

Quanex Building Products CORP
Form DEF 14A
January 29, 2016
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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

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
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QUANEX BUILDING PRODUCTS CORPORATION

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 - (3) Filing party:

(4) Date Filed:

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**QUANEX BUILDING
PRODUCTS CORPORATION**

1800 West Loop South

Suite 1500

Houston, Texas 77027

(713) 961-4600

January 29, 2016

Dear Fellow Stockholder:

You are cordially invited to attend the Company's Annual Meeting of Stockholders to be held at 8:00 a.m., C.S.T., on Friday, March 4, 2016, at the Company's principal executive offices at 1800 West Loop South, Suite 1500, Houston, Texas.

This year you will be asked to vote in favor of the election of two directors, in favor of an advisory vote approving the Company's named executive officer compensation, in favor of certain proposed changes to the Company's certificate of incorporation, and in favor of a resolution ratifying the Company's appointment of its independent auditor for the 2016 fiscal year. These proposals are more fully explained in the attached proxy statement, which you are encouraged to read.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF EACH PROPOSAL OUTLINED IN THE ATTACHED PROXY. THE BOARD FURTHER URGES YOU TO VOTE AT YOUR EARLIEST CONVENIENCE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING.

Thank you for your continued support.

Sincerely,

William C. Griffiths

Chairman of the Board

YOUR VOTE IS IMPORTANT

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held March 4, 2016

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Quanex Building Products Corporation, a Delaware corporation (the Company or Quanex), will be held at the principal executive offices of the Company, 1800 West Loop South, Suite 1500, Houston, Texas, 77027, on Friday, March 4, 2016, at 8:00 a.m., C.S.T., for the following purposes:

- (1) To elect two directors to serve until the Annual Meeting of Stockholders in 2019;
- (2) To approve an advisory resolution approving the compensation of the Company's named executive officers;
- (3) To approve an amendment to the Company's Certificate of Incorporation to declassify our Board of Directors;
- (4) To approve amendments to the Company's Certificate of Incorporation to set supermajority voting provisions for certain amendments at 66 2/3^{rds}% of our shares;
- (5) To approve a resolution ratifying the appointment of the Company's independent auditor for fiscal 2016; and
- (6) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Information with respect to the above matters is set forth in the Proxy Statement that accompanies this Notice.

The Board of Directors of the Company (the Board of Directors or Board) has fixed the close of business on January 14, 2016, as the record date for determining stockholders entitled to notice of and to vote at the meeting. A complete list of the stockholders entitled to vote at the meeting will be maintained at the Company's principal executive offices, will be open to the examination of any stockholder for any purpose germane to the meeting during ordinary business hours for a period of ten days prior to the meeting, and will be made available at the time and place of the meeting during the whole time thereof.

Please execute your vote promptly. Your designation of a proxy is revocable and will not affect your right to vote in person if you find it convenient to attend the meeting and wish to vote in person.

The Company's Annual Report to Stockholders for the fiscal year ended October 31, 2015, accompanies this Notice.

By order of the Board of Directors,

Kevin P. Delaney

Senior Vice President General Counsel

and Secretary

Houston, Texas

January 29, 2016

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PROXY STATEMENT

Annual Meeting of Stockholders

To Be Held March 4, 2016

This Proxy Statement and the accompanying form of proxy are to be first mailed on or about January 29, 2016, to all holders of record on January 14, 2016 (the Record Date), of the common stock, \$.01 par value (the Common Stock), of Quanex Building Products Corporation, a Delaware corporation (the Company). These materials are furnished in connection with the solicitation of proxies by the Board of Directors of the Company to be used at the Annual Meeting of Stockholders to be held at the Company's principal executive offices, 1800 West Loop South, Suite 1500, Houston, Texas, 77027, at 8:00 a.m., C.S.T., on Friday, March 4, 2016, and at any adjournment or adjournments thereof. Shares of Common Stock represented by any un-revoked proxy in the enclosed form, if such proxy is properly executed and is received prior to the meeting, will be voted in accordance with the specifications made on such proxy. Proxies on which no specifications have been made will be voted FOR the election as director of the nominees listed herein and FOR each other proposal included herein. Proxies are revocable by written notice to the Secretary of the Company at the address of the Company set forth below, or by delivery of a later dated proxy, at any time prior to their exercise. Proxies may also be revoked by a stockholder attending and voting in person at the meeting.

The Common Stock is the only class of securities of the Company that is entitled to vote at the meeting. As of the close of business on the Record Date, the date for determining stockholders who are entitled to receive notice of and to vote at the meeting, there were 34,208,012 shares of Common Stock outstanding. Each share is entitled to one vote. The presence at the meeting, in person or by proxy, of the holders of a majority of shares of Common Stock is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present in determining whether the quorum requirement is satisfied.

The cost of soliciting proxies will be borne by the Company. Solicitation may be made personally or by mail, telephone or electronic data transfer by officers, directors and regular employees of the Company (who will not receive any additional compensation for any solicitation of proxies), or by the firm of Morrow & Co., LLC, which has been retained by the Company to assist in the solicitation for a fee of approximately \$6,500 plus expenses. The Company will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for sending proxy materials to the beneficial owners of Common Stock. The mailing address of the Company's principal executive office is 1800 West Loop South, Suite 1500, Houston, Texas, 77027.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE ANNUAL MEETING TO BE HELD ON MARCH 4, 2016:

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Our Proxy Statement and 2015 Annual Report are available online at the following web address:

<http://www.quanex.com/2015AR>

In accordance with Securities and Exchange Commission rules, this website provides complete anonymity with respect to any stockholder accessing it.

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Two directors are to be elected at the meeting. The Company's Certificate of Incorporation and Amended and Restated Bylaws both provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible, with the terms of office of the classes expiring at different times. Directors are divided into three classes. Class I and Class II directors will stand for election at the annual meetings of stockholders in 2017 and 2018, respectively. Class III directors are standing for election at the annual meeting to which this proxy relates. The terms of office of William C. Griffiths and LeRoy D. Nosbaum expire at the 2016 Annual Meeting. Messrs. Griffiths and Nosbaum were each elected by the stockholders in 2013 to a term ending in 2016, and they are each standing for re-election for a term expiring at the 2019 annual meeting. Ms. Davis and Mr. Stevens were elected to a term ending in 2017 at the 2014 Annual Meeting, while Messrs. Rupp and Buck were elected to a term ending in 2018 at the 2015 Annual Meeting.

In reviewing the information contained in this Proxy Statement that relates to our directors and officers, it is important to note that Quanex Building Products Corporation was initially created on December 12, 2007, in connection with the April 2008 spin-off of the building products business of Quanex Corporation, and the related merger of Quanex Corporation with Gerdau S.A. In connection with these transactions, the directors and officers of Quanex Corporation became the directors and officers of Quanex Building Products Corporation. As such, we have listed these carryover directors and officers as beginning with the Company in 2007 despite the fact that they may have served in similar positions with Quanex Corporation prior to that time. For information related to the transaction, the origins of Quanex Building Products Corporation, and any pre-transaction service as a director or officer of Quanex Corporation, please see (a) the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2008, (b) the Information Statement attached as Exhibit 99.1 to the Company's Registration Statement on Form 10, filed April 4, 2008 and effective April 9, 2008, and (c) Quanex Corporation's Annual Report on Form 10-K, as amended by Form 10-K/A, for the fiscal year ended October 31, 2007.

Nominees for election to a term that will expire at the 2016 Annual Meeting (Class III Directors)	Principal Occupation	Age	Director Since
William C. Griffiths	Chairman, President and Chief Executive Officer, Quanex Building Products Corporation (Houston, Texas).	64	2009
LeRoy D. Nosbaum	Retired President and Chief Executive Officer of Itron, Inc., a leading technology provider to the global energy and water industries and a leading provider of intelligent metering, data collection and utility software solutions (Liberty Lake, Washington).	69	2010
Directors whose terms expire at the 2017	Principal Occupation	Age	Director Since

Annual Meeting (Class I Directors)

Susan F. Davis	Executive Vice President Asia Pacific of Johnson Controls, Inc., a global leader in automotive systems, building efficiency and power solutions (Milwaukee, Wisconsin).	62	2007
Curtis M. Stevens	Chief Executive Officer and a director of Louisiana-Pacific Corporation, a leading building materials manufacturer (Nashville, Tennessee).	63	2010

Directors whose terms expire at the 2018

Annual Meeting (Class II Directors)	Principal Occupation	Age	Director Since
Joseph D. Rupp	Chairman, President and Chief Executive Officer of Olin Corporation, a basic materials company concentrated in chemicals and ammunition (Clayton, Missouri).	65	2007
Robert R. Buck	Chairman of the Board of Beacon Roofing Supply, Inc., a leading distributor of roofing materials (Herndon, Virginia).	68	2011

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Director Biographies, Key Attributes, and Skills

ROBERT BUCK, age 68

Biography: Mr. Buck is the Chairman of the Board of Beacon Roofing Supply, Inc., a \$2.3 billion NASDAQ traded roofing materials distributor. Prior to becoming Executive Chairman in early 2011, Mr. Buck served as Chairman and CEO of Beacon from 2007 to 2011; as Chairman, President, and CEO in 2007; and as President and CEO from 2003 to 2007. Prior to joining Beacon in 2003, Mr. Buck spent 21 years with Cintas Corporation in various executive positions. Mr. Buck holds a B.S. in Finance from the University of Cincinnati.

Key Attributes, Experience, and Skills: During his time at Beacon Roofing and Cintas Corporation, Mr. Buck developed extensive executive leadership, finance and accounting expertise. Mr. Buck also participated in numerous mergers and acquisitions and has strong corporate governance experience. In addition, Mr. Buck's tenure at Beacon Roofing has provided him substantial experience in the building products industry. Mr. Buck has also amassed a good deal of public company board experience through his service on the boards of Beacon Roofing Supply, Multi-Color Corporation, and Kendle International.

Other Directorships Since 2010: Mr. Buck currently serves on the boards of Beacon Roofing Supply, Inc., and Multi-Color Corporation, and served on the board of Kendle International, Inc., a former Nasdaq-traded company, until 2011. Mr. Buck also serves on the board of privately held Elkay Manufacturing Co.

SUSAN DAVIS, age 62

Biography: Ms. Davis was appointed in 2015 as the Executive Vice President – Asia Pacific for Johnson Controls, Inc., a global leader in automotive systems, building efficiency and power solutions. Prior to her appointment as Executive Vice President – Asia Pacific, Ms. Davis served as the chief human resources officer of Johnson Controls from 1994 to 2015, holding the positions of Executive Vice President and Chief Human Resources Officer from 2014 to 2015, Executive Vice President of Human Resources from 2006 to 2014, and Vice President of Human Resources from 1994 to 2006. Prior to that time, she served in various other positions with Johnson Controls, which she originally joined in 1983. Johnson Controls is a \$37.2 billion NYSE-traded company. Ms. Davis received an MBA degree from the University of Michigan, and received both Master's and Bachelor's degrees from Beloit College.

Key Attributes, Experience, and Skills: As the executive leader of Human Resources for Johnson Controls from 1994 to 2015, Ms. Davis acquired extensive management, corporate governance, and public company, and international business expertise. She has also worked extensively with executive compensation and management development issues. Further, Ms. Davis' time as a director for Butler Manufacturing and Johnson Controls' status as a global leader in building efficiency products and controls has provided Ms. Davis with the opportunity to accumulate extensive experience in the building products industry and with manufacturing processes, both of which are very valuable in her service as a director of the Company. Ms. Davis also gained public company board experience as a result of her prior service as a director for Butler Manufacturing and Quanex Corporation.

WILLIAM GRIFFITHS, age 64

Biography: Mr. Griffiths was named Chairman, President, and Chief Executive Officer of the Company on July 9, 2013. Prior to joining the Company as President and CEO, Mr. Griffiths served as the Managing Director and a member of the board of directors of Sealine (International) Ltd., a privately held manufacturer of yachts and other marine vessels based in the United Kingdom. Prior to joining Sealine in January 2012, Mr. Griffiths served as Chairman of the Board, President and CEO of Champion Enterprises, Inc., a NYSE-traded producer of modular and

manufactured housing until 2010. He joined Champion as a Director, and as President and Chief Executive Officer, in August 2004, and was named Chairman of the Board in 2006. Champion filed for Chapter 11 bankruptcy on November 15, 2009. From 2001 to 2004, Mr. Griffiths was President Fluid Systems Division at SPX Corporation, a global multi-industry company located in Charlotte, North Carolina. Mr. Griffiths graduated from the University of London with a BS with Honors in Mining Engineering. In addition, Mr. Griffiths is a graduate of the Harvard Business School's PMD executive education program.

Key Attributes, Experience, and Skills: During his tenure as CEO of Champion Enterprises, Mr. Griffiths gained extensive experience with manufacturing processes, corporate governance, and public company issues. Champion also

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provided Mr. Griffiths with valuable expertise and insight into the building products industry, which he has continued to build during his tenure at Quanex Building Products. In addition, Mr. Griffiths' time as a senior leader at SPX Corporation provided him with extensive and wide-reaching expertise in international operations management and international business in general. It also allowed him to build a great deal of experience in mergers and acquisitions, both international and domestic.

Other Directorships Since 2010: Mr. Griffiths served as a member of the Champion board from 2004 to 2010, including a term as Chairman from 2006 to 2010.

LEROY NOSBAUM, age 69

Biography: Mr. Nosbaum is the retired Chairman, President and Chief Executive Officer of Itron, Inc., a NASDAQ-traded leading technology provider to the global energy and water industries and a leading provider of intelligent metering, data collection and utility software solutions. Mr. Nosbaum joined Itron in 1996, was promoted to the role of President and CEO in 2000, and was elected as Chairman in 2002. He retired from Itron in 2009, but returned as President and Chief Executive Officer in 2011, before retiring again in December 2012. Prior to his employment with Itron, Mr. Nosbaum served in various positions at Metricom, Inc. from 1989 to 1996, and at Schlumberger Limited from 1977 to 1989. Mr. Nosbaum holds a B.S. in Electrical Engineering from Valparaiso University.

Key Attributes, Experience, and Skills: Mr. Nosbaum brings to the board strong sales, marketing and technology expertise, which he gained during his service as the Executive VP of Marketing and Sales for Metricom, Inc. In his various roles at Itron, Mr. Nosbaum also built extensive public company, strategic development, technology and manufacturing process expertise. Mr. Nosbaum gained extensive finance and acquisition experience while serving as CEO of Itron. Mr. Nosbaum also gained international experience at Itron, which conducts operations throughout Europe, South America, and Asia. In addition, he has built corporate governance expertise both through his role as CEO of Itron, and through his service on the Nominating and Corporate Governance Committees of Esterline Technologies and Quanex Building Products.

Other Directorships Since 2010: Mr. Nosbaum served as director of Itron from 2000 to 2002 and as Chairman from 2002 to 2009. After a brief interval, Mr. Nosbaum again served as a director of Itron from 2011 until his retirement in December 2012. Mr. Nosbaum also served on the board of Esterline Technologies Corporation from 2009 to 2011.

JOSEPH RUPP, age 65

Biography: Mr. Rupp has been Chairman and Chief Executive Officer of Olin Corporation since 2014. Prior to this, Mr. Rupp was Chairman, President and Chief Executive Officer of Olin from 2005 to 2014, and President and Chief Executive Officer from 2002 to 2005. Prior to 2002, Mr. Rupp served in various positions with Olin, which he originally joined in 1972. Olin is a \$7.0 billion NYSE-traded basic materials company concentrated in chemicals and ammunition. Mr. Rupp holds a bachelor's degree in metallurgical engineering from the University of Missouri, Rolla.

Key Attributes, Experience, and Skills: As the CEO of Olin, Mr. Rupp has amassed strong corporate governance expertise, public company management experience, and solid financial acumen. He also brings a wealth of experience in operations management, lean manufacturing processes, and mergers and acquisitions. In addition, he has gained extensive public board experience as a director of Olin since 2002.

Other Directorships Since 2010: Mr. Rupp served as a director of Olin Corporation from 2002 to 2005, and has been Chairman of Olin's board since 2005.

CURTIS STEVENS, age 63

Biography: Mr. Stevens is currently the Chief Executive Officer and a director of Louisiana-Pacific Corporation, a \$1.9 billion NYSE traded building materials manufacturer. Prior to becoming CEO in May 2012, Mr. Stevens served as Louisiana-Pacific's Chief Operating Officer and Executive Vice President beginning in December 2011. Prior to assuming the role of Chief Operating Officer, Mr. Stevens served as Chief Financial Officer of Louisiana-Pacific since 1997, and as Executive Vice President, Administration, since 2002. Prior to joining Louisiana-Pacific, Mr. Stevens served for 14 years in various financial and operational positions at Planar Systems, a flat-panel display products manufacturer. Mr. Stevens holds a B.A. in Economics and an M.B.A with a concentration in Finance from the University of California at Los Angeles.

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Key Attributes, Experience, and Skills: Through his various roles at Louisiana Pacific, Mr. Stevens has acquired broad experience in the building products industry. He also possesses a strong background in accounting and finance, as well as extensive expertise in information technology and supply chain management, strategy development, and public company issues. Further, Louisiana Pacific's international operations have provided Mr. Stevens with strong international business experience.

Other Directorships Since 2010: Mr. Stevens has served on the board of Louisiana-Pacific since 2012.

The Board of Directors has affirmatively determined that Ms. Davis and each of Messrs. Buck, Nosbaum, Rupp, and Stevens have no material relationship with the Company and have satisfied the independence requirements of the New York Stock Exchange. In assessing director independence, the Board of Directors considered the relationships (as a customer or supplier or otherwise) of the Company with various companies with which such directors may be affiliated and has determined that there are no such relationships that, in the opinion of the Board, might impact any director's independence. In making this assessment, the Board took into account the level of transactions with such companies in relationship to the Company's and the other parties' aggregate sales, the level of director involvement in such transactions and the ability of such directors to influence such transactions. Based on its review, the Board determined that no transactions occurred during the year that might affect any non-employee director's independence. During the fiscal year, the Nominating & Corporate Governance Committee determined that there were no related party transactions, as defined by the Securities and Exchange Commission. In addition, each of such directors has met the definitions of non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934 and outside director under Section 162(m) of the Internal Revenue Code of 1986.

There are no arrangements or understandings between any person and any of the directors pursuant to which such director was selected as a nominee for election at the Meeting, and there are no family relationships among any of the directors or executive officers of the Company. Messrs. Griffiths and Nosbaum have each indicated a willingness to serve if elected. If a nominee should be unable to serve or will not serve for any reason, and if any other person is nominated, the persons designated on the accompanying form of proxy will have discretionary authority to vote or refrain from voting in accordance with their judgment on such other nominee unless authority to vote on such matter is withheld.

To be elected as a director, a director nominee must receive a majority of votes cast at the meeting with respect to such nominee (the number of shares voted FOR a director nominee must exceed the number of votes cast AGAINST that nominee). Cumulative voting is not permitted in the election of directors. Abstentions and broker non-votes will not be treated as a vote for or against any particular director nominee and will not affect the outcome of the election of directors.

Pursuant to the Company's Corporate Governance Guidelines, any current director that is nominated for election must tender his or her resignation as a director in the event that he or she receives more AGAINST votes than FOR votes. In such an event, the Governance Committee and subsequently the full Board would then review and determine whether to accept or reject the tendered resignation. The Board is required to publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results.

Recommendation

The Board of Directors recommends that you vote FOR the elections of Mr. Griffiths and Mr. Nosbaum. Unless you give contrary instructions in your proxy, your proxy will be voted FOR the elections of Mr. Griffiths and Mr. Nosbaum. If any nominee should become unable or unwilling to accept nomination or election, the person acting under the proxy will vote for the election of such other person as the Board of Directors may recommend. The Board

has no reason, however, to believe that any nominee will be unable or unwilling to serve if elected.

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PROPOSAL NO. 2

ADVISORY VOTE APPROVING NAMED EXECUTIVE OFFICER COMPENSATION

At the meeting, the stockholders will vote on an advisory resolution approving the compensation of the Company's named executive officers.

We believe that our compensation practices and procedures are competitive, focused on pay-for-performance and strongly aligned with the long-term interests of our stockholders. This advisory stockholder vote, commonly known as Say-on-Pay, gives you as a stockholder the opportunity to express approval or withhold approval of the compensation we pay our named executive officers through voting for or against the following resolution:

Resolved, that the stockholders approve the compensation of the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K in the Company's 2016 proxy statement, which disclosure includes the Compensation Discussion and Analysis, the Summary Compensation Table and the other executive compensation tables and related discussion.

The Company and the Compensation & Management Development Committee (the Compensation Committee) remain committed to the compensation philosophy, practices, and objectives outlined under the heading *Compensation Discussion and Analysis* located on page 20 of this Proxy Statement. As always, the Compensation Committee will continue to review all elements of the executive compensation program and take any steps it deems necessary to continue to fulfill the objectives of the program.

Stockholders are encouraged to carefully review the *Compensation Discussion and Analysis* section of this proxy statement for a detailed discussion of the Company's executive compensation program.

Because your vote is advisory, it will not be binding upon the Company or the Board of Directors. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

Unless the Board modifies its policy on the frequency on holding Say-on-Pay advisory votes, Say-on-Pay votes by our stockholders take place at each Annual Meeting, and the next such vote will occur in 2017.

Vote Required

The affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on this proposal is necessary to approve the Say-on-Pay proposal. Abstentions will have the same effect as a vote AGAINST the Say-on-Pay proposal. Broker non-votes will have no effect on the Say-on-Pay proposal.

Board Recommendation

The Board recommends that you vote FOR the ratification of the advisory resolution approving the compensation of the Company's named executive officers.

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PROPOSAL NO. 3
PROPOSED AMENDMENT TO CERTIFICATE OF
INCORPORATION TO DECLASSIFY OUR BOARD OF DIRECTORS

Our Board of Directors unanimously adopted resolutions proposing to amend Article Twelfth of the Company's Certificate of Incorporation (the "certificate of incorporation") to declassify the Board of Directors over a three-year period commencing at the 2017 Annual Meeting of stockholders.

General Information on the Proposed Amendment

Pursuant to Article Twelfth of our certificate of incorporation, the Board is divided into three classes, designated Class I, Class II and Class III. Each class consists, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors, with each class of directors elected to serve three-year staggered terms of office. If the proposed amendment is adopted at the Annual Meeting, the classified (three-year, staggered term) board structure would be phased out, and the annual election of the entire Board of Directors for a one-year term would be phased in over a three-year period commencing at the 2017 Annual Meeting of stockholders and concluding at the 2019 Annual Meeting of stockholders. If the proposed amendment is adopted, from and after the 2017 Annual Meeting of stockholders, each member of the Board of Directors whose term expires would be elected to serve an annual (one-year) term.

If adopted, the proposed amendment would not affect the nominees for director who are elected at this Annual Meeting, and the term of office of such directors would expire at the 2019 Annual Meeting of stockholders (see Proposal No. 1 *Election of Directors*). Therefore, directors who are elected at this Annual Meeting would be the final class of directors elected to serve for a three-year term. If adopted, the proposed amendment would not affect the term of any director currently serving in a class who was elected prior to this meeting, each of whom will complete his or her three-year term expiring at the 2017 Annual Meeting of stockholders or the 2018 Annual Meeting of stockholders, as applicable. If the proposed amendment is adopted, nominees elected at the 2017 Annual Meeting of stockholders would become the first group of directors elected to serve for an annual (one-year) term, and nominees elected at all Annual Meetings subsequent to the 2017 Annual Meeting of stockholders also would be elected to serve for an annual (one-year) term expiring at the immediately following Annual Meeting. The proposed amendment provides, consistent with the Company's current certificate of incorporation, that any director chosen by the Board to fill a vacancy on our Board will hold office for the unexpired term in respect of which such vacancy occurred (as determined consistent with the foregoing), except that directors filling newly created directorships will hold office for a term expiring at the immediately following Annual Meeting.

Considerations and Reasons for the Proposed Amendment

Our Board of Directors resolved to adopt and recommend the proposed amendment following a careful review of the Company's corporate governance practices. Our Board also conducted a careful assessment of the risks and benefits of board declassification, which are described below, and reviewed the classified board structure in relation to the corporate governance policies and practices that continue to evolve at both companies generally comparable to Quanex in size and S&P 500 companies.

In determining to recommend declassification, our Board of Directors considered the growing sentiment, particularly in the institutional investor community, favoring the annual election of directors. An increasing number of large companies provide for the annual election of directors, and many stockholders perceive that annual elections improve

director accountability. In addition, proxy advisory firms generally view declassification as a good corporate governance practice. Our Board of Directors concluded that it can continue to effectively oversee the management and protect the best interests of the Company and its stockholders under an annual-term election system.

Our Board of Directors also considered the benefits of maintaining a classified board structure, which enhances stability and continuity with respect to the development and implementation of our Company's long-term operating strategy, and also helps to ensure that a majority of incumbent directors always have institutional knowledge and experience as directors of our Company. Our Board of Directors believes that a classified board structure provides an important measure of protection against unsolicited (or hostile) takeover attempts and tactics focusing on short-term financial gains, which may not be in the best long-term interests of all of the Company's stockholders. Our Board further believes that a classified board structure provides directors with the time necessary to fully evaluate the adequacy and fairness of any unsolicited takeover proposal; communicate with stockholders in a thoughtful, deliberate and fully informed manner regarding the merits and

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risks of an unsolicited takeover or change-in-control transaction and any strategic or financial alternatives that the Board of Directors believes are in the best interests of our Company and stockholders; deter certain manipulative and coercive takeover and change-in-control tactics; negotiate with enhanced bargaining power on behalf of all stockholders; and carefully weigh all strategic and financial alternatives to create value for all stockholders without the threat of the imminent removal of a majority or all of our Company's directors by a single large stockholder or group of stockholders. When a board is not classified, the entire board can be replaced at a single Annual Meeting without cause. Accordingly, if the proposed amendment is adopted, it would be easier for one or more stockholders holding a significant number of outstanding shares to seek to replace a majority of our Company's directors, or the entire Board of Directors at once, whether or not in connection with an acquisition proposal and irrespective of the long- or short-term interests and objectives of such stockholder or stockholders.

Although our Board of Directors believes it is important to maintain appropriate takeover defenses, it also believes it is vitally important to maintain stockholder confidence in the actions, decisions, policies and priorities of our Board of Directors by demonstrating that our Company's directors listen carefully to the views, concerns and recommendations expressed by, and understand that they are accountable to, our stockholders. Accordingly, our Board of Directors has carefully considered the relative benefits and detriments of declassifying the Board of Directors and, for the reasons described above, our Board of Directors has determined it is in the best interests of our stockholders to declassify the Board; has approved resolutions setting forth the proposed amendment to Article Twelfth of the certificate of incorporation; has resolved to submit the proposed amendment to stockholders for their consideration and adoption at this meeting; and has recommended that stockholders vote to adopt the proposed amendment.

Text of the Proposed Amendment to the Certificate of Incorporation

The general description of the proposed amendment to the certificate of incorporation set forth above is qualified in its entirety by reference to the complete text of the amendment, which is attached as Annex A to this proxy statement. If the proposed amendment is adopted at the 2016 Annual Meeting, it will become effective upon the filing by the Company with the Secretary of State of the State of Delaware of a certificate of amendment to the certificate of incorporation currently in effect.

Conditional Bylaw Amendments

In connection with its approval in October 2015 of resolutions to amend Article Twelfth of the certificate of incorporation to declassify the Board of Directors, the Board of Directors also approved an amendment to Section 4.4 of the Company's Amended and Restated Bylaws (the "bylaws") which would provide that (i) until the Board is fully declassified, directors shall be subject to removal for cause only by majority vote of stockholders entitled to vote in the election of directors and (ii) following the time the Board is fully declassified, annually elected directors shall be removable with or without cause by 66 2/3rd% of the outstanding shares of capital stock entitled to vote in the election of directors. Since the bylaw amendment addresses removal following declassification, its effectiveness was made conditional on adoption by our stockholders of the amendment to Article Twelfth of the certificate of incorporation to declassify the Board of Directors. Accordingly, if stockholders adopt the proposed amendment to declassify the Board of Directors, the applicable bylaw change will go into effect. If stockholders do not adopt the proposed amendment to declassify the Board of Directors, the applicable bylaw change will not go into effect. Although stockholders are not voting on the amendment to Section 4.4 of the bylaws, they should be cognizant that a vote **FOR** the amendment to Article Twelfth of the certificate of incorporation would result in adoption of the foregoing bylaw change.

Under a classified structure, members of the Board of Directors are removable only for cause under Delaware law. The conditional bylaw amendment makes clear that the "for cause" removal standard is maintained until such time as

the Board of Directors has fully transitioned to annual elections (i.e., as of the 2019 Annual Meeting). After such time, the members of the Board would be removable *without* cause by a 2/3rds vote of our shares. In the context of an annually elected or nonclassified Board of Directors in which a majority or all of our board may be removed at one time without cause and also considering the Company recently granted large stockholders the right to call special meetings and seek changes (including director removal) on an interim basis, such an approach is intended to require that any single large stockholder or group of stockholders that may seek such removal represent a large portion of our stockholder base. The amendment to Section 4.4 of the bylaws will not affect certain key benefits to stockholders of declassification, including having directors stand for annual elections and being removable without cause as of the time the Board is fully declassified, and the amendment was approved only in such context. Nevertheless the amendment to Section 4.4 in isolation may have anti-takeover effects, since a 2/3rds

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threshold to remove directors could have the effect of making it more difficult for directors to be removed and accordingly for our Board to be replaced on an interim basis than a simple majority of our shares, and thereby delay, defer or prevent a change of control of the Company. The Board believes the combination of the amendments to Article Twelfth and Section 4.4 of the bylaws provides the optimal balance for our stockholders from the standpoint of strong governance and stability. A 2/3rds vote was also approved because it is a supermajority standard that aligns with the voting standard to be adopted for certain other actions (see Proposal No. 4 *Proposed Amendments to Our Certificate of Incorporation to Set Supermajority Voting Provisions for Amendments at 66 2/3rds% of Our Shares*).

The Board also approved a conforming amendment to Section 4.2 of the bylaws to reflect the same changes in Section 4.2 as would be reflected in Article Twelfth of the certificate of incorporation if such amendment to Article Twelfth is adopted by stockholders.

Vote Required

The affirmative vote of a majority of the outstanding shares of stock of the Company entitled to vote in elections of directors is necessary to adopt the proposed amendment to our certificate of incorporation. Unless otherwise instructed, proxy holders will vote the proxies received by them FOR this proposal. If you are a beneficial holder and do not provide specific voting instructions to your broker, the organization that holds your shares will not be authorized to vote on this proposal and will have the effect of a vote AGAINST this proposal. Accordingly, we encourage you to vote promptly, even if you plan to attend the meeting. Like broker non-votes, abstentions will also count as a vote AGAINST this proposal.

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PROPOSAL NO. 4

**PROPOSED AMENDMENTS TO CERTIFICATE OF INCORPORATION TO SET
SUPERMAJORITY VOTING PROVISIONS FOR CERTAIN AMENDMENTS AT 66 2/3rds%
OF OUR SHARES**

Our Board of Directors unanimously adopted resolutions proposing to amend Articles Fourteenth, Fifteenth and Sixteenth of the certificate of incorporation to set certain supermajority voting provisions with respect to amendments to our certificate of incorporation and bylaws at 66 2/3rds% of the voting power of our shares. This Proposal No. 4 is conditioned upon approval of Proposal No. 3 *Proposed Amendment to Our Certificate of Incorporation to Declassify Our Board of Directors*, as described on page 8 of this Proxy Statement. Accordingly, if Proposal No. 3 is not adopted by stockholders, this Proposal No. 4 will not be adopted irrespective of the outcome of the vote on this Proposal No. 4.

General Information on the Proposed Amendments

Article Fourteenth of the certificate of incorporation currently requires the affirmative vote of the holders of eighty percent (80%) or more of all outstanding shares of capital stock entitled to vote in election of directors, considered as a single class, for stockholders to amend, modify or repeal any provision of Article Twelfth, Article Thirteenth or Article Fourteenth of the certificate of incorporation or any provision of the bylaws relating to the number or term of office of directors. Article Fourteenth also states that the foregoing 80% threshold is reduced to a majority of the outstanding shares if the Board of Directors, by resolution adopted by a majority of directors then in office, recommends to the stockholders the adoption of any amendment to such provisions. Article Twelfth of the certificate of incorporation addresses provisions relating to the Company Board of Directors (including, if approved by stockholders pursuant to Proposal No. 3, the provisions of the certificate of incorporation relating to the phased declassification and annual election of the Board of Directors), and Article Thirteenth addresses approval provisions relating to transactions with interested stockholders. The proposed amendment to Article Fourteenth, if adopted, would replace the eighty percent (80%) supermajority vote requirement to approve amendments to the specified provisions of the certificate of incorporation (i.e., Articles Twelfth, Thirteenth and Fourteenth) with a requirement that sixty-six and two thirds percent (66 2/3rds%) or more of our shares would be able to amend, modify or repeal any such provision. The proposed amendment would also eliminate the majority-then-in-office voting exception contained in Article Fourteenth. In effect, if the proposed amendment is adopted, assuming the Board of Directors were to recommend such future changes to the certificate of incorporation, stockholders will be able to approve future changes to Articles Twelfth or Thirteenth of the certificate of incorporation by a vote of sixty-six and two thirds percent (66 2/3rds%) of our shares.

Article Fifteenth of the certificate of incorporation currently requires the affirmative vote of the holders of eighty percent (80%) or more of the voting power of our capital stock entitled to vote in the election of directors for stockholders to amend, modify or repeal any provision of Article Fifteenth of the certificate of incorporation. Article Fifteenth contains a prohibition on stockholders acting by written consent (unless the consent is executed by all of our stockholders). The proposed amendment to Article Fifteenth, if adopted, would replace the eighty percent (80%) supermajority vote requirement to approve amendments to Article Fifteenth with a requirement that sixty-six and two thirds percent (66 2/3rds%) of our shares would be able to amend, modify or repeal any such provision. In effect, if the proposed amendment is adopted, assuming the Board of Directors were to recommend such future amendment to the certificate, stockholders can repeal the prohibition on action by written consent by a vote of sixty-six and two thirds percent (66 2/3rds%) of our shares.

Article Sixteenth of the certificate of incorporation currently requires the affirmative vote of the holders of eighty percent (80%) or more of the voting power of our capital stock entitled to vote in the election of directors for stockholders to adopt any new bylaws or amend, modify or repeal any provision of our bylaws. Article Sixteenth also requires the same vote to amend Article Sixteenth itself. The proposed amendment to Article Sixteenth, if adopted, would replace the eighty percent (80%) supermajority vote requirements for stockholders to approve amendments to our bylaws or the adoption of new bylaws (or amendments to Article Sixteenth) with a requirement that sixty-six and two thirds percent (66 2/3rds%) or more of our shares would be able to adopt any new bylaws or amend, modify or repeal any provision of our bylaws or amend Article Sixteenth of the certificate of incorporation. In effect, if the proposed amendment is adopted, stockholders can amend the bylaws or adopt new bylaws by a vote of sixty-six and two thirds percent (66 2/3rds%) of our shares. If the amendments are adopted, the bylaws would continue to permit bylaw amendments adopted by a majority of the Board.

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Considerations and Reasons for the Proposed Amendments

As with many public companies, the current supermajority voting requirements for amendments to our certificate of incorporation (which stand at 4/5ths, or eighty percent (80%) of the voting power of our capital stock) were originally implemented when we became a public company in 2007 to broadly protect the interests of our stockholders.

Together with the proposed amendment to effect declassification (see Proposal No. 3 *Proposed Amendment to Our Certificate of Incorporation to Declassify Our Board of Directors*), our Board of Directors resolved to adopt and recommend the proposed amendments to our supermajority voting provisions following a careful review of the Company's corporate governance practices and based on its desire to be responsive to evolving standards of corporate governance and to the concerns of our stockholders. In particular our Board broadly reviewed the amendment practices, including the quantitative voting thresholds, existing both at companies generally comparable to Quanex in size and at companies in the S&P 500.

In recent years, stockholders of many public companies have requested the complete elimination of the supermajority voting standard for stockholder actions, and a number of companies have effected such changes. Our Board continues to believe that supermajority voting provisions remain in the best interest of the Company and its stockholders because they facilitate corporate governance stability by requiring broad stockholder consensus to effect changes, and in the process help protect minority stockholder interests. In addition, Quanex's supermajority thresholds for amendments to our certificate of incorporation in particular address limited circumstances, and the Board does not believe that the elimination of the supermajority votes for such circumstances is appropriate. With that said, our Board of Directors recognized that the Company's existing eighty percent (80%) voting thresholds for certain amendments to our certificate of incorporation, or for changes to bylaws initiated by stockholders, are high and increasingly disfavored and pose a challenging threshold for stockholders to reach to effect certain changes and participate in important company decisions that are properly within the realm of stockholders under state corporate law. For this reason, the Board determined that an evaluation of a reduction in as opposed to an elimination of the supermajority thresholds for amendments was warranted and would be consistent with the Board's commitment to strong governance practices.

In making its recommendation, the Board carefully considered the advantages and disadvantages of reducing the thresholds set forth in our supermajority voting provisions for amendments to our certificate of incorporation and bylaws. The Board also considered whether complete elimination of supermajority voting standards for amendments would be advisable or prudent. As noted, while supermajority voting thresholds can facilitate stability and protect minority rights, supermajority vote requirements (and particularly high thresholds such as 80%) can limit the ability of a large group of stockholders at any particular time to effect change by essentially providing a veto to a minority stockholder or group of stockholders. In addition, a lower threshold for stockholder votes can increase stockholders ability to participate effectively in corporate governance. Finally, the Board is aware that many investors and others have come to perceive supermajority voting provisions as conflicting with principles of good corporate governance and accordingly believe that lower thresholds are responsive to this growing sentiment and an effective step in enhancing our corporate governance. As noted above, the Board did not believe that eliminating the Company's supermajority voting requirements in their entirety was in the best interests of stockholders.

After weighing all of these considerations, the Board determined it is in the best interests of our stockholders to set the supermajority vote requirements for amendments at sixty-six and two thirds percent (66 2/3rds%) of the voting power of our shares; has approved resolutions setting forth the proposed amendments to Articles Fourteenth, Fifteenth and Sixteenth of the certificate of incorporation; has resolved to submit the proposed amendments to stockholders for their consideration and adoption at this meeting; and has recommended that stockholders vote to adopt the proposed amendments.

As previously discussed, while the amendments to Article Fifteenth and Sixteenth simply lower the supermajority voting thresholds contained in those provisions to at sixty-six and two thirds percent (66 2/3rds%) of the voting power from an eighty percent (80%) threshold and would affirmatively make changes to such provisions or the bylaws easier to effect by stockholders, the amendment to Article Fourteenth also eliminates an exception that would permit a majority vote of our outstanding stock to approve changes to Articles Twelfth and Thirteenth (and Article Fourteenth itself) if a majority of the directors then-in-office recommends the change to the stockholders. The Board believes that this exception existed in part to facilitate the dismantling of a classified board structure (as set forth in our existing Article Twelfth) should this change be recommended by our Board. The dismantling of our classified Board structure is now being recommended (see Proposal No. 3 *Proposed Amendment to Our Certificate of Incorporation to Declassify Our Board of Directors*), which if

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approved arguably obviates the need for the majority exception going forward. The Board also believes that the elimination of the majority exception in Article Fourteenth is prudent (a) to better protect for the benefit of our stockholders the specific provisions and policies set forth in our certificate of incorporation and bylaws that are covered by the relevant sections (e.g., other Board related protections, such as the Board's right to fill vacancies, set forth in Article Twelfth; or approvals in connection with interested stockholder transactions set forth in Article Thirteenth) in a regime of annually elected directors (i.e., where a majority of the board can be changed at one election, or be removed without cause), (b) to provide better consistency with the other amendment related approval thresholds of our certificate of incorporation set forth in Articles Fifteenth and Sixteenth, (c) to make it harder for the Board to reverse declassification and later re-institute a classified board and (d) for reasons of overall simplicity in the mechanics of our constituent documents. While such change is being effected in the context of lowering the eighty percent (80%) threshold and other changes which enhance stockholder rights, the elimination of the majority vote exception may nevertheless have an antitakeover effect. For example, if stockholders were successful in replacing a majority or all of our Board, any further effort to amend or eliminate certain provisions of our Certificate of Incorporation which themselves have the effect of delaying, deferring or preventing a change of control (e.g., Article Thirteenth), may be impacted.

Because Article Sixteenth is being amended to reduce the voting threshold for stockholders to amend the bylaws to sixty-six and two thirds percent ($66\frac{2}{3}\%$) of our shares and the majority exception is being eliminated, there became no reason to include a reference to bylaw changes in Article Fourteenth (Article Fourteenth previously subjected changes to any provision of the bylaws relating to the number or term of office of directors to a vote of eighty percent (80%) of the voting power of the capital stock, subject to the majority exception referenced herein).

Text of the Proposed Amendments to the Certificate of Incorporation

The general description of the proposed amendments to the certificate of incorporation set forth above is qualified in its entirety by reference to the complete text of the amendments, which is attached as Annex B to this proxy statement. If the proposed amendments are adopted at the 2016 Annual Meeting, they will become effective upon the filing by the Company with the Secretary of State of the State of Delaware of a certificate of amendment to the certificate of incorporation currently in effect.

Conditional Bylaw Amendments

In connection with its approval of resolutions to amend Articles Fourteenth, Fifteenth and Sixteenth of the certificate of incorporation, the Board of Directors also approved a conforming amendment to Article XIII of the bylaws to reflect the same change in Article XIII as would be reflected in Article Sixteenth of the certificate of incorporation if the proposed amendments to our certificate of incorporation regarding our supermajority thresholds for amendments is adopted by stockholders.

Vote Required

The affirmative vote of four-fifths or eighty percent (80%) of the outstanding shares of stock of the Company entitled to vote in elections of directors is necessary to adopt the proposed amendments to our certificate of incorporation with respect to setting the supermajority thresholds for amendments at sixty-six and two thirds percent ($66\frac{2}{3}\%$) of the voting power of our stock. Unless otherwise instructed, proxy holders will vote the proxies received by them **FOR** this proposal. If you are a beneficial holder and do not provide specific voting instructions to your broker, the organization that holds your shares will not be authorized to vote on this proposal and will have the effect of a vote **AGAINST** this proposal. Accordingly, we encourage you to vote promptly, even if you plan to attend the meeting. Like broker non-votes, abstentions will also count as a vote **AGAINST** this proposal.

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PROPOSAL NO. 5

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDIT FIRM

The Audit Committee has selected Grant Thornton LLP, an independent registered public accounting firm, to audit our consolidated financial statements for fiscal year 2016. Grant Thornton LLP has been the Company's independent registered public accounting firm since April 2014, when it was retained by the Audit Committee after the completion of a competitive process to select an auditor for the Company's fiscal 2014 financial statements. We are asking the stockholders to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2016. Grant Thornton LLP was appointed by the Audit Committee in accordance with its charter.

In the event stockholders fail to ratify the appointment of Grant Thornton LLP, the Audit Committee may reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company's and its stockholders' best interests.

The Audit Committee has approved all services provided by Grant Thornton LLP. A representative of Grant Thornton LLP will be present at the Annual Meeting, will have the opportunity to make a statement, and will be available to respond to appropriate questions you may ask.

Vote Required

This vote requires approval by the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on this proposal. Abstentions with respect to the approval of this proposal will have the effect of a vote AGAINST this proposal. Broker non-votes will not be counted for the purpose of determining the number of votes necessary for approval of this proposal.

Board Recommendation

The Board recommends that you vote FOR the ratification of appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2016.

Table of Contents**EXECUTIVE OFFICERS**

Set forth below is certain information concerning the executive officers of the Company, each of whom serves at the pleasure of the Board of Directors. There is no family relationship between any of these individuals or between these individuals and any of the Company's directors. There are no arrangements or understandings between any person and any of the executive officers pursuant to which such executive officer was selected as an executive officer, except for arrangements or understandings with such executive officer acting solely in such executive officer's capacity as such.

Name and Age	Office and Length of Service
<i><u>Current Executive Officers:</u></i>	
William C. Griffiths, 64	Chairman of the Board, President and Chief Executive Officer since 2013
Brent L. Korb, 43	Senior Vice President – Finance and Chief Financial Officer since 2008
Kevin P. Delaney, 54	Senior Vice President – General Counsel and Secretary since 2007
M. Dewayne Williams, 45	Vice President – Controller since 2013
<i><u>Former Executive Officer:</u></i>	
Martin P. Ketelaar, 50	Former Vice President – Treasurer and Investor Relations

Mr. Griffiths was elected Chairman, President and Chief Executive Officer of the Company effective July 9, 2013. Prior to joining the Company, Mr. Griffiths served as the Managing Director and a member of the board of directors of Sealine (International) Ltd., a privately held manufacturer of yachts and other marine vessels based in the United Kingdom, from 2012 until it was sold in June 2013. Prior to joining Sealine in 2012, Mr. Griffiths served as Chairman of the Board, President and CEO of Champion Enterprises, Inc., a NYSE-traded producer of modular and manufactured housing until 2010. He joined Champion as a Director, and as President and Chief Executive Officer, in August 2004, and was named Chairman of the Board in 2006. Champion filed for Chapter 11 bankruptcy on November 15, 2009. From 2001 to 2004, Mr. Griffiths was President – Fluid Systems Division at SPX Corporation, a global multi-industry company located in Charlotte, North Carolina. Mr. Griffiths graduated from the University of London with a B.S. with Honors in Mining Engineering. In addition, Mr. Griffiths is a graduate of the Harvard Business School's PMD executive education program.

Mr. Korb was named Senior Vice President – Finance and Chief Financial Officer of the Company on August 1, 2008. Mr. Korb was named Vice President – Controller of Quanex Corporation in 2005, and was elected to the same position with the Company upon its creation on December 12, 2007. Prior to his election as Vice President – Controller of Quanex Corporation, Mr. Korb served as Assistant Controller of Quanex Corporation from 2003 to 2005. Prior to that time, Mr. Korb was Controller & Director of Business Analysis since 2003, and Manager of Business Analysis since 2001, of Resolution Performance Products, a manufacturer of specialty chemicals. From 1996 to 2001, Mr. Korb held various positions at Service Corporation International, a provider of funeral, cremation and cemetery services, including Director International Finance & Accounting, Manager International Finance & Accounting, Manager Corporate Development, Manager Strategic Planning, and Financial Analyst.

Mr. Delaney was named Senior Vice President – General Counsel and Secretary of Quanex Corporation on February 24, 2005, and was elected to the same position with the Company upon its creation on December 12, 2007. Prior to that, he was Vice President – General Counsel of Quanex Corporation since 2003, and Secretary since 2004. Prior to that he was Chief Counsel for Trane Residential Systems, a business of American Standard Companies, a global manufacturer with market leading positions in automotive, bath and kitchen, and air conditioning systems,

since 2002; Assistant General Counsel for American Standard Companies since 2001; and Group Counsel for The Trane Company's North American Unitary Products Group since 1997. Prior to that time, Mr. Delaney was Vice President General Counsel with GS Roofing Products Company, Inc. from 1995 to 1997 and Senior Attorney with GTE Directories Corporation from 1991 to 1995.

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Mr. Williams was named Vice President – Controller of the Company effective July 1, 2013. Prior to joining the Company, Mr. Williams served as the Vice President – Accounting, Corporate Controller, Chief Accounting Officer and Assistant Treasurer of Complete Production Services, Inc., a publicly held oilfield service provider, from 2009 until it was acquired by Superior Energy Services in 2012. In this role, Mr. Williams served as principal accounting officer and also provided cash management services, various treasury functions, and purchase accounting/transaction support. Prior to that, he served as Assistant Controller for Complete Production Services from 2005 to 2009. During the time from his 2012 departure from Complete Production Services until he joined the Company in 2013, Mr. Williams engaged in consulting work primarily related to purchase transaction accounting for several oil field service companies.

Mr. Ketelaar was named Vice President Investor Relations of the Company on September 12, 2012, and was promoted to Vice President – Treasurer and Investor Relations on June 14, 2013. Mr. Ketelaar's employment with the Company ended on November 3, 2015. Prior to joining the Company in 2012, Mr. Ketelaar served from 2007 to 2012 as Vice President – Investor Relations and Assistant Treasurer at The ServiceMaster Company, a global company providing residential and commercial customers with multiple services, including termite and pest control, lawn care, home warranties and preventive maintenance contracts, cleaning and disaster restoration, house cleaning, wood furniture repair, and home inspection. Mr. Ketelaar also served from 1995 to 2007 as an Investor Relations Vice President at AmerUs Group/Aviva USA.

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DIRECTOR AND OFFICER COMPENSATION

Director Compensation

Directors who are also employees of the Company do not receive any additional compensation for serving on the Board. In fiscal 2015, Mr. Griffiths was the only director who also served as an employee of the Company. As such, he did not receive any additional compensation for Board service, and has not since the date on which he became an employee.

For the fiscal year ended October 31, 2015, the Company's non-employee directors received the following compensation (effective May 1, 2015):

Annual Cash Retainer⁽¹⁾ \$55,000/year paid quarterly

Committee Member Retainer⁽¹⁾

Member of Audit Committee: \$7,500/year paid quarterly

Member of Compensation & Management Development Committee: \$5,000/year paid quarterly

Member of Nominating & Corporate Governance Committee: \$5,000/year paid quarterly

Committee Chairman Fees (paid in lieu of Committee Member Retainer listed above) ⁽¹⁾

Chairman of Audit Committee: \$15,000/year paid quarterly

Chairman of Compensation & Management Development Committee: \$10,000/year paid quarterly

Chairman of Nominating & Corporate Governance Committee: \$10,000/year paid quarterly⁽²⁾

Lead Director Fee⁽¹⁾ \$20,000/year paid quarterly

Annual Stock Retainer⁽³⁾ Beginning November 1, 2015, on the first business day of each fiscal year, non-employee directors shall receive an annual restricted stock unit award of \$80,000 in equivalent value. The restricted stock unit award vests immediately upon issuance. If the non-employee director meets the Company's director stock ownership guidelines (in shares and share equivalents), payment of the award will be deferred automatically to the director's separation from service (or, if earlier, a change in control of the Company), unless an election is made by the director to settle and pay the award on an earlier permitted specified date, and such election is made prior to the last day of the

deferral election period applicable to the award under Section 409A of the Internal Revenue Code. If the non-employee director has not met the Company's applicable stock ownership guidelines, then payment of the award will automatically be deferred until the director's separation from service, and no election for an earlier payment date will be allowed. For purposes of this paragraph, the determination of whether a director meets the stock ownership guidelines will be made as of December 31st of the calendar year immediately preceding the calendar year in which the applicable restricted stock unit award is granted. The restricted stock unit awards that were granted on November 2, 2015, immediately vested, and will be paid upon the earlier of the director's separation from service or a change in control of the Company, and no election for an earlier payment date was allowed for any director, regardless of stock ownership. For restricted stock units awarded in calendar 2016 and thereafter, directors will have an election for a deferred compensation arrangement under which directors may elect the timing of the payment in compliance with applicable regulations and the Quanex policy noted above. No stock retainer grants were made in the fiscal year that ended on October 31, 2015.

Initial Restricted Stock Grant On the date on which a non-employee director is first elected or appointed as a director, such director will be granted an annual restricted stock unit award that is pro-rated for the time served during the current fiscal year, from the director's date of election or appointment. These grants will immediately vest and will be settled and paid upon the earlier of the director's separation from service or a change in control of the Company. The pro-rated restricted stock unit award, as well as the first full restricted stock unit award granted to a newly appointed or elected director, will not be eligible for any form of deferral or other payment timing election.

Expense Reimbursement Directors are reimbursed for their expenses relating to attendance at meetings.

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- (1) Non-employee directors are permitted to defer all or any part of their cash retainers and fees under the Quanex Building Products Corporation Deferred Compensation Plan (the DC Plan). These deferrals are placed into notional accounts maintained under the DC Plan and are deemed invested in cash, units denominated in Common Stock, or any of the accounts available under the Company s qualified 401(k) plan, as the director elects. The number of units that are deemed invested in Company common stock units and credited to a director s notional account is equal to the number of shares of Common Stock that could have been purchased with the dollar amount deferred based on the closing price of the Common Stock on the New York Stock Exchange on the date the amount would have been paid had it not been deferred. If a dividend or other distribution is declared and paid on Common Stock, for each notional common stock unit credited to a director s account a corresponding credit will be accrued in the director s notional matching account. All director deferrals are 100% vested. No payments may be made under the DC Plan until a distribution is permitted in accordance with the terms of the DC Plan. In the event of a change in control of the Company, any amount credited to a director s account is fully vested and is payable in cash within five days after the change in control occurs. A change in control is defined generally as (i) an acquisition of securities resulting in an individual or entity or group thereof becoming, directly or indirectly, the beneficial owner of 20% or more of either (a) the Company s then-outstanding Common Stock or (b) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors, (ii) a change in a majority of the persons who were members of the Board of Directors as of December 12, 2007 (the Incumbent Board), (iii) generally, a reorganization, merger or consolidation or sale of the Company or disposition of all or substantially all of the assets of the Company, or (iv) the approval by the stockholders of the Company of a complete liquidation or dissolution of the Company. For this purpose, an individual will be treated as a member of the Incumbent Board if he becomes a director subsequent to December 12, 2007, and his election, or nomination for election by the Company s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board; unless his initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, entity or group other than the Board. All distributions under the DC Plan will be made in cash. Any deferral or payment permitted under the DC Plan is administered in a manner that is intended to comply with Section 409A of the Internal Revenue Code of 1986.
- (2) Mr. Rupp serves as Chairman of the Nominating & Corporate Governance Committee, but has chosen to decline the Committee Chairman Fee related to that position.
- (3) Restricted stock unit grants are issued from the Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as amended.

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The table below shows the total compensation of our non-employee directors for the fiscal year ended October 31, 2015.

Name	Fees Earned or Paid in		Change in Pension Value & Nonqualified Deferred Compensation		All Other Compensation ⁽⁴⁾	Total
	Cash ⁽¹⁾	Stock Unit Awards ⁽²⁾	Option Awards ⁽²⁾	Earnings ⁽³⁾		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Robert R. Buck	65,000				2,407	67,407
Susan F. Davis	67,500				4,849	72,349
LeRoy D. Nosbaum	70,000				1,127	71,127
Joseph D. Rupp	82,500				1,815	84,315
Curtis M. Stevens	72,500				2,568	75,068

- (1) Amounts shown reflect fees earned by the directors from Quanex Building Products Corporation during fiscal year 2015. During fiscal 2015, Messrs. Buck and Stevens and Ms. Davis elected to defer cash compensation of \$65,000, \$36,250 and \$67,500, respectively, under the DC Plan in the form of notional units.
- (2) These columns show respectively, the aggregate grant date fair value for restricted stock units and stock options awarded in fiscal 2015 computed in accordance with FASB ASC Topic 718. As noted, there were no grants of restricted stock units or stock options to non-employee directors during fiscal 2015. Director grants vest immediately and as such are expensed on the date of grant. A discussion of the assumptions used in computing the grant date fair values may be found in Note 15, Stock-Based Compensation, included in the Company's audited financial statements on Form 10-K for the year ended October 31, 2015. These values reflect the Company's assumptions used to determine the accounting expense associated with these awards and do not necessarily correspond to the actual value that may be recognized by the directors.

The following table shows the grant date fair value of restricted stock units and option grants made during fiscal year 2015 as well as the aggregate number of restricted stock units and stock option awards outstanding for each non-employee director as of October 31, 2015:

Name	Restricted Stock Units			Stock Options		
	Grant Date	2015 Grants Fair Value (\$)	Total Units Outstanding as of October 31, 2015 (#)	Grant Date	2015 Grants Fair Value (\$)	Total Stock Options Outstanding as of October 31, 2015 (#)
Buck	n/a		3,934	n/a		20,876
Davis	n/a		11,345	n/a		56,308
Nosbaum	n/a		7,045	n/a		35,398
Rupp	n/a		11,345	n/a		56,308
Stevens	n/a		7,045	n/a		35,398

- (3) The Company does not provide a pension plan for non-employee directors. None of the directors received preferential or above-market earnings on deferred compensation.
- (4) Amounts shown represent (a) dividends paid during fiscal 2014 on outstanding restricted stock units, and (b) equivalent dividends paid on phantom stock in the Deferred Compensation Plan for Ms. Davis and Messrs. Buck and Stevens of \$3,034; \$1,778; and \$1,441, respectively.

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Compensation Discussion and Analysis

Introduction

This section of the proxy describes the compensation paid to the executive officers listed in the Summary Compensation Table on page 41 of this Proxy Statement:

William C. Griffiths Chairman, President and Chief Executive Officer (CEO)

Brent L. Korb Senior Vice President Finance and Chief Financial Officer (CFO)

Kevin P. Delaney Senior Vice President General Counsel and Secretary

Martin P. Ketelaar Former Vice President Treasurer & Investor Relations

M. Dewayne Williams Vice President Controller

The compensation programs described, however, apply more broadly to other officers and management personnel at the Company, with changes as appropriate to reflect different levels and types of responsibility. The Company believes that this approach helps to align Quanex employees into a unified team committed to the Company's corporate objectives.

Executive Summary

2015 Company Highlights

Quanex achieved notable operational performance and took transformative strategic actions in 2015. Achieving these fundamental business objectives is essential to delivering exceptional returns to our shareholders and serves as a key value driver for our stock price over time. Our 2015 achievements included:

A 25% year-over-year improvement in EBITDA

Reported EPS from continuing operations of \$0.45 as compared to \$0.22 in the prior year

Two transformative acquisitions during the current year

Strong cash generation with a year-end net debt of \$34.3 million

Pay for Performance

The Compensation Committee designs the Company's compensation programs to reward for Company performance. The following chart compares the relationship between the CEO's target and realized pay to the Company's total shareholder return (TSR) over the past five years. Target pay includes base salary, target bonus and the grant date value of options, restricted stock, cash-based performance units, and performance share units for the applicable period. Realized pay includes base salary, bonus payout, in-the-money value of stock options based on the October 31, 2015 stock price, the value of restricted stock granted during the period based on the October 31, 2015 stock price, and the value of cash-based performance units paid out during the period.

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Note: This analysis assumes target pay for the current CEO and the realized pay attributable to the Long Term Incentive (LTI) awards made to the former CEO for FY 2013.

The following table shows the payout (as a percentage of target) for the Company s annual incentive award program (AIA) and cash-settled performance unit plan. Over the past five years, the average AIA payout has been approximately 57% of target whereas the average performance unit payout has been approximately 41% of target.

Award Type	Payout (as a % of target)				
	FY2011	FY2012	FY2013	FY2014	FY2015
AIA	0.00%	114.30%	0.00%	78.50%	92.80%
Perf. Unit	100.00%	38.31%	0.00%	0.00%	66.80%

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Compensation Best Practices

We use traditional compensation elements of base salary, annual incentives, long-term incentives, and employee benefits to deliver attractive and competitive compensation. We benchmark both compensation and Company performance in evaluating the appropriateness of pay. All of our executive pay programs are administered by an independent compensation committee, with assistance from an independent consultant. We have historically targeted the market median for fixed compensation, while providing the executive with an opportunity to earn upper quartile incentive pay based on company performance. For FY 2016 the Committee decided to change the strategy to target market median for all elements of compensation. Some highlights to our executive compensation program include the following actions:

What We Do	What We Don't Do
ü Link annual incentive compensation to the achievement of an objective pre-established performance goal.	x No tax gross ups for new executive officers.
ü Provide 50% of our long-term compensation in the form of Performance-Based Long-Term Incentives.	x We do not allow hedging or pledging of Company stock.
ü Apply robust minimum stock ownership guidelines.	x No single-trigger change in control cash payments.
ü Maintain a clawback policy.	x No excessive perquisites.
ü Use and review compensation tally sheets.	
ü Evaluate the risk of our compensation programs.	
ü Use an independent compensation consultant.	
ü Seek to optimize deductibility of performance-based compensation.	

Compensation Program Overview

Our compensation program is designed with the intent of linking our executives to the shareholder experience. With this in mind, the Committee:

Maintained a long-term incentive plan that rewards executives for compounded EPS growth and relative TSR compared to peers.

Maintained current base salaries for the executives in fiscal 2015 to continue the mix of total compensation towards performance-based incentives.

Reviewed with our independent compensation consultant the competitive reference group for continued appropriateness after completing the acquisitions during the fiscal year. The result of the review was no

change to the reference group for fiscal 2016.

For fiscal 2016, evaluated the long-term incentive philosophy and made modifications in order to target the 50th percentile, freezing the dollar value of last year's grants for three senior officers until such time as the market conditions warrant a further review.

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Compensation Objectives

We design our executive compensation program to further our corporate goal of being a consistently high-performing growth company. Our compensation plan and pay strategy focus on and are intended to influence the profit margins of our businesses, cash flow generation, returns to stockholders and efficient management of our operations.

Our specific objectives and related plan features include:

Objectives

How We Meet Our Objectives

We provide a competitive total pay package, taking into account base salary, incentives, benefits and perquisites for each executive.

We regularly benchmark our pay programs against the competitive market, comparing both fixed and variable, at-risk compensation that is tied to short- and long-term performance; we use the results of this analysis as context in making pay adjustments.

Attract and retain effective leadership

Our plans include three-year performance cycles on long-term incentive awards, three-year vesting schedules on equity incentives, and career-weighted vesting on our supplemental retirement plan to motivate long-term retention.

We compete effectively for the highest caliber people who will determine our long-term success.

Motivate and reward executives for achieving specific financial goals

We offer a compensation program that focuses on variable, performance-based compensation (through Annual and Long-Term Incentive Awards).

Specific financial performance measures used in the incentive programs include:

Annual Incentive Awards (AIA) use a corporate scorecard based on 100% Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), taking into account operational and strategic goals, provided the Company achieves the initial performance hurdle of positive operating income (excluding any amounts attributable to corporate).

Performance Share awards use compounded Earnings Per Share (EPS) Growth goals to motivate long-term focus on bottom-line performance and Relative Total Shareholder Return to reward executives for performance compared to the market.

We link a significant part of total compensation to Quanex's financial and stock price performance over 70% of our compensation mix is performance-based.

Create a strong financial incentive to meet or exceed long-term financial goals and build long-term value

We deliver 50% of long-term incentives in the form of performance-based equity compensation.

For SVPs and above, long-term compensation opportunities are weighted to deliver more than two times the target short-term incentive opportunity, resulting in a significant portion of our total compensation delivered in the form of long-term incentives.

In order to emphasize long-term shareholder returns, we require significant Quanex stock ownership among executives through the use of stock ownership guidelines.

Align executive and shareholder interests

The ultimate value of our annual equity grants is driven by stock price performance over the grant date value.

Table of Contents**Competitive Positioning***Fiscal 2015*

Annually the Compensation Committee examines the level of competitiveness and continued appropriateness of our executive compensation program. Quanex uses comparative compensation data from a group of direct and related industry companies, referred to in this CD&A as the Reference Group, as a point of reference in designing its compensation levels and in setting compensation levels. The Reference Group consists of companies selected on criteria including size, complexity, revenue, market capitalization, risk profile, asset intensity, margins, and industrial application of the primary business. The use of a larger Reference Group is intended to provide more statistically valid comparisons with less volatility from year to year. For fiscal 2015, the Reference Group consisted of the following 31 companies:

A. M. Castle & Co.	Eagle Materials Inc.*	Nordson Corp.
Actuant Corp.	Encore Wire Corp.	Nortek Inc.*
Albany International Corp.	EnPro Industries Inc.	Olympic Steel Inc.
American Woodmark Corp.*	Gibraltar Industries Inc.*	Ply Gem Holdings Inc.*
Apogee Enterprises Inc. *	Graco Inc.	Simpson Manufacturing Inc.*
Astec Industries Inc.	Griffon Corporation*	Superior Industries International
Builders FirstSource Inc.*	H&E Equipment Services Inc.	Trex Company, Inc.*
CLARCOR Inc.	Headwaters Inc.	Universal Forest Products Inc.*
Compass Minerals International Inc.	Louisiana-Pacific Corp.*	Watts Water Technologies Inc.
Continental Building Products*	Masonite International*	
Drew Industries Inc.*	NCI Building Systems Inc.*	

* The sixteen companies in the Reference Group identified by the asterisk are those we consider more traditional peers (i.e., Peer Group). These companies are used by the Compensation Committee to evaluate relative Company performance, as they tend to best reflect the operational and financial performance of our industry.

Frederic W. Cook & Co., Inc. (Cook), an independent compensation consultant to the Compensation Committee, uses the Reference Group pay information, along with manufacturing and general industry survey data, to develop the appropriate range of compensation for each executive position. Cook also prepares an independent analysis of our key performance indicators such as profitability, growth, capital efficiency, balance sheet strength, and total return to stockholders compared to those companies in our Peer Group. These results are then reported to the Compensation Committee in order to provide a thorough picture of the competitiveness of pay in the context of our performance as

compared with that of our peers. While the Compensation Committee uses this analysis to help frame its decisions on compensation, it uses its collective judgment in determining executive pay. The Compensation Committee exercises discretion in making compensation decisions based on the following inputs: its understanding of market conditions, its understanding of competitive pay analysis, recommendations from the CEO regarding his direct reports, the Committee's overall evaluation of the executive's performance, and our overall compensation strategy.

Table of Contents**Program Description**

Our executive compensation program is a traditional design structure that has been customized to suit the business and organizational objectives of the Company. It includes base salary, annual cash incentive compensation, long-term incentives and executive benefits. Our fiscal 2015 long-term incentive program consisted of stock option grants, restricted stock grants and performance share awards. The amount of pay that is performance-based for an executive is directly related to the level of responsibility held by the position; accordingly, our highest ranked executive has the most performance-based pay as a percentage of total compensation. We attempt to set realistic but challenging goals in our annual incentive and performance share plans. In both cases, if we fail to meet the pre-determined standards, no plan-based compensation is earned by executives.

We evaluate the various components of compensation annually relative to the competitive market for prevalence and value. By setting each of the elements against the competitive market within the parameters of our compensation strategy, the relative weighting of each element of our total pay mix varies by individual. We do not set fixed percentages for each element of compensation. The mix may also change over time as the competitive market moves or other market conditions which affect us change. We do not have and do not anticipate establishing any policies for allocating between long-term and currently paid compensation, or between cash and non-cash compensation. We have a process of assessing the appropriate allocation between these elements of compensation on a periodic basis and adjusting our position based on market conditions and our business strategy.

Base Salary

Purpose: This pay element is intended to compensate executives for their qualifications and the value of their job in the competitive market.

Competitive Positioning: The Company's goal is to target the market median as our strategic target for base salary. We review each executive's salary and performance every year to determine whether his/her base salary should be adjusted. Along with individual performance, we also consider movement of salary in the market, as well as our financial results from the prior year to determine appropriate salary adjustments.

While the Compensation Committee applies general compensation concepts when determining the competitiveness of our executives' salaries, the Compensation Committee generally considers base salaries as being competitive when they are within approximately 10% of the stated market target (in this case, the market 50th percentile). In the most recent analysis using both our reference group and general industry data, the salaries for our named executive officers ranged from 83% to 96% of the market 50th percentile.

Fiscal 2015 Review: In December 2014, the Compensation Committee agreed to maintain salary levels for the named executive officers, as set forth below.

Name and Principal Position	Fiscal 2014 Base Salary	Fiscal 2015 Base Salary	Base Salary Increase
William C. Griffiths	\$ 780,000	\$ 780,000	0%
Chairman, President and CEO			
Brent L. Korb	\$ 400,000	\$ 400,000	0%

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Senior Vice President	Finance and CFO			
Kevin P. Delaney				
		\$ 360,000	\$ 360,000	0%
Senior Vice President	General Counsel and Secretary			
Martin P. Ketelaar				
		\$ 225,000	\$ 225,000	0%
Vice President	Treasurer and Investor Relations			
M. Dewayne Williams				
		\$ 225,000	\$ 225,000	0%
Vice President	Controller			

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Changes for Fiscal 2016: In October 2015, the Compensation Committee made the following salary changes for the named executive officers based on several factors, including Company performance, performance of the executives, the Company's relative position to the market, and the fact that no increases were awarded the past year.

Name and Principal Position	Fiscal 2015 Base Salary	Fiscal 2016 Base Salary	Base Salary Increase
William C. Griffiths Chairman, President and CEO	\$ 780,000	\$ 815,000	4.5%
Brent L. Korb Senior Vice President Finance and CFO	\$ 400,000	\$ 418,000	4.5%
Kevin P. Delaney Senior Vice President General Counsel and Secretary	\$ 360,000	\$ 375,000	4.2%
Martin P. Ketelaar Vice President Treasurer and Investor Relations	\$ 225,000	\$ 225,000	0%
M. Dewayne Williams Vice President Controller	\$ 225,000	\$ 232,000	3.1%

Annual Incentive Awards (AIA)

Purpose: This element of compensation is intended to reward executives for the achievement of annual goals related to key business drivers. It is also intended to emphasize to executives the key business goals of the Company from year to year.

Competitive Positioning: The Company's strategy is to target the market median for annual incentives for performance that meets expected levels. We have established the range of possible payouts under the plan so that our competitive position could be above or below our stated strategy based on performance outcomes. Our most recent analysis showed our named executive officers to be in a range of 86% to 98% of the market median on target total cash compensation.

Plan Mechanics: The Company's 2008 Omnibus Incentive Plan, as amended in 2011 and 2014 (the Omnibus Plan) serves as the governing plan document for our AIA. The AIA is a goal attainment incentive plan design that pays target award levels for expected performance results.

Fiscal 2015: The AIA emphasizes earnings and informed decision making with regard to the Company's operational and strategic goals. To integrate the goals of the AIA throughout the Company, the annual incentive program participation includes the top leaders of all of our business divisions. We believe this is necessary in order to align managers throughout the organization with this incentive structure. The plan design requires the Company (excluding any amounts attributable to corporate) to have positive operating income in order for any Annual Incentive Awards to be paid out. If the performance hurdle is met, then the bonus pool for all 2015 Annual Incentive Awards is funded at the maximum bonus opportunity level.

If funded, the Compensation Committee will assess performance against the fiscal 2015 corporate scorecard weighted 100% on EBITDA, before taking into account operational and strategic goals. The Company set the performance expectations based on the forecasted results of the operating divisions and the projected markets for building products.

Target Award Levels: Based on competitive market practices for annual incentives, and our compensation strategy, we set a target award opportunity for each of our executives. This is the amount of incentive compensation the executive can earn when performance meets expected results, or target. The table below reflects the payout percentage of a named executive's base salary at the threshold, target and maximum levels of performance.

Table of Contents**Potential AIA Payout**

Participant	Expressed as a % of Salary		
	Threshold	Target	Maximum
CEO	25.00%	100.00%	200.00%
CFO	16.25%	65.00%	130.00%
GC	15.00%	60.00%	120.00%
VPs	10.00%	40.00%	80.00%

Fiscal 2015 Results: For fiscal 2015, the performance hurdle of positive operating income (excluding corporate) was met, with the Company having earned operating income of \$53 million. Once the hurdle was met and the plan was funded, the Compensation Committee applied discretion to determine the incentive payouts. The primary metric for the AIA scorecard considered by the Compensation Committee was the EBITDA target of \$63 million. The Committee adjusted EBITDA results by factoring in the effect of foreign exchange rates, LIFO, stock based compensation and transaction related costs, excluding results of the an acquisition in June 2015, to arrive at a revised EBITDA target of \$61 million. The Company achieved adjusted EBITDA of \$60 million, or 92.8% of target, which resulted in an AIA achievement of 92.8% of target payment. The AIA achievement resulted in payments to participants as follows:

Participant	Target % (as a % of salary)	Achieved % (as a % of salary)
CEO	100.00%	92.80%
CFO	65.00%	60.30%
GC	60.00%	55.70%
VPs	40.00%	37.40%

Fiscal 2016 Decisions: For fiscal 2016, the Compensation Committee decided to maintain the overall structure of the AIA.

The fiscal 2016 scorecard will continue to be weighted 100% EBITDA. We believe that the use of a single financial measure helps focus the management team on operational excellence and profitability. The plan will continue to use positive operating income (excluding any amounts attributable to corporate) as the initial performance hurdle.

The following AIA targets were established for the executives for fiscal 2016:

Participant	AIA Target (as a % of salary)
CEO	100%
CFO	65%
GC	60%
VPs	40%

Long-Term Incentive Compensation

Purpose: We have a long-term incentive program designed to help align the interests of executive management with shareholders and reward executives for the achievement of long-term goals. Long-term incentives are also critical to the retention of key employees and provide executives an opportunity for personal capital accumulation. For these

reasons we have placed more value on the long-term incentive element of compensation than on other elements. The result is that this element of compensation represents at least half of the named executive officers' total direct compensation.

Competitive Positioning: For long-term incentives in FY 2015, we targeted the opportunity to earn the market 75th percentile based on Company performance. When reviewing the position versus the market, we found that the named executive officers' competitive positioning ranges from 62% to 92% of the market 75th percentile. We believe the wide range of competitiveness in our executive group is partly due to widely varying practices among reference group companies. The

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individual performance of each named executive officer is not considered in the value of the long-term incentive awards granted. Since the goals are set prospectively, the Company's financial performance determines the ultimate value of the award.

Participation: Participation in the program includes the named executive officers and certain key contributors to the business and is determined based on competitive practices as well as our assessment of which positions contribute to long-term value creation.

Target Award Levels: For FY 2015, we established the CEO's total long-term incentive value based on our compensation goal of providing the opportunity to earn 75th percentile long-term incentive compensation value when performance warrants. It represents 58% of the CEO's total direct compensation. When establishing appropriate targets for other named executive officers, we used the 75th percentile of the competitive market as a reference point. The long-term incentive award values for the other named executive officers represent relatively less as a percentage of total direct compensation, reflecting the officers' responsibilities and ability to influence shareholder returns. From year to year, the CEO may recommend adjustments to the value of long-term incentives awarded to the other executive officers, based on his assessment of their individual contribution.

The following table sets forth the target award levels for the FY 2015 long-term incentives of each of our named executive officers:

Participant	LTI Target (as a % of salary)
CEO	275%
CFO	175%
GC	165%
VPs	70%

Fiscal Year 2015 Long-Term Incentive Program Design***Vehicles and Goals***

The Company's fiscal 2015 program consisted of a combination of stock options, performance shares and restricted stock. The allocation between the long-term incentive vehicles is determined by the Compensation Committee based on market information provided by its compensation consultant, as well as input from senior management regarding the key business drivers that allow for the continuation of a results-oriented culture. The Omnibus Plan does not provide for any specific subjective individual performance component in determining the ultimate value of the award. The following chart illustrates the fiscal 2015 allocation of long-term incentives by vehicle type, with a description of each and related performance goals.

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Stock Options

Options to purchase company stock comprised approximately 25% of our long-term incentive target value for fiscal 2015 and provide executives the opportunity to share in the increase in stock value over time. They provide an element of compensation that varies along with changes in stock price over time. These awards also offer our executives the opportunity to accumulate value (if the Company's stock appreciates) since the growth in value occurs over a long period of time (up to 10 years), and gains from that growth are not taxed until such time as the options are exercised. Since we generally use ratable vesting over three years for each award, stock options also serve a meaningful role in the retention of our key employees.

Our stock options are granted at the fair market value closing price on the date of grant, have a term of ten years, and generally vest ratably over a three-year period.

Restricted Stock

Restricted stock represents 25% of the participant's long-term incentive value. We chose 25% of the total value because it provides meaningful retentive value to our key executives, helps smooth out market volatility, and is cost efficient. The restricted stock awards vest three years after the award is granted, so long as the participant remains employed by us. We believe restricted stock awards are an effective long-term compensation vehicle through which key employees can be retained, especially through volatile periods in the market.

Performance Shares

Performance shares represent 50% of the participant's long-term incentive value. Performance shares are payable 50% in cash and 50% in stock and are intended to motivate executives to achieve preset goals that are in line with critical business drivers. These awards also provide an incentive for executives to outperform peer companies as measured by relative total shareholder return.

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We set target award values for each year. These target award values are used to calculate the number of performance shares granted to each executive. The final number of shares to vest is not determined until the end of a three-year performance cycle and is based on Earnings Per Share Growth (or EPS Growth) and Relative Total Shareholder Return (or Relative TSR). Each goal is weighted 50% of the total performance share award. The goal for each metric is listed below:

Milestones	Relative Total	3-Yr. Cumulative	Performance Share Modifier		Total
	Shareholder Return	Compounded	R-TSR	EPS	
	Percentile	Annual	50% Weighting	50% Weighting	
Maximum	75%	12%	100%	100%	200%
Target	60%	9%	50%	50%	100%
Threshold	30%	6%			