Advising the board and management regarding long-range planning in the areas of transactions, financial matters, shareholder engagement, risk management and related matters;
	Assessing and providing oversight to management relating to the identification and evaluation of major strategic, operational, regulatory, information and external risks inherent in the business of the company and the control processes with respect to such risks;
	Reviewing significant relationships with analysts, shareholders, financing sources and related parties;

Reviewing and advising the board and management regarding the company s strategic planning process;

Staying abreast of activities of the company s shareholders and other stakeholders;

Monitoring shareholder turnover;

Reviewing governance as it pertains to the company s shareholder base; and

Preparing in advance in order to respond to engagement from the company s shareholders.

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CORPORATE GOVERNANCE MATTERS

Corporate Governance Guidelines

Our board of directors has adopted corporate governance guidelines to ensure we are fully compliant with the law and engaging in corporate governance best practices, which promote the long-term interests of shareholders and strengthen board and management accountability.

Our corporate governance guidelines address matters such as:

- the selection and composition of the board;
- board leadership;
- board performance;
- the board s relationship to senior management;
- meeting procedures;
- committee matters;
- leadership development; and
- stock ownership guidelines for non-employee directors.

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

Director Independence

For a director to be considered independent, our board must affirmatively determine that a director does not have a material relationship with the company. Our board has established its own guidelines for what constitutes independence for directors (which are included in our corporate governance guidelines) which conform to, or are more exacting than, the independence requirements of the NYSE. In making its independence determinations, the board reviewed the independence guidelines that are part of our corporate governance guidelines, the corporate governance rules of the NYSE and the individual circumstances of each director.

Our Guidelines on Independence

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

- the director was or is currently also our employee;
- an immediate family member of the director was or is currently employed by us as an executive officer;
- the director was (but is no longer) a partner in or employed by a firm that is our internal or external auditor and personally worked on our audit within that time;
- an immediate family member of the director was (but is no longer) a partner in or employed by a firm that is our internal or external auditor and personally worked on our audit within that time;
- one of our current executive officers was or is currently on the compensation committee of a company which employed our director, or which employed an immediate family member of the director as an executive officer at the same time; or
- the director or an immediate family member of the director received in any twelve-month period during such three-year period direct compensation from us and our consolidated subsidiaries in excess of $120,000 other than director compensation (including committee fees) and pensions or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

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

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

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

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

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

- the director serves as an officer, director or trustee of a charitable organization, and our discretionary charitable contributions to the organization exceed the greater of $1.0 million or two percent of that organization s consolidated gross revenues (excluding for this purpose our automatic matching, if any, of employee and director charitable contributions).

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

Our Board s Independence Determinations

Our board of directors reviewed the independence of each of our current directors and nominees, in

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

Board Leadership Structure

Our current practice is that the roles of the chairman of the board and the chief executive officer should be separate because our board believes separating the roles allows the chairman to serve as a check on the chief executive officer and to independently assess the overall performance of the company on behalf of the shareholders. In addition, our board believes it is important to separate the roles of the chief executive officer and the chairman of the board due to the differences between the two roles and the time-intensive responsibilities of each. Our chief executive officer is the officer through whom the board delegates authority to corporate management. He is responsible for setting our strategic direction and

the day-to-day leadership and performance of the company, while ensuring that all orders and resolutions of the board are carried into effect. The chairman of the board, on the other hand, provides guidance to our chief executive officer, presides over meetings of the full board, calls meetings of the board and board committees when he deems them necessary and performs all duties assigned to him by the board. Our chairman of the board is also responsible for acting as chairman at all meetings of our shareholders. Dr. Hillenbrand, one of our independent directors, is currently the chairman of our board and the lead independent director for executive sessions.

Executive Sessions

Our independent directors meet at regularly scheduled executive sessions without management. Our corporate governance guidelines provide that when the roles of the chairman of the board of directors and the chief executive officer are separate and the chairman of the board of directors is not an employee, then the chairman of the board of directors also serves as the independent Presiding Director. The independent Presiding Director presides over the executive sessions of the

independent directors and, together with the members of the nominating and corporate governance committee, develops the agendas for the executive sessions and periodically reviews and proposes revisions to the board s procedures and the corporate governance guidelines. The independent Presiding Director is also responsible for communicating the board s annual evaluation of the chief executive officer.

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CORPORATE GOVERNANCE MATTERS

Risk Oversight

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

Committee	Risk Oversight Responsibilities
Audit	Review with management and our independent auditor the company s risk assessment and risk management practices and discuss policies with respect to risk assessment and risk management Oversee the company s risk policies and processes relating to financial statements, financial systems, financial reporting processes, compliance and auditing, as well as the guidelines, policies and processes for monitoring and mitigating such risks
Nominating and Corporate Governance	Manage risks associated with the independence of the board, potential conflicts of interest, reputation and ethics and corporate governance
Management Development and Compensation	Review risks associated with human capital, employee benefits and executive compensation
Safety, Health and Environmental	Assess regulatory and compliance risks associated with the company s safety, health and environmental performance
Strategy and Risk	Assess and provide oversight to management relating to the identification and evaluation of major strategic, operational, regulatory, information and external risks inherent in the business of the company and the control processes with respect to such risks

Code of Ethics

Our board of directors has adopted a Code of Business Conduct and Ethics for all directors, officers and employees and a Code of Ethics Applicable to Senior Officers. A copy of each code is available on our website at *www.koppers.com*. You may also request a written copy at no cost by writing to our corporate secretary at Koppers Holdings Inc., Attention: Corporate Secretary s Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219. The Code of Business Conduct and Ethics covers such matters as conflicts of interest, insider trading, misuse of confidential

information, compliance with laws and protection and proper use of corporate assets. Directors are expected to comply with the Code of Business Conduct and Ethics and report any violations of the code, including any potential conflicts of interest, as outlined in the code. All directors must remove themselves from any discussion or decision affecting their business or personal interests. We intend to post on our website all disclosures that are required by law, the Form 8-K rules or the NYSE rules concerning any amendments to, or waivers from, any provision of our codes.

Communications with the Board

The board of directors welcomes the input and suggestions of shareholders and other interested parties. Shareholders and other interested parties wishing to contact the chairman of the board or the non-management directors as a group may do so by sending a written communication to the attention of the chairman of the board, c/o Koppers Holdings Inc., Corporate Secretary s Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219. Issues or complaints regarding questionable accounting practices, internal

accounting controls or auditing matters may be sent in writing to the attention of the audit committee chairman, c/o Koppers Holdings Inc., Corporate Secretary s Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219. Our corporate secretary will forward all written communications unopened to the director to whom it is addressed. Alternatively, you may place an anonymous, confidential, toll-free call in the United States to our Compliance Line at 800-385-4406.

Nomination Procedures

The nominating and corporate governance committee will consider nominees for director recommended by the committee, other directors, employees and shareholders and evaluate such nominees against the same criteria used to evaluate all candidates for director. Any shareholder wishing to recommend a candidate for director to the nominating and corporate governance committee should submit the recommendation in writing to our corporate secretary at Koppers Holdings Inc., Attention: Corporate Secretary s Office, 436 Seventh Avenue, Suite 1550, Pittsburgh, Pennsylvania 15219. With respect to the 2018 election of directors, your recommendation to the nominating and corporate governance committee must be received by our corporate secretary on or before December 5, 2017 in accordance with SEC Rule 14a-8.

Pursuant to our bylaws, in order to recommend a nominee for election at our annual meeting, a shareholder must provide advance notice of such nomination by no later than the later of (1) not less than 90 days nor more than 120 days prior to such annual meeting, or (2) if the meeting is to be held on a date other than the third Wednesday in April, the tenth day following the first public disclosure of the date of such meeting. In the case of a special meeting to elect directors, notice must be received no later than the tenth day following the earlier of the day on which notice was mailed or the first public disclosure of the date of such meeting. Any such notice must set forth, among other things: (1) the name, age, address and principal occupation of the nominee; (2) a representation that the notifying shareholder intends to appear in person or by proxy to nominate the nominee; (3) the class and number of shares beneficially owned by the nominee; (4) the number of shares to be voted by the notifying shareholder for the nominee; (5) a description of all arrangements between the notifying shareholder and the nominee and other persons pursuant to which the nomination is to be made; (6) all information about the nominee that would be required to be disclosed in a proxy statement (including a written consent to serving as

director); and (7) a written representation and agreement, (i) disclosing, and providing that if elected that he or she will disclose, any agreement with any person as to how such nominee will act or vote, (ii) disclosing, and providing that if elected that he or she will disclose, any other commitments that could interfere with his or her fiduciary duties, (iii) disclosing, and providing that if elected that he or she will disclose, any agreement with any person with respect to direct or indirect compensation or indemnification for services as director, and (iv) providing that if elected that he or she will comply with all applicable corporate governance, conflict of interest, stock ownership, trading, and other policies and guidelines.

As to the shareholder giving notice, and any person controlled by or controlling such shareholder and beneficial owners, such notice must set forth: (1) their name and address; (2) class and number of shares beneficially owned and of record and any other positions owned, including derivatives, hedges and any other economic or voting interest in the company; (3) a representation whether such person intends to be part of the group which intends to deliver a proxy statement or otherwise solicit proxies from shareholders; (4) whether hedging or other transactions have been made to mitigate a loss of such person; and (5) any other information relating to each party that would be required to be disclosed in a proxy statement.

All notices provided must be updated so that the information provided is true and correct as of the record date and as of the date that is ten business days prior to the meeting.

The company may also require any nominee to submit to background checks and an in-person interview and furnish such other information as reasonably required to determine the eligibility of the nominee to serve as an independent director or that could be material to the understanding of independence.

Under our bylaws, no nominations may now be made by shareholders for the 2017 annual meeting.

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CORPORATE GOVERNANCE MATTERS

Committee Reports to Shareholders

Audit Committee Report

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

In the performance of its oversight function, the audit committee has reviewed and discussed the audited financial statements for the year ended December 31, 2016, with management and with KPMG LLP, our independent auditor for 2016. The audit committee has discussed with our independent auditor the matters required to be discussed by PCAOB Auditing Standard No. 1301, *Communications with Audit Committees* (AS 1301). The audit committee has received the written disclosures and the letter from the independent auditor required by applicable requirements of the PCAOB Ethics and Independence Rule 3526, *Communications with Audit Committees Concerning Independence*, regarding the independent auditor s communications with the audit committee concerning independence and has discussed with the independent auditor its independence. Also, in the performance of its oversight function, during 2016 the audit committee received frequent reports from our director of internal audit.

At various times the audit committee has considered whether the provision of non-audit services by the independent auditor to us is compatible with maintaining the independent auditor s independence and has discussed with KPMG LLP their independence. The audit committee or its chairman (acting pursuant to delegated authority) pre-approves all new non-audit services (as defined in the Sarbanes-Oxley Act of 2002) proposed to be performed by our independent auditor.

Based upon the review and discussions described in this report, and subject to the limitations on the role and responsibilities of the audit committee referred to above and in its charter, the audit committee recommended to the board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2016, for filing with the SEC.

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

Louis L. Testoni (Chairman)
Cynthia A. Baldwin
Albert J. Neupaver
Stephen R. Tritch
T. Michael Young

Management Development and Compensation Committee Report

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

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

Stephen R. Tritch (Chairman)

Albert J. Neupaver

T. Michael Young

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COMMON STOCK OWNERSHIP

Director and Executive Officer Stock Ownership

Set forth below is certain information with respect to the beneficial ownership of shares of our common stock as of March 21, 2017, by directors, the NEOs, who are included in the Summary Compensation Table, and all directors and executive officers as a group. Except as otherwise indicated, sole voting power and sole investment power with respect to the shares shown in the table are held either by the individual alone or by the individual together with his or her spouse.

Name of Beneficial Owner	Shares of Beneficially Owned Common Stock(1)(2)
Cynthia A. Baldwin	17,104
Sharon Feng	21,144
David M. Hillenbrand	13,992
Albert J. Neupaver	35,444
Louis L. Testoni	15,466
Stephen R. Tritch	25,644
T. Michael Young	30,644
Leroy M. Ball	133,815
Michael J. Zugay	31,257
Steven R. Lacy	99,042
James A. Sullivan	24,516

Stephen C. Reeder	17,931
All Directors and Executive Officers as a Group (20 in total)	828,418

(1) Includes the following amounts of common stock that the following individuals and the group have the right to acquire on or within 60 days after March 21, 2017 through the exercise of stock options or vesting of restricted stock units: Mr. Ball, 94,552; Mr. Zugay, 17,535; Mr. Lacy, 61,346; Mr. Sullivan, 15,870; 3,752 restricted stock units for each non-employee director; and all directors and executive officers as a group, 446,692.

(2) The total number of shares beneficially owned by all directors and executive officers as a group constitutes approximately 3.90% of the outstanding shares of our common stock as of March 21, 2017.

Beneficial Owners of More Than Five Percent

The following table shows shareholders whom we know were beneficial owners of more than five percent of our common stock as of March 21, 2017.

Name and Address of Beneficial Owner	Amount and Nature of Beneficially Owned Common Stock	Percent of Class
BlackRock, Inc.(1) 55 East 52nd Street New York, NY 10055	2,425,612	11.66%
The Vanguard Group, Inc.(2) 100 Vanguard Blvd. Malvern, PA 19355	2,271,860	10.92%
Fuller & Thaler Asset Management, Inc.(3) 411 Borel Avenue, Suite 300 San Mateo, CA 94402	1,362,114	6.55%
SouthernSun Asset Management LLC(4)	1,107,611	5.32%

6070 Poplar Avenue, Suite 300 Memphis, TN 38119		
RBC Global Asset Management (U.S.) Inc.(5) 50 South Sixth Street Suite 2350 Minneapolis, MN 55402	1,065,385	5.12%

(1) *According to the amended Schedule 13G filed January 12, 2017, BlackRock, Inc. beneficially owns 2,425,612 shares of our common stock and has sole dispositive power over such shares. BlackRock, Inc. has sole voting power over 2,370,035 shares.*

(2) *According to the amended Schedule 13G filed February 10, 2017, The Vanguard Group, Inc. beneficially owns 2,271,860 shares of our common stock and has sole dispositive power over 2,234,873 shares, shared dispositive power over 36,987 shares, sole*

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COMMON STOCK OWNERSHIP

voting power over 37,218 shares and shared voting power over 800 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 36,187 shares of our common stock as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 1,831 shares of our common stock as a result of its serving as investment manager of Australian investment offerings.

(3) According to the amended Schedule 13G filed February 23, 2017, Fuller & Thaler Asset Management, Inc. beneficially owns 1,362,114 shares of our common stock and has sole dispositive power over such shares. Fuller & Thaler Asset Management, Inc. has sole voting power over 1,336,575 shares.

(4) According to the Schedule 13G filed February 14, 2017, SouthernSun Asset Management LLC beneficially owns 1,107,611 shares of our common stock and has sole dispositive power over such shares. SouthernSun Asset Management LLC has sole voting power over 1,038,387 shares.

(5) According to the amended Schedule 13G filed February 10, 2017, RBC Global Asset Management (U.S.) Inc. beneficially owns 1,065,385 shares of our common stock and has shared dispositive power over such shares. RBC Global Asset Management (U.S.) Inc. has shared voting power over 931,623 shares.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

Our Compensation Philosophy

Our management development and compensation committee (which we refer to as the committee) makes compensation decisions in a manner it believes will best serve the long-term interests of our shareholders by attracting and retaining executives who will be inspired to meet and exceed the company s goals and whose interests will be aligned with the interests of our shareholders. To accomplish these objectives, the committee has implemented a strong pay-for-performance compensation program, while striving to pay our executives competitively and align our compensation program with our business strategies.

Our Pay Practices

What we do:	What we don t do:
Directly link pay to performance	× No change in control tax gross-ups
Weigh long term incentives more heavily in favor of performance-based awards, as compared to our peer group	× No new participants in our Pension or Supplemental Executive Retirement Plans
Require compliance with stock ownership requirements	× No stock options with exercise price below market
Engage an independent consultant	× No hedging, pledging or short sales of our stock
Clawback compensation in connection with a financial restatement	

Our Performance

We continued our transformation into a global leader in wood-based technologies and successfully executed a strategic shift to focus on more fundamentally stable and healthier end markets.

We achieved EPS of $1.39 for fiscal year 2016. As adjusted for compensation purposes, EPS was $2.60, which represented year-over-year growth of approximately 72%.

Net income attributable to Koppers for 2016 was $29.3 million. As adjusted for compensation purposes, EBITDA was $174.2 million, which represented year-over-year growth of approximately 16%.

We continued to improve the health of our balance sheet over the past two years, paying down debt by $179 million over that time period.

Compensation of our Named Executive Officers

Under our 2016 Cash Bonus Program, based on our strong adjusted EPS and adjusted EBITDA performance, our CEO received an annual incentive award at 114% of his target. Our other NEOs received annual incentive awards ranging from 111% to 136% of their targets, in certain cases after taking into account adjusted EBITDA performance at the business units they run.

Long-term incentives represented, on average, 40% of our NEOs 2016 total direct compensation, 50% of which were in the form of performance-based awards. Performance-based RSUs granted in 2014 were forfeited as the relevant performance threshold was not met.

Base salaries for certain NEOs were increased in 2016 by up to approximately 5% in order to bring base salaries closer to market median.

Our Named Executive Officers

This Compensation Discussion and Analysis describes the compensation of the following NEOs:

Name	Title
Leroy M. Ball, Jr.	President and Chief Executive Officer
Michael J. Zugay	Chief Financial Officer
Steven R. Lacy	Senior Vice President, Administration, General Counsel and Secretary
James A. Sullivan	Senior Vice President, Global Carbon Materials and Chemicals
Stephen C. Reeder	Senior Vice President, Performance Chemicals

Executive Compensation Program Principles

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

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

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

Pay Competitively We believe that total compensation for our NEOs should generally approximate the market median at target performance. Market is defined as individuals holding comparable positions and producing similar results at companies that the committee selects as our peers based on similar industry, revenue, and complexity. Our peer group for 2016 is listed below in the section called Companies Used for Defining Competitive Compensation.

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EXECUTIVE COMPENSATION

Executive Compensation Objectives

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

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

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

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

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

Key Components of Compensation Program

The compensation objectives for our NEOs are achieved through the following mix of components of target direct compensation for our CEO and most other NEOs, respectively, which are discussed in more detail later in this Compensation Discussion and Analysis.

Base Salary Recognizes different levels of responsibility within the company and serves as the basis for establishing target payouts for annual cash incentives and long-term equity incentives. Base salaries achieve our objectives to attract and retain our executives.

Annual Cash Incentive Variable annual cash awards, based upon adjusted EPS and adjusted EBITDA performance. Annual cash incentives serve to enhance our business growth and profitability by linking executive pay to corporate performance. Annual cash incentives achieve our objectives of attracting, retaining, and engaging our executives and aligning our executives financial interests with those of our shareholders.

Long-Term Equity Incentives Comprised of performance-based RSUs, stock options and time-based RSUs. Long-term equity incentives focus executives on the achievement of long-term corporate goals and strengthen the retention value of our compensation program. Long-term equity incentives also achieve our objectives of attracting, retaining, and engaging our executives and aligning our executives financial interests with those of our shareholders.

In addition to the components outlined above, our compensation program also provides our executives with retirement benefits and certain business-related perquisites. While we do not consider these benefits key components of our compensation program, they do assist in achieving our compensation objectives of attracting and retaining talented executives.

2016 Say-on-Pay Vote

We received strong support for our executive compensation program in the annual say on pay vote with approximately 99% approval at the 2016 annual meeting. The committee believes these results reflect our shareholders affirmation of our executive compensation program. Nevertheless, the committee regularly reviews and adjusts the program as needed to ensure it remains competitive and aligned with the best interests of the company and its stakeholders.

Our Compensation-Setting Process

Through the course of our compensation-setting process:

- The independent members of our board make CEO compensation decisions, based on the recommendation of the committee;
- The independent members of the board make compensation decisions regarding the other NEOs, based on the recommendation of the committee and the CEO; and
- The committee is advised by an independent compensation consultant.

As in prior years, the fiscal year 2016 compensation decisions for our executive officers were made in three steps.

Steps	When
1. **Design Program** The program for the year is approved (including targeted levels of annual and long-term pay, fixed and incentive compensation, and any base salary adjustment).	Beginning of fiscal year
2. **Establish Range of Compensation Opportunities** Incentive compensation opportunities are set based on corporate and business unit performance. Minimum, target, and maximum performance levels and payouts are established for incentive awards, including the adjusted EPS threshold under our Cash Bonus Program.	Beginning of fiscal year
3. **Review Performance** Performance is reviewed and incentive pool amounts are approved which leads to decisions about annual cash incentive awards.	End of fiscal year

The committee may use its judgment to supplement, reduce or modify at any time the compensation intended to be paid or awarded to the NEOs, with the exception of annual cash incentives under our 2016 Cash Bonus Program, where the committee may only award annual cash incentives if the level of 2016 adjusted EPS meets or exceeds the threshold specified in the program, and may only reduce the maximum annual cash incentives specified under the program. The committee believes that it is in the best interest of the company and its shareholders that the committee have sufficient latitude to recognize and reward superior performance, which is important to attract and retain talented executives, and to adjust awards to reflect the quality of the company s financial performance.

Compensation Program Modifications for 2016

The committee approved the following changes to our compensation program in early 2016:

- Under our 2016 annual incentive plan, 100% of participants incentive opportunity was based on company and, if applicable, business unit adjusted EBITDA performance.
- Performance-based RSUs granted in 2016 will vest, if at all, based upon the company s total shareholder return (TSR) relative to the S&P Small Cap 600 Materials Index.
- While the default is to settle 2016 performance-based RSUs in shares, the committee has the discretion to provide for the payment of vested performance-based RSUs in cash or shares.

Overview of 2016 Operating Performance and Summary of Annual Cash Incentive Determinations

Our 2016 results reflected our success in advancing our company s strategy to be the global leader in wood-preservation based technologies, expanding our profitability and driving shareholder value.

Specifically, we achieved the following operational milestones in 2016:

- We continued our transformation into a global leader in wood-based technologies and successfully executed a strategic shift to focus on more fundamentally stable and healthier end markets. Wood related revenues now make up 69% of our top line at the end of 2016 compared to 46% at the end of 2014.
- We achieved our best safety performance year ever. Nine of our 31 operating facilities were accident-free in 2016 and the number of recordable incidents was reduced by more than 15% year-over-year.
- We achieved EPS of $1.39 for fiscal year 2016. As adjusted for compensation purposes, EPS was $2.60, which represented year-over-year growth of approximately 72%.
- Net income attributable to Koppers for 2016 was $29.3 million. As adjusted for compensation purposes, EBITDA was $174.2 million, which represented year-over-year growth of approximately 16%.
- We continued to improve the health of our balance sheet, paying down $179 million in debt over the past two years.

We leveraged our historically strong relationships in our Railroad and Utility Products (RUPS) and Performance Chemicals (PC) segments to extend sales commitments out several years, solidifying a critical base of business.

We significantly reduced our exposure in China by ceasing distillation at our majority held joint venture, KCCC, in February 2016 and closing on the sale of our minority held joint venture, TKK, in November 2016.

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Including our joint ventures in China, we continued our progress in divesting operating units or facilities (six over the past two years) that either were not core to our future business focus of wood preservation or were underperforming without a clear path forward for growth or improvement.

As a result of our financial performance in 2016, the adjusted EPS performance threshold of $1.52 under our 2016 Cash Bonus Program was met and annual cash incentives were paid to Messrs. Ball, Lacy, Sullivan and Reeder. Mr. Zugay received an annual cash incentive payment under our annual incentive plan.

Overview of 2016 NEO Compensation. Our 2016 actual NEO compensation includes both short- and long-term incentives established using financial and operational metrics. In addition to base salary, this structure, shown graphically below, includes an annual cash incentive and long-term equity incentives, comprised of performance-based RSUs, stock options (for all NEOs except Mr. Reeder) and time-based RSUs.

For our CEO, Mr. Ball, approximately 78 percent of 2016 compensation is pay-at-risk, which is determined based upon financial goals. For our other NEOs, on average approximately 68 percent of 2016 compensation is pay-at-risk based upon financial goals.

2016 CEO Actual

Compensation Mix

2016 Other NEOs Average Actual

Compensation Mix

The following represents the total direct compensation to our NEOs for 2016.

			Long-Term Incentive			
NEO	**Base Salary**	**Annual Cash Incentive**	**Performance - Based RSUs**	**Stock Options**	**Time - Based RSUs**	**Total Direct Compensation**
Leroy M. Ball, Jr.	$716,250	$786,600	$981,488	$449,994	$299,992	$3,234,324
Michael J. Zugay	$365,000	$244,120	$291,913	$133,832	$ 89,210	$1,124,075
Steven R. Lacy	$405,900	$270,248	$323,150	$148,156	$ 98,772	$1,246,226

James A. Sullivan	$338,100	$217,597	$268,426	$123,073	$ 82,038	$1,029,234
Stephen C. Reeder	$310,000	$252,030	$243,399	$	$201,492	$1,006,921

Please see our Summary Compensation Table on page 29, which also reports amounts for Changes in Pension Value and Nonqualified Deferred Compensation and All Other Compensation.

2016 Compensation Decisions and Performance

Base Salary. As part of setting pay mix and structure for 2016, the committee evaluated NEO base salaries. Annual salary increases are neither automatic nor guaranteed, but determined by the committee after taking into consideration each NEO s position with the company, their respective responsibilities and experience and peer company information for similar positions. Based on this evaluation, the following base salary increases were approved for the NEOs in 2016. The committee elected to leave Mr. Reeder s base salary rate unchanged for 2016, due to his assuming his position on January 1, 2016. All increases were effective April 1, 2016 and approved by the committee.

NEO	Base Salary as of January 1, 2016	Base Salary as of April 1, 2016	Percentage Increase
Mr. Ball	$690,000	$725,000	5.1%
Mr. Zugay	$356,900	$367,700	3.0%
Mr. Lacy	$395,100	$409,500	3.6%
Mr. Sullivan	$328,200	$341,400	4.0%
Mr. Reeder	$310,000	$310,000	0%

Annual Cash Incentives.

2016 Cash Bonus Program. Our shareholder-approved amended and restated 2005 long term incentive plan (the LTIP) authorizes the committee to grant, among other things described below, annual cash incentive awards for participants designated by the committee at the beginning of the program year. We call this our 2016 Cash Bonus Program. Our 2016 Cash Bonus Program is intended to ensure that amounts paid to participating NEOs are tax deductible by the company.

In early 2016, the committee designated Messrs. Ball, Lacy, Sullivan and Reeder as participants in the 2016 Cash Bonus Program and set the performance objective for 2016 at $1.52 of adjusted EPS of the company s common stock, which the committee believed was the minimum performance level at which any annual cash incentive would be warranted. The committee also determined the following maximum annual cash incentive for each participant in the event that the performance objective was obtained:

Participant	Maximum Annual Cash Incentive
Mr. Ball	$1,500,000
Mr. Lacy	$1,000,000
Mr. Sullivan	$1,000,000
Mr. Reeder	$1,000,000

For 2016, we achieved adjusted EPS of $2.60, which satisfied the adjusted EPS performance objective under the 2016 Cash Bonus Program. EPS as measured under the plan was adjusted by the committee in its discretion to exclude certain disclosed events and other items that we believe are not reflective of the underlying operating performance of the company, as set forth on Annex A hereto. After determining that the adjusted EPS performance objective was met, the committee exercised its negative discretion to set the 2016 annual cash incentives at levels that were *less* than the specified maximum amounts. The committee does not have the discretion to increase the amount of any annual cash incentive to be paid under the 2016 Cash Bonus Program above the maximum annual cash incentive.

In exercising their negative discretion to determine the annual cash incentive payouts under the 2016 Cash Bonus Program, the committee was informed by reference to: (1) each participant s target total annual incentive (100% of salary for Mr. Ball and 60% of salary for the other NEOs) and (2) the company s and, as applicable, individual business units performance in relation to adjusted EBITDA targets contained in the annual incentive plan described below.

NEO	Target Total Annual Incentive	Referenced Performance Metric (and Weighting)
Mr. Ball	$690,000	Corporate EBITDA (100%)
Mr. Zugay	$214,140	Corporate EBITDA (100%)
Mr. Lacy	$237,060	Corporate EBITDA (100%)
Mr. Sullivan	$196,920	Corporate EBITDA (50%) / CMC Business Unit EBITDA (50%)
Mr. Reeder	$186,000	Corporate EBITDA (50%) / PC Business Unit EBITDA (50%)

Though not a participant in the 2016 Cash Bonus Program, Mr. Zugay received an annual cash incentive under our annual incentive plan. The committee used substantially the same methodology for determining Mr. Zugay s annual cash incentive under the annual incentive plan as was used for determining the other NEOs annual cash incentives under the 2016 Cash Bonus Program.

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Therefore, taking all of these elements together, the committee s framework for determining annual cash incentives for each NEO can be expressed as follows:

Annual Incentive Plan. In early 2016, the committee approved and the board ratified our annual incentive plan, which served as the company s main annual incentive plan for salaried employees. Our annual incentive plan has a corporate component and, for certain participants, a business unit component. The incentive opportunity for corporate employees (such as Messrs. Ball, Zugay and Lacy) was based entirely by reference to corporate level EBITDA performance goals. The incentive opportunity for business unit employees (such as Messrs. Sullivan and Reeder), was determined equally (50% each) by reference to corporate level EBITDA performance goals and business unit level EBITDA performance goals. Adjusted EBITDA, as measured under the annual incentive plan, is defined as earnings before interest, taxes, depreciation and amortization, as adjusted by the committee in its discretion to account for certain items, as set forth on Annex A hereto.

For corporate employees, such as Messrs. Ball, Zugay and Lacy, the committee established a target corporate EBITDA performance level of $165.0 million along with a range of incentive payouts at threshold, target and maximum performance levels, as set forth below.

Corporate Adjusted EBITDA (Corporate Employees)	Performance	% of Target	% of Payout
Maximum	$ 198,046,000	120%	150%
Actual	***$ 174,151,000***	***106%***	***114%***
Target	$ 165,038,000	100%	100%
Threshold	$ 132,030,000	80%	50%

For 2016, the company achieved adjusted EBITDA performance of $174.2 million. For corporate employees, this corresponded to achievement of 106% of target EBITDA performance and a 114% payout level, which resulted in the following annual cash incentives to our corporate NEOs:

Annual Cash Incentive for Mr. Ball:

Annual Cash Incentive for Mr. Zugay:

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Annual Cash Incentive for Mr. Lacy:

For business unit employees, such as Messrs. Sullivan and Reeder, the committee established a different target corporate adjusted EBITDA performance level to account for aggressive adjusted EBITDA performance goals set at the business unit level. The target corporate adjusted EBITDA performance level for business unit employees was set at $160.0 million along with a range of incentive payouts at threshold, target and maximum performance levels, as set forth below.

Corporate Adjusted EBITDA (Business Unit Employees)	Performance	% of Target	% of Payout
Maximum	$ 192,046,000	120%	150%
Actual	***$ 174,151,000***	***109%***	***122%***
Target	$ 160,038,000	100%	100%
Threshold	$ 128,030,000	80%	50%

Actual 2016 adjusted EBITDA performance of $174.2 million translated to achievement of 109% of target adjusted EBITDA performance and a 122% payout level for business unit employees.

Mr. Sullivan s annual cash incentive was determined in equal measure (50% each) by reference to both corporate adjusted EBITDA performance for business unit employees and adjusted EBITDA performance of our Global Carbon Materials and Chemicals (CMC) business unit, which Mr. Sullivan leads. The target adjusted EBITDA level for the CMC business unit was set at $23.4 million along with a range of incentive payouts at threshold, target and maximum performance levels, as set forth below.

Adjusted EBITDA (Global CMC Business Unit)	Performance	% of Target	% of Payout
Maximum	$ 28,096,000	120%	150%
Target	$ 23,413,000	100%	100%

Actual	***$ 23,286,000***	***99%***	***99%***
Threshold	$ 18,730,000	80%	50%

For 2016, the CMC business unit achieved adjusted EBITDA performance of $23.3 million, which translated to achievement of 99% of target adjusted EBITDA performance. For Mr. Sullivan, this lead to a payout level of 99% for the 50% of his incentive opportunity that was based on business unit performance. Taken together with the 122% percentage payout under the corporate component, this resulted in the following annual cash incentive for Mr. Sullivan:

Annual Cash Incentive for Mr. Sullivan:

Mr. Reeder s annual cash incentive was determined in equal measure (50% each) by reference to both corporate adjusted EBITDA performance for business unit employees and adjusted EBITDA performance of our Performance Chemicals (PC) business unit, which Mr. Reeder leads. The target adjusted EBITDA level for the PC business unit was set at $63.3 million along with a range of incentive payouts at threshold, target and maximum performance levels, as set forth below.

Adjusted EBITDA (PC Business Unit)	**Performance**	**% of Target**	**% of Payout**
Actual	***$ 80,460,000***	***127%***	***150%***
Maximum	$ 75,971,000	120%	150%
Target	$ 63,309,000	100%	100%
Threshold	$ 50,647,000	80%	50%

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For 2016, the PC business unit achieved adjusted EBITDA performance of $80.5 million, which translated to achievement of 127% of target adjusted EBITDA performance. For Mr. Reeder, this lead to a payout level of 150% for the 50% of his incentive opportunity that was based on business unit performance. Taken together with the 122% percentage payout under the corporate component, this resulted in the following annual cash incentive for Mr. Reeder:

Annual Cash Incentive for Mr. Reeder:

Long-Term Equity Incentives. Under our LTIP, in 2016, each NEO (except Mr. Reeder) received his long-term incentive award in three primary forms: performance-based RSUs (50%), which measure our performance over a three-year period, stock options (30%) and time-based RSUs (20%), which vest in annual installments of 25% over four years. Mr. Reeder s long-term incentive award consisted of time-based RSUs (52%) and performance-based RSUs (48%) and no stock options, which was intended to accelerate Mr. Reeder s equity ownership. Mr. Reeder s equity awards vest fully on the first anniversary of the grant date. The table below summarizes the material terms and conditions of the 2016 long-term incentive awards.

	Performance-Based RSUs	Stock Options	Time-Based RSUs
What objective does the award serve?	Performance-based RSUs align shareholder and management interests by focusing management on long-term operating performance and/or relative stock price appreciation.	Stock options align shareholder and management interests by providing a reward based solely on stock price appreciation.	Time-based RSUs align to shareholder interests and also help to retain participants (some of whom are currently eligible for retirement), as well as to attract the next generation of our senior management.
When do the awards vest?	Performance is measured over three years. Performance-based RSUs will vest, if at all, if the relevant threshold performance level is met at the end of the three-year performance period.	Vest in equal annual installments over four years	Vest in equal annual installments over four years (except as noted above for Mr. Reeder)
How do we measure performance for the Performance-Based RSUs?	*For pre-2016 awards*, performance is measured based on company value creation[2] over the applicable three-year performance period commencing on the first day of each grant year. The number of performance stock units granted represents the target		

award and participants have the ability to earn between zero and 150 percent or 200 percent (depending on the grant date) of the target award based upon actual performance. If minimum performance criteria are not achieved, no performance stock units will vest.

For 2016 and 2017 awards, performance is based upon the company s TSR relative to the S&P Small Cap 600 Materials Index at the end of the applicable three-year period. The 2016 and 2017 performance-based RSUs will vest, if at all, on the third anniversary of the grant date provided that the participant continues in service until that date and based on a range of relative TSR achieved over the performance period set forth in the following table:

Relative TSR	Performance	% of Units to Vest
Outstanding	³ 80th percentile	200%
	70th percentile	150%
Target	50th percentile	100%
	35th percentile	50%
Threshold	£ 25th percentile	0%

The percentage vesting is interpolated on a straight-line basis for performance between levels above the threshold. If the company s TSR is negative during the performance period, then the percentage of units to vest will be capped at 100% of target. For 2016, our relative TSR ranked in the 89th percentile.

[2] Value creation, which is not a financial measure defined under generally accepted accounting principles, is the amount of our earnings before interest and taxes, adjusted by the committee in accordance with the LTIP to account for certain items, that exceeds a pre-defined level of return on invested capital.

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We grant equity awards to executives on an annual basis using a grant date that occurs in the first quarter of each year following the release of the prior year s earnings. We also periodically grant equity awards in connection with certain management events, such as the hiring or promotion of an executive or the achievement by an executive of extraordinary personal performance objectives. Each equity award granted to our executives has a grant date that was on or after the date on which the committee approved the award. It is possible that the committee may possess material nonpublic information when it approves awards. However, awards are granted only at certain times of the year or in connection with certain management events, and the committee does not try to achieve more advantageous grant dates in connection with the timing of the release of material nonpublic information.

The target dollar value of all equity awards to each NEO is determined based upon a multiplier of base salary. Once the total dollar value of the awards is determined for each NEO, the actual number of performance-based RSUs, stock options and time-based RSUs is determined for each NEO (except Mr. Reeder) as follows: 50 percent of the total dollar value is allocated to the performance-based RSU portion of the award, 30 percent of the total dollar value is allocated to the stock option portion of the award and 20 percent of the total dollar value is allocated to the time-based RSU portion of the award. For Mr. Reeder, 48 percent of the total dollar value is allocated to the performance-based RSU portion of the award and 52 percent of the total dollar value is allocated to the time-based RSU portion of the award. This allocation is intended to accelerate Mr. Reeder s equity ownership. The committee then uses the closing price of our common stock on the NYSE on the grant date to determine the number of performance-based and time-based RSUs awarded. To determine the number of stock options awarded, the committee divides the total dollar value attributed to the stock option portion of the award by the estimated fair value of the stock options on the date of grant, which is determined in accordance with the Black-Scholes valuation method by an independent valuation consultant.

The granting of a combination of stock options and time-based and performance-based RSUs falls within the range of peer group practices and has a strong performance orientation. Our NEO s total direct compensation is generally more heavily weighted towards long-term incentive awards than peer group average practice: long-term incentives comprised 47 percent of total direct compensation for our NEOs on average, compared to our peer group average of 39 percent.

Forfeiture of the 2014-2016 Performance-Based Restricted Stock Units. On December 31, 2016, the three-year performance period ended for the performance-based RSUs awarded in 2014. The

cumulative value creation threshold for these awards was $125.6 million over the three-year period. The actual cumulative value creation certified by the committee for the three-year period was $58.1 million, which meant that the threshold was not met. Therefore, none of the performance-based RSUs awarded in 2014 vested.

Retirement Benefits. Prior to 2007, we maintained a qualified defined benefit pension plan for U.S. salaried employees that provided for a retirement benefit annuity based on final average pay and years of service. We also maintain a defined contribution plan that permits U.S. salaried employees to contribute up to 60 percent of pay, subject to applicable limits for 401(k) plans. Through 2016, we matched 50 percent of salaried employee contributions to the 401(k) plan up to six percent of an employee s contribution. Effective January 1, 2017, we match 100 percent of salaried employee contributions to the 401(k) plan on the first three percent of an employee s contribution and match 50 percent on the next two percent of an employee s contribution. In addition, we maintain two non-qualified excess defined benefit plans for certain U.S. highly-paid employees, which are described on page 36 below. Effective

December 31, 2006, we made significant changes in our retirement benefits for our U.S. employees by freezing the qualified and non-qualified defined benefit plans in which U.S. salaried employees and certain highly-paid U.S. employees, respectively, participate. No new salaried participants have been permitted in these plans after December 31, 2006, and no further benefits have accrued for U.S. salaried employees after December 31, 2006. In 2007, in light of the freezing of benefits under our qualified defined benefit plan, we decided to provide a uniform non-elective employer contribution to U.S. salaried employees, which is also described in detail in the 2006 Freeze of Pension Plan, SERP I and SERP II section below. In addition, in 2007, we approved a supplemental benefit plan, which we refer to as the benefit restoration plan, to restore employer non-elective contributions lost by certain U.S. highly-paid employees, including the NEOs, in our defined contribution plan under U.S. tax law. Beginning in 2009, we amended our defined contribution plan and our benefit restoration plan to remove the automatic employer non-elective contribution feature and to provide that we may decide each plan year whether to make employer discretionary contributions for the plan year and the amount of any such contribution. Employer discretionary contributions have not yet been made for 2016, however, we have assumed such discretionary contributions will be paid for 2016 and the corresponding amounts are included in the tables below. Effective January 1, 2017, we have modified the structure of the employer discretionary contribution such that it will be an employer non-elective contribution tied to the company s financial performance.

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Perquisites and Other Benefits. We provide a limited number of perquisites and other benefits to certain of our NEOs, which include club dues, parking and executive physicals. Additional details of the perquisites and other benefits we provide are more fully described in the footnotes to the All Other Compensation column of the Summary Compensation Table below.

We provide these perquisites and other benefits to promote a healthy work/life balance and provide opportunities for developing business relationships. We believe they are important to our ability to attract and retain top-quality executive talent and are consistent with those provided to executives at other companies comparable to us. The costs associated with providing these benefits for our NEOs are reflected in the All Other Compensation column of the Summary Compensation Table below on page 29.

Our NEOs also participate in the same standard salaried benefit plans as our other U.S. salaried employees. This includes a basic welfare benefits package consisting of medical, dental, vision, life and disability insurance and accident insurance plans, as well as flexible spending arrangements for health care, dependent care and transportation expenses.

Mr. Lacy is also eligible for a post-retirement survivor benefit under our Survivor Benefit Plan. This plan is described in further detail in the Survivor Benefit Plan section on page 36 below.

Changes for our 2017 Executive Compensation Program

In order to more closely align base salaries to market, based on market data provided by Meridian Compensation Partners, LLC, the committee approved increases in base salary ranging from 3.3% to 12% effective April 1, 2017 for all of our NEOs. The committee approved a 12% salary increase for Mr. Ball in light of the company s exceptionally strong performance in 2016 and in order to ensure that his base salary was competitive as compared to peer practice.

Compensation Policies and Practices

Compensation and Risk. The committee believes that the company s compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the

company. The committee has designed a total compensation package with features that it believes will mitigate the risks associated with compensation policies and practices including:

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

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

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

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

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

Role of Consultants. In accordance with its authority to retain advisors, in early 2016, the committee engaged Meridian Compensation Partners, LLC (Meridian) as outside consultants to advise the committee with respect to 2016 compensation design decisions.

Meridian does not advise our management, or receive any other compensation from us. In its role as independent advisor to the committee, Meridian provided advice to the committee from time to time on various executive compensation matters including conducting an annual competitive compensation analysis, which Meridian prepared for the committee in early 2016.

In compliance with the SEC and the NYSE disclosure requirements regarding the independence of compensation consultants, Meridian provided the committee with a completed questionnaire addressing each of the six independence factors enumerated in the SEC requirements. Their responses affirm the independence of Meridian and the partners, consultants, and employees who service the committee on executive compensation matters and governance issues.

Companies Used for Defining Competitive Compensation. As stated above, one of the committee s principles is to target the compensation of our NEOs within a range of the market median of our peer companies that were selected based on comparability in terms of industry, revenue and complexity. For 2016, based on Meridian s recommendation, the committee selected the following peer group:

A. Schulman, Inc.	L. B. Foster Company	Stepan Company
Axiall Corporation	Louisiana-Pacific Corporation	Trinity Industries, Inc.
Cabot Corporation	Minerals Technologies Inc.	Tronox
Ferro Corporation	Olin Corporation	Universal Forest Products, Inc.
The Greenbrier Companies, Inc.	OMNOVA Solutions Inc.	Westinghouse Air Brake Technologies Inc.
H.B. Fuller Company	Quaker Chemical Corporation	

The factors considered in selecting the peer group early in 2016 included industry, revenue, net income, total assets, number of employees and market capitalization. In terms of size, our revenue, net income and total assets ranked near the 25th percentile of our peer group, while our market capitalization and number of employees ranked below the 25th percentile. Statistical regression was used to adjust peer compensation data based on our revenue positioning relative to the peer group.

The committee uses information relating to the peer group to determine what forms of compensation are common among our peers and to determine whether the amounts of each component of compensation and the total amount of compensation approximate market median. Through its competitive assessment in early 2016, Meridian determined that the aggregate target total direct compensation for our NEOs fell within or slightly below the median range of both peer group and survey data.

Stock Ownership Requirements for Our Named Executive Officers. The committee and our board of directors have approved stock ownership requirements. The requirements apply to selected members of the management team, including all of the NEOs. The committee and our board of directors have also approved stock ownership

guidelines, which apply to our non-employee directors, as described more fully below under Stock Ownership Guidelines for Our Non-Employee Directors. The stock ownership requirements were designed to achieve the following objectives:

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

Our stock ownership requirements require our elected officers to accumulate a specified number of shares expressed as the value of stock ownership as a multiple of base salary. The required stock ownership level is converted into a number of shares that is recalculated annually until the ownership requirement is achieved. Until the stock ownership level is achieved, members of the management team are required to retain 75 percent of the net profit shares (i.e., excluding shares used for the payment of taxes) received from exercising stock options, the vesting of time-based RSUs and performance-based RSUs.

Position		Ownership Requirement Multiple of Base Salary
Chief Executive Officer	(Mr. Ball)	5x
Senior Vice President	(Messrs. Lacy, Sullivan and Reeder)	3x
Chief Financial Officer	(Mr. Zugay)	3x

Shares owned outright by the executives and/or their spouses count toward meeting the requirements. Unvested time-based RSUs, unvested performance-based RSUs and unexercised stock options do not count toward meeting the stock ownership requirements for our executives.

Each NEO currently complies with the 75 percent retention ratio.

Policy on Derivative Transactions and Restrictions on Hedging Transactions. In January 2017, we

instituted a policy that prohibits our employees, officers and directors from engaging in the following types of transactions with respect to our securities: hedging or monetization transactions; short sales; transactions in publicly traded options; pledging our securities as collateral for a loan; or holding our securities in margin accounts or a brokerage account with a margin feature (unless the margin feature is not utilized, company securities are otherwise excluded from being pledged or the account holder does not engage in

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any transaction that results in a lien upon the company securities in the account). An employee, officer or director that has already entered into any of these transactions must unwind such transaction completely or, in the case of margin accounts and pledges, must reduce the aggregate number of pledged shares to zero, over the next 24 months.

Clawback Policy. In March 2017, we instituted a clawback policy that provides that incentive-based compensation paid to any executive officer and certain employees is subject to recoupment if we are required to restate our financial statements due to material noncompliance with any financial reporting requirement. Our right of recoupment under this policy applies only to incentive-based compensation paid during the three years prior to the date of the restatement, provided, however, that this three-year limitation will not apply if the restatement resulted from fraud or misconduct.

Contracts. We use contractual arrangements where appropriate to assist in recruitment and retention of our NEOs. We have entered into employment agreements with Mr. Lacy and Mr. Reeder and a key-employee non-competition agreement with Mr. Reeder. We have also entered into separate change in control agreements with all NEOs, except Mr. Lacy. Each of these agreements is described in the Potential Payments upon Termination or Change in Control section beginning on page 37 below.

Tax Considerations. Cash compensation, such as base salary or annual cash incentive, is taxable as ordinary income when earned, unless deferred under a company-sponsored deferral plan. Deferrals

under tax-qualified plans, such as a 401(k) plan, do not affect the timing of our tax deduction. Deferrals under non-qualified plans, the adoption of which have been approved by the board of directors, will result in the deferral of our compensation deduction until such time as the cash compensation is paid to the employee.

The committee is aware of Section 162(m) of the tax code, which generally limits the deductibility of executive pay in excess of $1 million, and which specifies the requirements for the performance-based exemption from this limit. The committee generally tries to preserve the deductibility of compensation paid to the NEOs when appropriate; for example, our annual cash incentives, stock option awards and performance-based RSU awards are generally intended to qualify for the performance-based exemption and should therefore be deductible. The committee nevertheless may authorize other compensation that might not be deductible if it believes doing so is in the best interests of the company or its stakeholders; for example time-based RSUs. Therefore, a portion of compensation may not be deductible under Section 162(m) of the tax code.

Accounting Considerations. When reviewing preliminary recommendations and in connection with approving the terms of a given incentive plan period, management and the committee review and consider the accounting implications of a given award, including the estimated expense and impact on EPS.

Summary Compensation Table

The following table and related footnotes describe the total compensation earned for services rendered during fiscal years 2016, 2015 and 2014 by our NEOs.

Name and Principal Position	Year	Salary	Bonus	Stock Awards[4]	Option Awards[4]	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings[5]	All Other Compensation[6]	Total
Leroy M. Ball	2016	$ 716,250	$	$ 1,281,480	$ 449,994	$786,600	$ 557	$ 64,626	$ 3,299,507
Chief Executive Officer	2015	690,000		1,086,740	480,532	549,000	185	100,398	2,906,855
	2014	391,800		516,683	139,888		203	19,512	1,068,086
Michael J. Zugay[1]	2016	$ 365,000	$	$ 381,123	$ 133,832	$244,120	$ 46	$ 37,209	$ 1,161,330
Chief Financial Officer	2015								