Quanex Building Products CORP
Form DEF 14A
January 24, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

Quanex Building Products Corporation
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

QUANEX BUILDING PRODUCTS CORPORATION

1800 West Loop South
Suite 1500
Houston, Texas 77027
(713) 961-4600

January 24, 2014

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 Thursday, February 27, 2014, 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 amendment and restatement of the Company s 2008 Omnibus Incentive Plan, and in favor of an advisory vote approving the Company s named executive officer compensation. 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

QUANEX BUILDING PRODUCTS CORPORATION
PROXY STATEMENT

TABLE OF CONTENTS

Table of Contents

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held February 27, 2014

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 Thursday, February 27, 2014, 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 2017;

(2) To provide an advisory vote approving the Company s named executive officer compensation;

(3) To approve an amendment and restatement of the Company s 2008 Omnibus Incentive Plan; and

(4) 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 8, 2014, 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, 2013, accompanies this Notice.

By order of the Board of Directors,

Kevin P. Delaney
Senior Vice President General Counsel and Secretary

Houston, Texas

January 24, 2014

Table of Contents

PROXY STATEMENT

Annual Meeting of Stockholders

To Be Held February 27, 2014

This Proxy Statement and the accompanying form of proxy are to be first mailed on or about January 24, 2014, to all holders of record on January 8, 2014 (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 Thursday, February 27, 2014, 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 37,258,156 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 Alliance Advisors, LLC, which has been retained by the Company to assist in the solicitation for a fee of approximately $6,000. 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 FEBRUARY 27, 2014:

Our Proxy Statement and 2013 Annual Report are available online at the following web address:

http://www.quanex.com/2013AR

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

Table of Contents

MATTERS TO COME BEFORE THE MEETING

PROPOSAL NO. 1
ELECTION OF DIRECTORS

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 with Classes I, II, and III standing for election at the annual meetings of stockholders in 2014, 2015 and 2016, respectively. The terms of office of Susan F. Davis and Curtis M. Stevens expire at the 2014 Annual Meeting. Ms. Davis and Mr. Stevens were each elected by the stockholders in 2011 to a term ending in 2014 and are standing for re-election for term expiring at the 2017 annual meeting. Robert R. Buck was elected by the stockholders in 2012 to a term ending in 2015. Following the July 2013 resignation of David D. Petratis as a director and in order to ensure that the Board remains divided into three classes as nearly equal in number as possible, Joseph D. Rupp resigned as a Class I director and was immediately re-elected by the Board as a Class II Director, with a term ending in 2015. Both Class III directors, as listed below, were elected to a term ending in 2015 at the 2012 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 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 for term expiring at the 2017 Annual Meeting (Class I Directors)	**Principal Occupation**	**Age**	**Director Since**
Susan F. Davis	Executive Vice President of Human Resources of Johnson Controls, Inc., a global leader in automotive systems, building efficiency and power solutions (Milwaukee, Wisconsin).	60	2007
Curtis M. Stevens	Chief Executive Officer of Louisiana-Pacific Corporation, a leading building materials manufacturer (Nashville, Tennessee).	61	2010

[redacted]			
Joseph D. Rupp	Chairman, President and Chief Executive Officer of Olin Corporation, a basic materials company concentrated in chemicals and ammunition (Clayton, Missouri).	63	2007
[redacted]			
Robert R. Buck	Chairman of the Board of Beacon Roofing Supply, Inc., a leading distributor of roofing materials (Peabody, Massachusetts).	66	2011

Page 3

Table of Contents

William C. Griffiths	Chairman, President and Chief Executive Officer, Quanex Building Products Corporation (Houston, Texas).	62	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 (Spokane, Washington).	67	2010

Director Biographies, Key Attributes, and Skills

ROBERT BUCK, age 66

Biography: Mr. Buck is the Chairman of the Board of Beacon Roofing Supply, Inc., a $2.2 billion NASDAQ traded roofing materials distributor. 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 2008: 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.

SUSAN DAVIS, age 60

Biography: Ms. Davis was elected in September 2006 as Executive Vice President of Human Resources for Johnson Controls, Inc., a global leader in automotive systems, building efficiency and power solutions. Ms. Davis previously served as Vice President of Human Resources for Johnson Controls from 1994 to 2006, and in various other positions with Johnson Controls, which she originally joined in 1983. Johnson Controls is a $44 billion NYSE-traded company.

Key Attributes, Experience, and Skills: As the executive leader of Human Resources for Johnson Controls since 1994, Ms. Davis has acquired extensive management, corporate governance, 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 service as a director for Butler Manufacturing and Quanex Corporation.

Other Directorships Since 2008: Ms. Davis served on the board of Quanex Corporation from 1998 until its merger with Gerdau in April 2008.

WILLIAM GRIFFITHS, age 62

Biography: Mr. Griffiths was elected Chairman, President and Chief Executive Officer of Quanex Building Products Corporation 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

Table of Contents

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 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 Corporation. 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 2008: 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 67

Biography: Mr. Nosbaum is the retired President and Chief Executive Officer of Itron, Inc., a $2.2 billion 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.

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 is an international company with 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 Committee of Esterline Technologies.

Other Directorships Since 2008: 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 63

Biography: Mr. Rupp has been Chairman, President and Chief Executive Officer of Olin Corporation since 2005. Prior to his election as Chairman, Mr. Rupp was President and Chief Executive Officer of Olin from 2002 to 2005. Prior to 2002, Mr. Rupp served in various positions with Olin, which he originally joined in 1972. Olin is a $2.2 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 2008: Mr. Rupp served as a director of Olin Corporation from 2002 to 2005, and has been Chairman of Olin s board since 2005. He also served as a director of Quanex Corporation from 2007 until its merger with Gerdau S.A. in April 2008.

Table of Contents

CURTIS STEVENS, age 61

Biography: Mr. Stevens is currently the Chief Executive Officer and a director of Louisiana-Pacific Corporation, a $1.7 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 in Finance from the University of California at Los Angeles.

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 2008: Mr. Stevens currently serves on the board of Louisiana-Pacific.

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 and 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 and 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. Ms. Davis and Mr. Stevens 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. The nominee(s) receiving a plurality of votes cast at the meeting will be elected director(s). 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 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 withheld votes than FOR votes. In such an event, the Governance Committee and the full Board would then review and determine whether to accept or decline the tendered resignation.

Recommendation

The Board of Directors recommends that you vote FOR Ms. Davis and Mr. Stevens. Unless you give contrary instructions in your proxy, your proxy will be voted FOR the elections of Ms. Davis and Mr. Stevens. 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.

Table of Contents

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 in the Company s 2014 proxy statement pursuant to the disclosure rules of the Securities and Exchange Commission (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 25 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.

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.

Table of Contents

PROPOSAL NO. 3
APPROVAL OF AMENDMENT AND RESTATEMENT OF THE COMPANY S
2008 OMNIBUS INCENTIVE PLAN

At the Annual Meeting, stockholders will be presented with a proposal to approve an amendment to and restatement of the Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as amended to date (the Omnibus Plan), to make certain changes, including as described below. Although not all of the changes to the Omnibus Plan are required to be approved by stockholders, we have included these discretionary amendments in a single amendment and restatement of the Omnibus Plan.

Material Amendments

- Increase by 2,350,000 the number of shares of common stock reserved for issuance under the Omnibus Plan, for a total of 3,399,280 shares (less grants made between December 19, 2013 and the date stockholders approve this restatement, counted at the new fungible ratio described below).

- Add a fungible share reserve feature, which:

- makes a distinction between the number of shares in the reserve attributable to (i) stock options and stock appreciation rights (SARs) and (ii) full value awards (i.e., grants other than options/SARs, such as restricted stock, restricted stock units and performance shares/units).

- provides that shares subject to options and SARs will be counted against the share limit as one share for every one share granted, but any shares that are subject to awards other than options or SARs will be counted against the share limit as 2.06 shares for every one share granted.

- eliminates the Omnibus Plan s limit on the number of shares that may be issued pursuant to full value awards.

- Add to the share counting provisions that stock tendered by a participant or withheld by the Company to satisfy tax obligations for awards *other than* options or SARs are added back into the pool of shares available for future awards.

- Clarify our prohibition on repricing by specifically providing that the Committee (as defined below) will not (i) lower the option price per share of an option or SAR after it is granted; (ii) cancel an option or SAR when the option price per share exceeds the fair market value of one share in exchange for cash or another award (other than in connection with a change in control); or (iii) take any other action with respect to an option or SAR that would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the shares of stock are listed without the approval of the Company s stockholders or other than pursuant to certain equitable adjustments as described in the Omnibus Plan.

- Make certain changes with respect to awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), as follows:

- Modify the Section 162(m) annual award limits applicable to individual plan participants, such that (A) subject to certain equitable adjustments as provided in the Omnibus Plan, no participant may be granted (i) options or SARs during any 12-month period with respect to more than 1,500,000 shares and (ii) any share-denominated awards intended to constitute performance-based compensation (other than options or SARs) during any calendar year under which more than 1,500,000 shares may be earned for each 12 months in the vesting/performance period and (B) during any calendar year no participant may be granted any cash-denominated awards that are intended to constitute performance-based compensation under which more than $5,000,000 may be earned for each 12 months in the performance period. Each limit is multiplied by two for awards granted to a participant during the first calendar year in which he or she commences employment with the Company.

Table of Contents

• Clarify that performance goals may also be measured on an absolute or relative basis and may be based on performance relative to an index, or comparisons of any of the indicators of performance relative to performance of other companies.

• Add to the list of approved criteria which may be used by the Committee in developing performance goals related to performance-based awards earnings before interest, taxes, depreciation and amortization; sales; return on assets or net assets; gross profits; gross or net profit margin; gross profit growth; net operating profit (before or after taxes); economic value-added models or equivalent metrics; cash flow; operating margin; year-end cash; cash margin; debt reduction; operating efficiencies; cost reductions or savings; customer satisfaction; customer growth; employee satisfaction; productivity or productivity ratios; and strategic partnerships or transactions; financial ratios, including those measuring liquidity, activity, profitability or leverage; acquisitions and divestitures.

• Provide that the Committee may exclude the impact of an event or occurrence which the Committee determines should appropriately be excluded, including (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges; (ii) an event either not directly related to the operations of the Company, a Company subsidiary, division, business segment or business unit or not within the reasonable control of management; or (iii) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles.

• Add a new limit on awards granted to non-employee directors of $500,000 in grant date value for all awards granted to any one director in a calendar year.

• Provide that if on the last business day of the term of an option or SAR either its exercise is prohibited by law or due to a black-out period or a lock-up agreement, the term will be extended for 30 days following the end of the prohibition period.

• Add that an award agreement may provide for the automatic exercise of an option or SAR on the last day of its term if the option or SAR is in the money .

• Clarify that any substitute awards (issued in connection with an acquisition or combination) will not increase the share reserve.

• Add that unless otherwise provided in an award agreement or other agreement between a participant and the Company, in the event of a change in control , awards that are assumed, continued, or substituted will accelerate if the participant incurs a qualifying termination within 24 months following the change in control (i.e., add a double trigger provision).

• Clarify that any acceleration of awards upon a corporate change is subject to the consummation of the transaction (as opposed to the approval of an agreement that may result in a corporate change).

- Revise the definition of change in control for any new equity awards to require that consummation of a reorganization, merger or consolidation or sale of the Company, or disposition of all or substantially all of the assets of the Company requires, among other things, that beneficial ownership of the Company change by more than 50% as a result of the business combination (previously this threshold was 20%).

- Revise the treatment of dividends and dividend equivalents to:

- Clarify that the payment of dividends and dividend equivalents are prohibited in connection with options or SARs;

- Provide that any dividends or dividend equivalents credited in connection with an award that vests based on the achievement of performance goals shall be subject to restrictions and risk of forfeiture to the same extent as the underlying award; and

- For awards without performance-based restrictions, provide that dividends may be paid currently or credited/accrued and paid when the underlying award vests.

Table of Contents

- Provide that a participant may make an election under Section 83(b) of the Code with notice to the Company, rather than requiring prior approval of the CFO or General Counsel.

- Clarify that the Committee may allow for the deferral of compensation payable under awards.

- Provide that the term of the Omnibus Plan expires on February 27, 2024.

- Make certain other clarifying and ministerial changes.

Background

On February 18, 2008, the Omnibus Plan was approved by the Company s sole stockholder at the time, Quanex Building Products, L.L.C. On February 28, 2008, the Company s Board of Directors adopted the Omnibus Plan. The material terms of the performance goals that may apply to performance-based awards granted under the Omnibus Plan were approved at the 2009 annual meeting of stockholders. On February 24, 2011, the Company s stockholders approved an amendment of the Omnibus Plan by which the aggregate number of shares available for awards was increased by 2,400,000 shares.

On December 4, 2013, the Board of Directors unanimously approved the amendment and restatement of the Omnibus Plan, subject to approval by the Company s stockholders at the Annual Meeting. To take effect, the amendment and restatement of the Omnibus Plan must be approved by the Company s stockholders. If this amendment and restatement is not approved by the Company s stockholders, the Omnibus Plan as in effect immediately prior to December 4, 2013 will continue to operate according to its terms.

Section 162(m) of the Code

The Board of Directors believes that it is in the best interests of the Company and its stockholders to provide for an equity incentive plan under which compensation awards made to the Company s executive officers may be eligible to qualify for deductibility by the Company for federal income tax purposes. Accordingly, the Omnibus Plan is designed to permit the grant of awards that are intended to qualify as performance-based compensation not subject to the $1,000,000 deductibility cap under Section 162(m) of the Code (Section 162(m)); however, there is no guarantee that amounts payable under the Omnibus Plan will be treated as qualified performance-based compensation under Section 162(m). In general, under Section 162(m), for the Company to be able to deduct compensation in excess of $1,000,000 paid in any one year to the Company s chief executive officer or any of the Company s three other most highly compensated executive officers (other than the Company s chief financial officer), such compensation must qualify as performance-based. One of the requirements of performance-based compensation for purposes of Section 162(m) is that when the Company has discretion in setting performance goals under which compensation may be paid the material terms of the performance goals must be disclosed to and approved by the Company s stockholders at least once every five years. For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation; (ii) a description of the business criteria on which the performance goal is based; and (iii) the maximum amount of compensation that can be paid to an employee under the performance goal. With respect to the various types of awards under the Omnibus Plan, each of these aspects is discussed below, and, as noted above, approval of the Omnibus Plan itself will constitute approval of each of these aspects of the Omnibus Plan for purposes of the approval requirements of Section 162(m).

Proposed Share Increase

The purpose of the current proposed increase in shares available for awards under the Omnibus Plan is to secure adequate shares to fund expected awards under the Omnibus Plan through the 2018 fiscal year. We believe the current number of shares available for grant is insufficient and will seriously harm our ability to attract and retain qualified employees and directors. Further, we believe that the additional shares, under these circumstances, represents a reasonable amount of potential equity dilution and allows the Company to recruit, motivate and retain talented employees and directors who will help us achieve our business goals, including creating long-term value for our stockholders. Notwithstanding the above, we cannot guarantee that the share authorization will last until 2018, and in the event of unanticipated needs or circumstances, may have to request additional shares prior to 2018.

Table of Contents

The following table sets forth certain information about the Omnibus Plan as of December 19, 2013:

Number of shares that will be authorized for future grant after stockholder approval of the Omnibus Plan(1)	3,399,280
Number of shares relating to outstanding stock options at December 19, 2013	3,032,576
Number of shares outstanding at December 19, 2013, relating to awards of restricted stock, restricted stock units, and stock settled performance shares	344,550
Weighted average remaining term of outstanding options	7.05
Weighted average exercise price of outstanding options	15.72

(1) Grants of stock-based awards other than options or SARs will count against the authorization as 2.06 shares. The authorization will also be reduced by the number of shares granted between December 19, 2013 and the date of stockholder approval at the fungible ratio.

Run Rate; Dilution

In order to give the Company flexibility to address its future equity compensation needs, we are requesting approval of amendment and restatement of the Company s 2008 Omnibus Incentive Plan, which increases the number of shares authorized for issuance under the plan by 2,350,000. Approval of the plan is necessary for the Company to continue to:

- recruit and retain talented executives;
- make a significant portion of each executive s pay variable and at-risk; and
- align the interests of the management team with shareholders.

In determining the number of shares to request, the Company reviewed the potential dilution to current shareholders as measured by run rate and overhang, and projected future share usage.

Run Rate

The run rate is the ratio of the number of shares underlying awards, granted under the Company s incentive plans to the number of Quanex s common shares outstanding at the corresponding fiscal year-end. Over the past three-years, the Company s average run rate has been approximately 1.8%.

Overhang

The overhang is the ratio of the number of outstanding equity awards and shares available for grant to the common shares outstanding at the end of the fiscal year. As of December 19, 2013, the Company s overhang is approximately 11.9%.

Summary of the Omnibus Plan as Amended and Restated

The principal provisions of the Omnibus Plan are summarized below. This summary is not a complete description of the Omnibus Plan. You are urged to read the full text of the Omnibus Plan, as amended and restated, attached as *Annex A* to this proxy statement, for additional information not contained in this summary.

Purpose. The Omnibus Plan was established to provide those persons who have substantial responsibility for the management and growth of the Company and its affiliates with additional performance incentives and an opportunity to obtain or increase their proprietary interest in the Company, thereby encouraging them to continue in their employment or affiliation with us and our affiliates.

Table of Contents

Eligibility. Key employees (approximately 50 persons) and directors (approximately 6 persons) of the Company are eligible to receive awards under the Plan. Eligibility will be determined by the Committee, which has exclusive authority to select the participants to whom awards may be granted, and may determine the type, size and terms of each award.

Duration. Subject to earlier termination pursuant to plan terms, awards may be granted under the Omnibus Plan at any time and from time to time on or prior to February 27, 2024, the tenth anniversary of the effective date of the restatement, on which date the Omnibus Plan will expire except as to awards then outstanding. Such outstanding awards will remain in effect until they have been exercised or terminated, or have expired by their terms. For the avoidance of doubt, if this restated Omnibus Plan is not approved by stockholders at the Annual Meeting, then the Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as in effect immediately prior to the Board s adoption of this restated version, will continue to exist and operate according to all of the terms and conditions of such prior version.

Types of Awards. The Omnibus Plan provides for the granting of stock options, SARs, restricted stock, restricted stock units, performance share awards, performance unit awards, annual incentive awards, other stock-based awards and cash-based awards. Certain awards under the Omnibus Plan may be paid in cash or in common stock, as determined by the Committee.

Administration. The Omnibus Plan is administered by the Compensation Committee of the Board of Directors, or a subcommittee thereof formed by the Compensation Committee to act as the committee under the Omnibus Plan. For purposes of this proposal and summary, the administering entity is referred to as the Committee. The Committee will consist of no fewer than two directors, each of whom is (i) a non-employee director within the meaning of Rule 16b-3 under the Securities Exchange Act; (ii) an outside director within the meaning of Section 162(m); and (iii) an independent director for purpose of the rules of the principal U.S. national securities exchange on which the shares of Quanex common stock are traded. The Committee will make all determinations that it decides are necessary or desirable in the interpretation and administration of the Omnibus Plan.

To the extent not inconsistent with applicable law, including Section 162(m) and the rules of the NYSE, the Committee may delegate to a committee of one or more directors any of its authority under the Omnibus Plan, including the right to grant, cancel or suspend awards, and may also authorize one or more executive officers to do one or more of the following with respect to employees who are not directors or executive officers of the Company: (i) designate employees to be recipients of awards; (ii) determine the number of shares subject to such awards; and (iii) cancel such awards; provided that any authorizing resolution must specify the total number of shares subject to awards that such officer(s) may so award and the Committee may not authorize any officer to designate himself or herself as the recipient of an award.

Shares Subject to the Omnibus Plan. A total of 3,399,280 shares will be reserved for awards under the Omnibus Plan following approval of the restatement by the stockholders, less one share for every one share that was subject to an option or SAR granted after December 19, 2013 and 2.06 shares for every one share that was subject to an award other than an option or SAR granted after December 19, 2013 under the Omnibus Plan. Any shares that are subject to options or SARs granted thereafter will be counted against this limit as one share for every one share granted, and any shares that are subject to awards other than options or SARs granted thereafter will be counted against this limit as 2.06 shares for every one share granted. Any shares issued under the Omnibus Plan may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

If after December 19, 2013, any shares subject to an award are forfeited, an award expires or is settled for cash (in whole or in part), then in each such case the shares subject to such award will, to the extent of such forfeiture, expiration or cash settlement, be added to the shares available for awards under the Omnibus Plan, in accordance with a new fungible ratio. If, after December 19, 2013, withholding tax liabilities arising from a full value award are satisfied by the tendering of shares (either actually or by attestation) or by the withholding of shares by the Company, the shares so tendered or withheld will be added to the shares available for awards under the Omnibus Plan in accordance with fungible ratio below. Notwithstanding the foregoing, the following shares will not be added to the share reserve after December 19, 2013: (i) shares tendered by a participant or withheld by the Company in payment of the purchase price of an option; (ii) shares tendered by a participant or withheld by the Company to satisfy any tax withholding obligation with respect to options or SARs; (iii) shares subject to a SAR that are not issued in connection with its stock settlement; and (iv) shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of options.

Table of Contents

Any shares that again become available for awards under the Omnibus Plan will be added as (i) one share for every one share subject to options or SARs, and (ii) as 2.06 shares for every one share subject to awards other than options or SARs.

Substitute Awards. Shares of common stock under awards made under the Omnibus Plan in substitution or exchange for awards granted by a company acquired by Quanex or a subsidiary, or with which Quanex or a subsidiary combine (Substitute Awards), do not reduce the shares authorized for grant under the Omnibus Plan or the limitations on annual grants to a participant, nor will shares subject to a Substitute Award be added to the shares available for awards under the Omnibus Plan. The terms and conditions of such Substitute Awards may vary from the terms and conditions set forth in the Omnibus Plan to such extent as the Board of Directors may deem appropriate to conform to the provisions of the award for which the substitution is being granted. Additionally, if a company acquired by the Company or any Company subsidiary or with which the Company or any Company subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan may be used for awards under the Omnibus Plan and will not reduce or be added to the shares authorized for grant under the Omnibus Plan; provided that awards using such available shares will not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and will only be made to individuals who were not employees or directors prior to such acquisition or combination.

Director Awards. The aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all awards granted to any non-employee director during any single calendar year will not exceed $500,000.

Annual Award Limits. Subject to certain equitable adjustments as provided in the Omnibus Plan, no participant may be granted (i) options or SARs during any 12-month period with respect to more than 1,500,000 shares and (ii) any other awards intended to constitute performance-based compensation during any calendar year and are denominated in shares under which more than 1,500,000 shares may be earned for each 12 months in the vesting period or performance period. During any calendar year no participant may be granted awards that are intended to constitute performance-based compensation and are denominated in cash under which more than $5,000,000 may be earned for each 12 months in the performance period. Each of these limitations will be multiplied by two with respect to awards granted to a participant during the first calendar year in which he or she commences employment with the Company. If an award is cancelled, the cancelled award will continue to be counted toward the applicable limitation.

Prohibition on Repricing. Other than pursuant to certain equitable adjustments (as described in the Omnibus Plan), the Committee will not without the approval of the Company s stockholders (i) lower the option price per share of an option or SAR after it is granted; (ii) cancel an option or SAR when the option price per share exceeds the fair market value of one share in exchange for cash or another award (other than in connection with a change in control); or (iii) take any other action with respect to an option or SAR that would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the shares of stock are listed.

Restrictions on Transferability. Except as provided below, no award and no shares that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution, and such award may be exercised during the life of the holder only by the holder or the holder s guardian or legal representative. To the extent and under such terms and conditions as determined by the Committee, an award holder may assign or transfer an award without consideration (i) to the holder s spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings; (ii) to a trust for the benefit of one or more of the holder or the persons referred to in clause (i); (iii) to a partnership, limited liability company or corporation in which the holder or the persons referred to in clause (i) are the only partners, members or shareholders; or (iv) for charitable donations; provided that such permitted assignee will be bound by and subject to all of the terms and conditions of the Omnibus Plan and the award agreement.

Stock Options. The Committee may grant non-qualified stock options under the Omnibus Plan. A stock option entitles the recipient to purchase a specified number of shares of common stock at a fixed price subject to terms and conditions set by the Committee, including conditions for exercise that must be satisfied, which typically will be based solely on continued provision of services. The purchase price of shares of common stock covered by a stock option cannot be less than 100% of the fair market value of the common stock on the date the option is granted (except for Substitute Awards).

Table of Contents

Fair market value of the common stock is generally equal to the closing price for Quanex common stock on the NYSE on the date the option is granted (or if there was no closing price on that date, on the last preceding date on which a closing price was reported). No option granted under the Omnibus Plan will have a term longer than ten years from the date of grant. The closing price of the Company s stock on the NYSE on October 31, 2013 was $17.78 per share.

The exercise price for options may be paid (i) by cash, certified check, bank draft or money order; (ii) by means of a cashless exercise; or (iii) in any other form of payment which is acceptable to the Committee. The Committee may also permit a holder to pay the option price and any applicable tax withholding by authorizing the sale or other disposition of all or a portion of the shares of common stock acquired upon exercise of the option and remit to the Company a sufficient portion of the sale proceeds to pay the option price and applicable tax withholding. Other terms and conditions applicable to options may be determined by the Committee at the time of grant.

Notwithstanding the foregoing, if on the last business day of the term of an option (i) the exercise of the option is prohibited by applicable law or (ii) shares may not be purchased or sold by certain employees or directors of the Company due to the black-out period of a Company policy or a lock-up agreement undertaken in connection with an issuance of securities by the Company, the term of the option will be extended for a period of 30 days following the end of the legal prohibition, black-out period or lock-up agreement. In addition, an award agreement may provide that if on the last day of the term of an option the fair market value of one share exceeds the option price per share, the holder has not exercised the option (or a tandem SAR, if applicable) and the option has not expired, the option will be deemed to have been exercised by the holder on such day via a net exercise procedure.

SARs. Subject to the terms and conditions of the Omnibus Plan, a SAR entitles its holder a right to receive a cash amount equal to the excess of (i) the fair market value of one share of the Company s common stock on the date of exercise of the SAR over (ii) the grant price of the SAR. All SARs to be granted under the Omnibus Plan will have a grant price equal to or greater than the fair market value of the Company s common stock at the time the SAR is granted.

The Committee may determine the term of any SAR, not to exceed ten years. Other terms and conditions of SARs will be determined by the Committee pursuant to the terms of the Omnibus Plan, including treatment of a SAR upon a termination of employment. Upon the exercise of a SAR, a holder will be entitled to receive payment in an amount determined by multiplying (i) the excess of the fair market value of a share of common stock on the date of exercise over the grant price of the SAR by (ii) the number of shares of common stock with respect to which the SAR is exercised. At the discretion of the Committee, this payment may be in cash, common stock, or a combination thereof, as determined by the Committee.

Notwithstanding the foregoing, if on the last business day of the term of a SAR (i) the exercise of the option is prohibited by applicable law or (ii) shares may not be purchased or sold by certain employees or directors of the Company due to the black-out period of a Company policy or a lock-up agreement undertaken in connection with an issuance of securities by the Company, the term of the SAR will be extended for a period of 30 days following the end of the legal prohibition, black-out period or lock-up agreement. In addition, an award agreement may provide that if on the last day of the term of a SAR the fair market value of one share exceeds the SAR price per share, the holder has not exercised the SAR and the SAR has not expired, the SAR will be deemed to have been exercised by the holder on such day via a net exercise procedure.

Restricted Stock Awards. The Committee may grant restricted stock to participants under the Omnibus Plan, and will determine the amount of an award of restricted stock, any vesting or transferability provisions, and any other terms and conditions consistent with the Omnibus Plan.

Subject to the terms and conditions of the Omnibus Plan, each recipient of a restricted stock award will have the rights of a stockholder of the Company with respect to the shares of restricted stock included in the award during any period of restriction established for the award. Unless otherwise provided in an award agreement, dividends to be paid with respect to restricted stock (other than dividends paid by means of shares of common stock or rights to acquire shares of common stock) will be paid to the holder of restricted stock currently. Dividends paid in shares of common stock or rights to acquire shares of common stock will be added to and become a part of the holder s restricted stock. Notwithstanding the foregoing, dividends or dividend equivalents credited in connection with a restricted stock award that vests based on the achievement of performance goals will not be paid currently, and instead will be subject to restrictions and risk of forfeiture to the same extent as the underlying award.

Table of Contents

Restricted Stock Unit Awards. A restricted stock unit award is similar in nature to a restricted stock award except that in the case of a restricted stock unit, no shares of common stock are actually transferred to a holder until a later date as specified in the applicable award agreement. Each restricted stock unit will have a value equal to the fair market value of a share of common stock. Payment under a restricted stock unit award will be made in either cash or shares of common stock, as specified in the applicable award agreement. Other terms and conditions applicable to restricted stock units may be determined by the Committee at the time of grant consistent with the Omnibus Plan.

Performance Share Awards and Performance Unit Awards. Performance share awards and performance unit awards may be granted under the Omnibus Plan, contingent on the achievement of performance-based vesting conditions. Such awards may be payable in cash or shares, or a combination thereof as determined by the Committee. Performance shares are any grant of a unit valued by reference to a designated number of shares of the Company s common stock, and a performance unit means any grant of a unit valued by reference to a designated amount of cash or property other than shares of the Company s common stock, each of which value may be paid to the holder upon achievement of specified performance goals.

A participant who holds a performance share award or performance unit award will only have those rights specifically provided for in the award agreement; provided, however, in no event will the participant have voting rights with respect to such award. Dividends paid in shares of common stock or rights to acquire shares of common stock will be added to and become a part of the holder s performance share or performance unit award and will not be paid currently, and instead will be subject to restrictions and risk of forfeiture to the same extent as the underlying award.

Annual Incentive Awards. The Committee may grant annual incentive awards under the Omnibus Plan. Annual incentive awards will be payable in cash or shares of common stock, as determined by the Committee. Subject to the terms and provisions of the Omnibus Plan, the Committee will determine the material terms of annual incentive awards, including the amount of the award, any vesting or transferability restrictions, and the performance period over which any applicable performance goals will be measured.

Other Stock-Based Awards. The Committee may also grant other types of equity-based or equity-related awards not otherwise described by the terms and provisions of the Omnibus Plan in such amounts, and subject to such terms and conditions, as the Committee may determine (including treatment upon a termination of employment and whether the awards are subject to any performance-based vesting conditions). Such awards may involve the transfer of shares of common stock to holders, or payment in cash or otherwise of amounts based on the value of shares of common stock, and may include awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States. Such awards may be payable in cash or shares of common stock, as determined by the Committee. Each other stock-based award will be expressed in terms of shares of common stock or units based on shares of common stock, as determined by the Committee.

Cash-Based Awards. The Committee may grant cash-based awards in such amounts and upon such terms as the Committee may determine (including treatment upon a termination of employment). If the Committee exercises its discretion to establish performance goals, the number and/or value of cash-based awards that will be paid out to the holder will depend on the extent to which such performance goals are met. Any payment with respect to a cash-based award will be made in cash.

Performance-Based Compensation. Subject to the terms and provisions of the Omnibus Plan, the Committee may grant awards that are intended to qualify as performance-based compensation under Section 162(m) to an employee of the Company or a Company subsidiary who is (or may be, as of the end of the tax year in which the Company would claim an applicable tax deduction), a covered employee within the meaning of Section 162(m) (a Covered Employee). The vesting of any award that is intended to qualify as performance-based compensation (other than options and SARs) will be based upon the attainment of specific performance goals (the Performance Goals) as the Committee may determine.

The Performance Goals upon which the payment or vesting of an award to a Covered Employee (or a participant who may be, as of the end of the tax year in which the Company would claim a tax deduction in connection with such award, a Covered Employee) that is intended to qualify as performance-based compensation will be limited to one or more of the following Performance Goals, which may be based on one or more business criteria that apply to the participant, one or more business units, segments, or divisions of the Company, the Company as a whole, or a subsidiary of the Company, with reference to one or more of the following: earnings per share; total stockholder return; cash return on capitalization;

Table of Contents

increased revenue; revenue ratios (per employee or per customer); net income; stock price; market share; return on equity; return on assets; return on capital; return on capital compared to cost of capital; return on capital employed; return on invested capital; stockholder value; net cash flow; operating income; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; cash flow; cash flow from operations; cost reductions and cost ratios (per employee or per customer); sales; return on assets or net assets; gross profits; gross or net profit margin; gross profit growth; net operating profit (before or after taxes); economic value-added models or equivalent metrics; operating margin; year-end cash; cash margin; debt reduction; operating efficiencies; cost reductions or savings; customer satisfaction; customer growth; employee satisfaction; productivity or productivity ratios; strategic partnerships or transactions; financial ratios, including those measuring liquidity, activity, profitability or leverage; acquisitions and divestitures; or the achievement of specified milestones or the completion of specified projects identified as contributing substantially to the Company s success or value or the attainment of the Company s strategic goals. Goals may also be measured on an absolute or relative basis and may be based on performance relative to a peer group of companies, an index, or comparisons of any of the indicators of performance relative to performance of other companies. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). The Committee may provide for exclusion of the impact of an event or occurrence which the Committee determines should appropriately be excluded, including (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges; (b) an event either not directly related to the operations of the Company, a Company subsidiary, division, business segment or business unit or not within the reasonable control of management; or (c) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles. In interpreting the Performance Goals and awards intended to qualify as performance-based compensation, it is intended that the Omnibus Plan will comply with the standards of Section 162(m). With respect to any award that is intended to qualify as performance-based compensation (other than options or SARs), the Performance Goals (and any exclusions) will be established by the Committee prior to the earlier of 90 days after the commencement of the performance period or the lapse of 25% of the performance period, and prior to payment, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied.

Subject to the terms of the Omnibus Plan, the Committee may adjust downwards, but not upwards, the amount payable pursuant to an award intended to qualify as performance-based compensation, and the Committee may not waive the achievement of the applicable Performance Goals except in the case of the death or disability, or as otherwise determined by the Committee in special circumstances, as permitted under Section 162(m).

Dividend Equivalents. Subject to the provisions of the Omnibus Plan and any award agreement, the recipient of an award other than an option or SAR may, if so determined by the Committee, be entitled to receive, currently or upon performance and/or time vestings, dividend equivalents with respect to the number of shares covered by the award (or dividends in the case of a restricted stock award). The Committee may provide that the dividend equivalents (if any) will be deemed to have been reinvested in additional shares or otherwise reinvested and may provide that the dividend equivalents are subject to the same vesting or performance conditions as the underlying award. Notwithstanding the foregoing, dividends or dividend equivalents credited in connection with an award that vests based on the achievement of performance goals will be subject to the same restrictions and risk of forfeiture to the same extent as the underlying award.

Deferrals. The Committee is authorized to establish procedures pursuant to which the payment of any award may be deferred. Any deferral permitted under the Omnibus Plan will be administered in a manner that is intended to comply with Section 409A of the Code.

Change in Control; Termination Following Change in Control. Unless otherwise provided in an award agreement or other agreement between a participant and the Company, the Committee will have the right to provide that in the event of a change in control (as defined in the Omnibus Plan): (i) options and SARs will be cancelled without payment if the fair market value of one share as of the date of the change in control is less than the per share exercise price or SAR grant price; and (ii) all performance-based awards will be (A) considered earned and payable based on achievement of performance goals or based on target performance (either in full or pro rata), and any other restrictions will lapse or (B) converted into time-based awards based on achievement of performance goals or based on target performance (either in full or pro rata based).

Unless otherwise provided in an award agreement or other agreement between a participant and the Company, in the event of a change in control in which the successor company assumes or substitutes for an outstanding award (or in which the Company is the ultimate parent corporation and continues the award), if a participant s employment with such successor

Table of Contents

company (or the Company) or a subsidiary thereof terminates within 24 months following such change in control and under the circumstances specified in the award agreement or other Company agreement: (x) options and SARs outstanding as of the date of such termination of employment will immediately vest, become fully exercisable, and may thereafter be exercised for 24 months; and (y) the restrictions applicable to awards other than options and SARs outstanding as of the date of such termination will lapse.

Unless otherwise provided in an award agreement or other agreement between a participant and the Company, in the event of a change in control to the extent the successor company does not assume or substitute for an outstanding award (or in which the Company is the ultimate parent corporation and does not continue the award), then immediately prior to the change in control: options and SARs outstanding as of the date of the change in control that are not assumed or substituted for (or continued) will immediately vest; restrictions applicable to other awards that are not assumed or substituted for (or continued) will lapse; and any performance-based award will be either deemed fully earned at the target amount or earned based on performance as of the date on which the change of control occurs, as set forth in the award agreement.

The Committee may determine that, upon the occurrence of a change in control, each option and SAR outstanding will terminate within a specified number of days after notice to the holder, and/or that each holder will receive, with respect to each share subject to such option or SAR, an amount equal to the excess of the fair market value of such share immediately prior to the change in control over the exercise price per share.

Changes in Capital Structure; Equitable Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property, other than a regular cash dividend), stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the shares of common stock or the value thereof, such adjustments and other substitutions will be made to the Omnibus Plan and to awards in a manner the Committee deems equitable or appropriate taking into consideration the accounting and tax consequences, including such adjustments in the aggregate number, class and kind of securities that may be delivered under the Omnibus Plan, the annual award limits for share-based awards, and, in the aggregate or to any participant, in the number, class, kind and option or exercise price of securities subject to outstanding awards.

In addition, if the Company is not the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity than was not previously wholly-owned by the Company); the Company sells, leases or exchanges all or substantially all of its assets (other than an entity wholly-owned by the Company); the Company is to be dissolved; or the Company is a party to any other corporate transaction as defined under Section 424(a) of the Code and applicable regulations, the Committee may make equitable adjustments to outstanding awards, which may include acceleration or cancellation of some or all outstanding awards, as determined by the Committee, subject to the consummation of the applicable transaction.

Amendment and Termination. The Omnibus Plan may be amended or terminated by the Board of Directors except that stockholder approval is required for any amendment to the Omnibus Plan which increases the number of shares available for awards under the Plan, expands the types of awards available under the Plan, materially expands the class of persons eligible to participate in the Plan, permits the grant of options or SARs with an exercise or grant price of less than 100% of fair market value on the date of grant, amends the provisions prohibiting the repricing of stock options and SARs, increases the limits on shares subject to awards or the dollar value payable with respect to performance-based awards, or takes any action with respect to an option or SAR that may be treated as a repricing under the rules of the principal exchange on which the shares of stock are traded. No amendment or termination may materially impair a participant s rights under an award previously granted under the Plan without the written consent of the participant.

Table of Contents

New Plan Benefits

The benefits or amounts that will be received by or allocated under the Omnibus Plan to executive officers, non-executive directors and employees other than executive officers by reason of the restatement are not yet determinable. Future awards or grants are in the discretion of the Committee and cannot be determined at this time.

The table below sets forth the number of restricted stock awards, stock options and performance share units that were granted under the Omnibus Plan in fiscal 2014 through January 1, 2014. The dollar value represents the aggregate of the grant date fair value computed in accordance with FASB ASC Topic 718 of the respective restricted stock, stock option, and performance share unit awards. If the restatement is not approved, the grants will remain outstanding.

2008 OMNIBUS INCENTIVE PLAN
EQUITY AWARDS GRANTED DURING FISCAL 2014 (THROUGH JANUARY 1, 2014)

	Restricted Stock Awards		Stock Options		Performance Share Units	
Name and Position	**Number of Units (#)**	**Grant Date Fair Value ($)**	**Number of Units (#)**	**Grant Date Fair Value ($)**	**Number of Units (#)**	**Grant Date Fair Value (1) ($)**
William C. Griffiths Chairman of the Board, President & Chief Executive Officer	30,300	$ 534,189	55,800	$ 474,858	60,600	$ 593,426
Brent L. Korb Senior Vice President Finance & Chief Financial Officer	9,900	174,537	18,200	154,882	19,800	193,892
Kevin P. Delaney Senior Vice President General Counsel & Secretary	8,400	148,092	15,500	131,905	16,800	164,514
Martin Ketelaar Vice President Treasurer & Investor Relations	2,200	38,786	4,100	34,891	4,500	44,066
Dewayne Williams Vice President Controller	2,200	38,786	4,100	34,891	4,500	44,066
Executive Group	53,000	934,390	97,700	831,427	106,200	1,039,964
Non-Executive Director Group						
Non-Executive Officer Employee Group	27,400	482,837	59,600	508,347	49,600	485,708
TOTAL:	80,400	$ 1,417,227	157,300	$ 1,339,774	155,800	$ 1,525,672

(1) As more fully discussed in the Compensation Discussion and Analysis section of this proxy statement, the Performance Share Units included in this table become payable only to the extent that the Company meets certain performance goals related to Earnings Per Share Growth and Relative Total Shareholder Return for the period from November 1, 2013 through October 31, 2016. If the performance goals are met, the value of each unit will be paid half in shares and half in cash, based on the value of the Company s common stock at the end of the performance period. The grant date fair value of these Performance Share Units was determined by means of a Monte Carlo simulation for that portion of the award based on Relative Total Shareholder Return, and by measuring stock price as of the date of grant for that portion of the award based on Earnings Per Share Growth. The grant date fair value listed in this chart reflects solely that portion of the Performance Share Units that is expected to be settled in Quanex shares, and does not reflect the value of that portion of the Performance Share Units that is expected to be

settled in cash.

Tax Aspects of the Omnibus Plan

The following discussion summarizes certain federal income tax consequences of the issuance and receipt of options and other awards pursuant to the Omnibus Plan under the law as in effect on the date of this proxy statement. The rules governing the tax treatment of such options and awards are quite technical, so the following discussion of tax consequences is

Table of Contents

necessarily general in nature and is not complete. In addition, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. This summary does not purport to cover all federal employment tax or other federal tax consequences associated with the Omnibus Plan, nor does it address state, local, or non-U.S. taxes.

Options and SARs. A participant generally is not required to recognize income on the grant of an option or a SAR. Instead, ordinary income generally is required to be recognized on the date the option or SAR is exercised. In general, the amount of ordinary income required to be recognized is: (i) in the case of an option, an amount equal to the excess, if any, of the fair market value of the shares on the exercise date over the exercise price; and (ii) in the case of a SAR, the fair market value of any shares or cash received upon exercise.

Restricted Stock Units, Performance Share Awards, Performance Unit Awards, and Other Stock-Based Awards. A participant who is granted restricted stock units, performance shares, performance units, or other stock-based awards that are subject to restrictions, generally does not recognize income at the time of the grant. When the award vests or is paid, the participant generally recognizes ordinary income in an amount equal to the fair market value of the stock or units at such time, and the Company will receive a tax deduction. A participant who is granted unrestricted shares will recognize ordinary income in the year of grant equal to the fair market value of the shares received.

Annual Incentive Awards and Cash-Based Awards. Upon payment of an annual incentive award or cash-based award, a participant is required to recognize ordinary income in the amount of the award paid.

Restricted Common Stock. Unless a participant who receives an award of restricted common stock makes an election under Section 83(b) of the Code as described below, the participant generally is not required to recognize ordinary income on the grant of restricted stock. Instead, on the date the shares vest (i.e., become transferable and no longer subject to forfeiture), the participant will be required to recognize ordinary income in an amount equal to the excess, if any, of the fair market value of the shares on such date over the amount, if any, paid for such shares. If a Section 83(b) election has not been made, any dividends received with respect to restricted common stock that are subject at that time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient. If a participant makes a Section 83(b) election within 30 days of the date of transfer of the restricted common stock, the participant will recognize ordinary income on the date the shares are awarded. The amount of ordinary income required to be recognized is an amount equal to the excess, if any, of the fair market value of the shares on the date of award over the amount, if any, paid for such shares. In such case, the participant will not be required to recognize additional ordinary income when the shares vest. However, if the shares are later forfeited, a loss can only be recognized up to the amount the participant paid, if any, for the shares.

Gain or Loss on Sale or Exchange of Shares. In general, gain or loss from the sale or exchange of shares granted or awarded under the Omnibus Plan will be treated as capital gain or loss, provided that the shares are held as capital assets at the time of the sale or exchange.

Deductibility by the Company. To the extent that a participant recognizes ordinary income in the circumstances described above, the Company or the subsidiary for which the participant performs services will be entitled to a corresponding deduction, provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an excess parachute payment within the meaning of section 280G of the Code and is not disallowed by the $1,000,000 limitation on certain executive compensation under section 162(m) (see Performance-Based Compensation and Parachute Payments below).

Performance-Based Compensation. In general, under Section 162(m), remuneration paid by a public corporation to its Chief Executive Officer and its other three most highly compensated officers (excluding the chief financial officer), ranked by pay, is not deductible to the extent it exceeds $1 million for any year. Taxable payments or benefits under the Omnibus Plan may be subject to this deduction limit. However, under Section 162(m), qualifying performance-based compensation, including income from stock options and other performance-based awards that are made under shareholder approved plans and that meet certain other requirements, is exempt from the deduction limitation. The Omnibus Plan has been designed so that the Committee in its discretion may grant qualifying exempt performance-based awards under the Omnibus Plan.

Parachute Payments. Under the so-called golden parachute provisions of the Code, the accelerated vesting of options and benefits paid under other awards in connection with a change of control of a corporation may be required to be valued and taken into account in determining whether participants have received compensatory payments, contingent on the

Table of Contents

change of control, in excess of certain limits. If these limits are exceeded, a portion of the amounts payable to the participant may be subject to an additional 20% federal tax and may be nondeductible to the corporation.

Withholding. Awards under the Omnibus Plan may be subject to tax withholding. Where an award results in income subject to withholding, the Company may require the participant to remit the withholding amount to the Company or cause shares of common stock to be withheld or sold in order to satisfy the tax withholding obligations.

Section 409A. Awards under the Omnibus Plan may, in some cases, result in the deferral of compensation that is subject to the requirements of Section 409A of the Code. Generally, to the extent that the grant, deferral, vesting or payment of these awards fails to meet certain requirements under Section 409A of the Code, such awards will be subject to immediate taxation, additional taxation, interest and penalties in the year they vest unless the requirements of Section 409A of the Code are satisfied. It is the intent of the Company that awards under the Omnibus Plan will be structured and administered in a manner that either complies with or is exempt from the requirements of Section 409A of the Code.

Board Recommendation

Ratification of this proposal will require the affirmative vote of a majority of the votes cast upon the proposal at the Annual Meeting.

The Board recommends that you vote FOR the approval of the amendment and restatement of the Omnibus Plan.

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 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
William C. Griffiths, 62	Chairman of the Board, President and Chief Executive Officer since 2013
Brent L. Korb, 41	Senior Vice President Finance and Chief Financial Officer since 2008
Kevin P. Delaney, 52	Senior Vice President General Counsel and Secretary since 2007
Martin P. Ketelaar, 48	Vice President Investor Relations since 2012 and Vice President- Treasurer and Investor Relations since 2013
M. Dewayne Williams, 43	Vice President Controller since 2013

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 BS 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 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.

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. 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.

Mr. Williams was named Vice President Controller of the Company effective July 1, 2013. Prior to joining the Company, Mr. Williams served as the Chief Accounting Officer, Vice President - Corporate Controller and Assistant

Table of Contents

Treasurer of Complete Production Services, Inc., a publicly held oilfield service provider, from 2005 until it was acquired by Superior Energy Services in 2012. Mr. Williams then engaged in consulting work which included assistance with the transaction for Superior Energy, until he joined the Company in 2013.

Table of Contents

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. Mr. Griffiths was the only director who was also an employee of the Company, and as such he did not receive any additional compensation for such service after the date on which he became an employee.

For the fiscal year ended October 31, 2013, the Company s non-employee directors received the following compensation:

- **Annual Cash Retainer**(1) $50,000/year paid quarterly
- **Committee Member Retainer**(1)
- Member of Audit Committee: $7,500/year paid quarterly
- Member of Compensation and Management Development Committee: $5,000/year paid quarterly
- Member of Nominating and Corporate Governance Committee: $5,000/year paid quarterly
- **Committee Chairman Fees**(1)
- Chairman of Audit Committee: $15,000/year paid quarterly
- Chairman of Compensation and Management Development Committee: $10,000/year paid quarterly
- Chairman of Nominating and Corporate Governance Committee: $10,000/year paid quarterly(2)
- **Lead Director Fee**(1) $20,000/year paid quarterly
- **Annual Stock Retainer**(3) Equivalent value of $25,000 in restricted stock units and equivalent value of $50,000 in options to purchase shares of Common Stock. Both the restricted stock units and the stock options vest immediately upon issuance on the last business day of the fiscal year; however, the restricted stock units are restricted until the director ceases to serve in such role.
- **Initial Stock Option Grant** Following the first full year of service as a director, each non-employee director receives an initial stock option grant to purchase 5,000 shares of Common Stock. These options vest immediately.
- **Expense Reimbursement** Directors are reimbursed for their expenses relating to attendance at meetings.

(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. If a director elects to make a deferral to his or her notional common stock unit account for a period of three full years or more, a matching award equal to 20% of the amount deferred is made by the Company to the director s notional account. The Board elected to suspend the match effective April 1, 2009, due to the turbulent economic conditions at that time. The number of units that is 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 or matched 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. Except with respect to matching deferrals (and dividend deferrals, if any), all director deferrals are 100% vested. Matching deferrals (and dividend deferrals, if any) are 100% vested, unless a director receives a distribution from the DC Plan for any reason other than death, disability or retirement, within three years after a deferral was credited to his or her notional common stock unit account. If a director receives such a distribution from the DC Plan, any matching amount corresponding to the deferral that has been credited for less than three years, plus any dividends or other distributions that correspond to such matching amount, will be forfeited. 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 and stock option grants are issued from the Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as amended.

Table of Contents

The table below shows the total compensation of our non-employee directors in fiscal 2013.

Name	Fees Earned or Paid in Cash (1) ($)	Stock Unit Awards (2) ($)	Option Awards (2) ($)	Change in Pension Value & Nonqualified Deferred Compensation Earnings (3) ($)	All Other Compensation (4) ($)	Total ($)
Robert R. Buck	57,500	24,448	88,071		204	170,223
Susan F. Davis	65,000	24,448	48,916		1,389	139,753
LeRoy D. Nosbaum	62,500	24,448	48,916		701	136,565
Joseph D. Rupp	75,000	24,448	48,916		1,389	149,753
Curtis M. Stevens	65,000	24,448	48,916		701	139,065

(1) Amounts shown reflect fees earned by the directors from Quanex Building Products Corporation during fiscal year 2013. During fiscal 2013, Messrs. Buck and Stevens and Ms. Davis elected to defer cash compensation of $57,500, $32,500 and $65,000, 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 2013 computed in accordance with FASB ASC Topic 718. 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 14, Stock-Based Compensation, included in the Quanex Building Products Corporation s audited financial statements on Form 10-K for the year ended October 31, 2013. 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 2013 as well as the aggregate number of restricted stock units and stock option awards outstanding for each non-employee director as of October 31, 2013:

	Restricted Stock Units			Stock Options		
	2013 Grants			2013 Grants		
Name	Grant Date	Grant Date Fair Value ($)	Total Units Outstanding as of October 31, 2013 (#)	Grant Date	Grant Date Fair Value ($)	Total Stock Options Outstanding as of October 31, 2013 (#)
Buck				11/15/2012	39,155	5,000*
Buck	10/31/2013	24,448	2,647	10/31/2013	48,916	10,996*
Davis	10/31/2013	24,448	10,058	10/31/2013	48,916	51,428
Nosbaum	10/31/2013	24,448	5,758	10/31/2013	48,916	30,518
Rupp	10/31/2013	24,448	10,058	10/31/2013	48,916	51,428
Stevens	10/31/2013	24,448	5,758	10/31/2013	48,916	30,518

* Mr. Buck currently holds a total of 15,996 total stock options outstanding.

(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 dividends on outstanding restricted stock units.

Table of Contents

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 48:

- 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 Vice President Treasurer & Investor Relations
- M. Dewayne Williams Vice President Controller
- David D. Petratis former Chairman, President and CEO
- Jairaj T. Chetnani former Vice President Treasurer
- Deborah M. Gadin former 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

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 over the past five years. Target pay includes base salary, target bonus and the grant date value of options, restricted stock, and cash-based performance units for the period. Realized pay includes base salary, bonus payout, in-the money value of stock options, the October 31, 2013 stock price of restricted stock granted during the period, and the value of cash-based performance units paid out during the period.

Note: For FY 2013, the target pay of the recently hired CEO was compared to the realized pay of the former CEO.

Table of Contents

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 74% of target whereas the average performance unit payout has been approximately 35% of target.

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 target the market median for fixed compensation, while providing the executive with an opportunity to earn upper quartile incentive pay based on company performance. Some highlights to our executive compensation program include the following actions:

- We eliminated gross-ups on golden parachute excise taxes for new executives going forward.
- We maintain a clawback policy on incentive compensation covering both cash and performance shares.
- We implemented a policy that prohibits the hedging or pledging of Company securities.
- We maintain stock ownership guidelines for both executives and directors.
- We evaluate the risk of our compensation programs.
- We prepare tally sheets summarizing our executives total compensation and review with the independent compensation committee.
- We retain an independent compensation consultant to the Board and the Compensation and Governance Committees to advise on compensation issues.

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:

- Exercised downward discretion and elected to pay no bonuses for FY 2013.

- Designed a long-term incentive plan that rewards executives for compounded EPS growth and relative TSR compared to peers. This resulted in the performance unit grant from FY 2011 paying out at 0%.

- Decreased the target total direct compensation for the CEO by 5% and the CFO by almost 6%.

- Changed the FY 2014 long term incentive mix to reduce the weighting of stock options from 50% to 25% of the total long term incentive (LTI) mix and increase the weighting of performance based LTI from 25% to 50% of the total LTI mix.

Table of Contents

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:

Objective	How We Meet our Objectives
Attract and retain effective leadership	• We provide a competitive total pay package, taking into account the 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. • 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. • 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 Earnings Before Interest, Taxes, Depreciation and Amortization and operational and strategic goals and will only be considered if the performance hurdle of positive operating income by the Company (excluding any amounts attributable to corporate) is achieved. • 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.
Create a strong financial incentive to meet or exceed long-term financial goals and build long-term value	• We link a significant part of total compensation to Quanex s financial and stock price performance over 70% of compensation mix is performance-based. • We deliver 75% of long-term incentives in the form of 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 incentive.
Align executive and shareholder interests	• Emphasizing long-term shareowner returns, we encourage significant Quanex stock ownership among executives.

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

- We maintain stock ownership goals for executives and encourage officers to retain shares acquired upon option exercises until their respective goals are met.

Table of Contents

Competitive Positioning

Fiscal 2013

Annually the Compensation Committee examines the level of competitiveness and overall effectiveness of our executive compensation program. Quanex uses comparative compensation data from a group of 31 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 2013, the Reference Group consisted of the following 31 companies:

Actuant Corp.	Encore Wire Corp	Nordson Corp.
Albany International Corp.	EnPro Industries Inc.	Olympic Steel Inc.
American Woodmark Corp.*	Gibraltar Industries Inc.*	Simpson Manufacturing Inc.*
Apogee Enterprises Inc. *	Graco Inc.	Superior Industries International
Astec Industries Inc.	Greenbrier Companies Inc.	Texas Industries Inc.
Builders Firstsource Inc.*	Griffon Corporation*	Titan International Inc.
Castle (A M) & Co.	H&E Equipment Services Inc.	Trex Company, Inc.*
CLARCOR Inc.	Headwaters Inc.	Universal Forest Products Inc.*
Compass Minerals International Inc.	Louisiana-Pacific Corp.*	Valmont Industries Inc.
Drew Industries Inc.*	Martin Marietta Materials Inc.	Watts Water Technologies Inc.
Eagle Materials Inc.*		

* The eleven 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 so it has a thorough picture of the competitiveness of pay in the context of our performance 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.

Fiscal 2014

Cook reviewed the appropriateness of the Company s current peer group and after its review identified the following companies for inclusion in the Peer Group and Reference Group for fiscal 2014:

NCI Building Systems Inc.

Nortek Inc

Ply Gem Holdings Inc.

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 2013 long-term incentive program consisted of stock option grants, restricted stock grants and performance unit 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 unit 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 competitiveness of our executives salaries, the Compensation Committee considers base salaries as being generally 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 our reference group plus general industry data, the salaries for our named executive officers ranged from 78% to 104% of the market 50th percentile.

Changes for Fiscal 2013: Based on the Company s performance, the Committee s evaluation of the performance of each named executive officer, and position relative to market, in December 2012, the Compensation Committee approved the salary levels set forth below for the named executive officers.

Name and Principal Position	Fiscal 2013 Base Salary	Base Salary Increase
	$ 780,000	4%

David D. Petratis Former Chairman, President and CEO			
Brent L. Korb Senior Vice President Finance and CFO	$	384,800	4%
Kevin P. Delaney Senior Vice President General Counsel and Secretary	$	312,000	4%
Jairaj T. Chetnani Former Vice President Treasurer	$	209,100	0%
Deborah M. Gadin Former Vice President Controller	$	191,174	0%

Table of Contents

Changes for Fiscal 2014: In December 2013, the Compensation Committee approved salary changes in the following amounts:

Name and Principal Position	Fiscal 2014 Base Salary	Base Salary Increase
William C. Griffiths Chairman, President and CEO	$ 780,000	0%
Brent L. Korb Senior Vice President Finance and CFO	$ 400,000	4%
Kevin P. Delaney Senior Vice President General Counsel and Secretary	$ 360,000	15%
Martin P. Ketelaar Vice President Treasurer	$ 225,000	12.5%
M. Dewayne Williams Vice President Controller	$ 225,000	18.4%

These changes were made in order to bring the executive team closer to the market median for base salaries and rebalance the compensation mix to be more consistent with market practice.

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 communicate 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 executives to be in a range of 78% to 104% of the market median on target total cash compensation.

Plan Mechanics: The Company s 2008 Omnibus Incentive Plan (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 2013: 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 incentive plan participation includes the top leaders of all of our business divisions. We believe this is necessary to align all 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 2013 Annual Incentive Awards is funded at the maximum bonus opportunity level.

If funded, the Compensation Committee assesses performance against a set of balanced goals, including (a) modified free cash flow (60%), and (b) operating initiatives (IG Systems Consolidation and ERP Implementation) and strategic objectives (40%), and applies negative discretion to the maximum funding levels to determine the actual incentive payment. Modified free cash flow is defined as operating income plus depreciation, amortization and impairment charges, plus/minus changes in conversion capital less capital expenditures. 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
Expressed as a % of Salary

Participant	Threshold	Target	Maximum
CEO	25.00%	100.00%	200.00%
SVPs	18.75%	75.00%	150.00%
VPs	10.00%	40.00%	80.00%

Fiscal 2013 Results: For fiscal 2013, the performance hurdle of positive operating income (excluding corporate) was met. The results of the financial and operational goals are as follows:

Metric	Goal Adjusted for Market	Results	Target Payout Weighting	Percent of Target Payout Earned	Actual Payout
Modified free cash flow*	Engineered Products Group: $55.5M	Engineered Products Group: $60.9M	30%	133.6%	0%
	Nichols Aluminum: ($1.3M)	Nichols Aluminum: ($4.5M)	30%	36.3%	0%
Operating Initiatives & Strategic Initiatives	Window & Door Systems action plan to address volume shifts	Target not met.	15%	0%	0%
	Nichols Turnaround	Milestone met.	15%	25%	0%
	Project Quest	Milestone not met.	10%	0%	0%
Total:			**100%**	**51.5%**	**0%**

* The Compensation Committee adjusts modified free cash flow to normalize for movement in the prime window demand for EPG and shipments in the aluminum industry for flat rolled aluminum sheet. At the beginning of the year, the goal is set based on the forecasted market targets. The adjustments are made to reflect the difference between the forecasted and actual market results. That difference is applied to the Company s results.

Executive	Target Payout	Percentage of Target Payout Earned	Payout Value Earned	Actual Payout *
Griffiths	$ 260,000	51.5%	$ 133,900	$ 0
Korb	$ 287,675	51.5%	$ 148,057	$ 0
Delaney	$ 233,250	51.5%	$ 120,046	$ 0
Ketelaar	$ 30,000	51.5%	$ 15,400	$ 0
Williams	$ 25,333	51.5%	$ 13,047	$ 0
Petratis	$ 517,500	51.5%	$ 266,513	$ 0
Chetnani	$ 52,275	51.5%	$ 26,922	$ 0
Gadin	$ 50,979	51.5%	$ 26,255	$ 0

* Based upon the Company s earnings per share loss for fiscal 2013, the Committee elected to pay no bonuses to any named executive officer for fiscal 2013 performance.

Fiscal 2014 Decisions: For fiscal 2014, the Compensation Committee decided to make changes to the overall structure of the AIA and the AIA target award levels for some of the executives.

Table of Contents

The fiscal 2014 plan will be weighted 100% EBITDA (earnings before interest, taxes, depreciation and amortization and impairment charges). We believe that the use of a single financial measure will help focus the management team on operational excellence and profitability. The plan will continue to use positive operating income as the initial performance hurdle.

The following AIA targets were established for the executives for fiscal 2014:

Participant	**AIA Target (as a % of salary)**	**% Change (as compared to fiscal 2013)**
CEO	100%	0%
CFO	65%	- 13%
GC	60%	- 20%
VPs	40%	0%

The changes to AIA targets were made in order to bring the executive team closer to the market median for total cash compensation and rebalance the compensation mix to be more consistent with market practice.

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, we target 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 65% to 111% 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 and because we have several executives that are new to their roles. The individual performance of each named executive officer is not considered in the value of the long-term incentive awards granted to such officer. 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 corporate executives 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: 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 60% of the CEO s total direct compensation. When establishing appropriate targets for other named executive officers, we also targeted approximately the 75th percentile of the competitive market. 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.

Table of Contents

The following table sets forth the target award levels for the FY 2013 long-term incentives of each of our named executive officers:

Long-Term Incentive Target Award Levels
Expressed as a % of Salary

Title	Target
CEO	300%
SVPs	200%
VPs	70%

Fiscal Year 2013 Long Term Incentive Program Design

Vehicles and Goals: The Company s FY 2013 program consisted of a combination of stock options, performance units and restricted stock. The allocation between the long-term incentive vehicles is determined by the Compensation Committee based on the market information provided by its compensation consultant and input from senior management as to the key business drivers that allow us to maintain 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 FY 2013 allocation of LTI by vehicle type, description of each vehicle type and related performance goals.

Stock Options

Options to purchase company stock comprised approximately 50% of our long-term incentive target value for FY 2013 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 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.

Performance Units

Performance units are payable in cash and are intended to motivate executives to achieve preset goals that are in line with critical business drivers. These awards also provide incentive for executives to outperform peer companies as measured by relative shareholder return.

Performance unit awards are granted in December and comprised approximately 25% of our executives total long-term incentive grant value for FY 2013. Performance measures are chosen to provide incentive for executives to focus on

Table of Contents

those things which we believe are closely linked to the creation of stockholder value over time. We set target award values each year. These target values are used to calculate the number of units granted to each executive. The final value of each unit is not determined until the end of a three-year performance cycle. That final unit value is dependent on our performance against preset goals. If the threshold level of performance is not met, no cash payout will occur. However, if maximum performance goals are met or exceeded, then the value of each unit could reach a maximum of 200% of the target value.

Measures used for the performance units include Earnings Per Share Growth (or EPS Growth) and Relative Total Stockholder Return (or Relative TSR). Each goal is weighted 50% of the total performance unit award. The goals for each metric are as follows:

Milestones	Relative Total Shareholder Return Percentile	3-Yr. Cumulative Compounded Annual EPS Growth %	Performance Unit Value R-TSR (50% Weighting)	Performance Unit Value EPS (50% Weighting)	Total
Maximum	75%	12%	$ 100.00	$ 100.00	$ 200.00
Target	60%	9%	$ 50.00	$ 50.00	$ 100.00
Threshold	40%	6%	$ 37.50	$ 37.50	$ 75.00

We use the above approach to accomplish three things: (1) provide line of sight to performance measures that influence stock price performance, (2) mitigate the short-term effects of stock price volatility and (3) measure our performance relative to our reference group, which provides meaningful context to judge our performance in the market.

For fiscal 2013, the three-year cumulative compounded EPS growth will be applied to the starting value of the 2008-2011 average of $0.27 per share, which is the period ending EPS adjusted for Nichols impairments & labor union strike.

Fiscal 2011 Performance Units

The performance units awarded to our executives in December 2010 (the 2011 Performance Units) became payable to executives in December 2013, with a final value determined by the Company s performance period for fiscal 2011 through fiscal 2013. The 2011 Performance Unit grants measures and goals include EPS Growth and Relative TSR, each weighted 50% of the total performance unit award. EPS Growth is measured as the cumulative value of EPS over the three-year performance period, and Relative TSR is expressed as the stock price appreciation plus dividends reinvested relative to appreciation of our peer group. Relative TSR is determined by calculating the change in the value of our stock plus the value of dividends and comparing that value with that of our peer group. Our performance against these pre-established goals determined the payout to executives within a range from threshold to maximum. The pre-established goals and the actual performance to these goals are set forth below.

Milestones	Relative TSR Percentile	3 yr. EPS Growth(1) cum.	3 yr. EPS Growth(1) Percent	Performance Unit Value R-TSR	Performance Unit Value EPS	Total
Performance Measures:						
Maximum	75%	$ 1.61	100%	$ 100.00	$ 100.00	$ 200.00

Target	60%	$	1.17	75%	$	50.00	$	50.00	$	100.00
Threshold	40%	$	0.82	50%	$	37.50	$	37.50	$	75.00
Actual Performance	**.5%**	**$**	**(0.53)**	-190%	**$**	**0.00**	**$**	**0.00**	**$**	**0.00**

(1) Three Year EPS Growth was determined by using a base year of $0.64, which represents the fiscal 2010 reported EPS.

Table of Contents

For the 2011 Performance Units, the actual value was $0.00 per unit associated with Relative TSR and $0.00 per unit associated with EPS Growth for a total value per performance unit of $0.00. There was no payout earned.

Officer	2011 Performance Units Granted	Target Value per Performance Unit	Targeted Award Value	Actual Value per Performance Unit	Total Payout Value
Petratis	5,300	$ 100	$ 530,000	$ 0	$ 0
Korb	1,700	$ 100	$ 170,000	$ 0	$ 0
Delaney	1,400	$ 100	$ 140,000	$ 0	$ 0
Gadin	300	$ 100	$ 30,000	$ 0	$ 0
Chetnani	400	$ 100	$ 40,000	$ 0	$ 0

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.

Fiscal 2013 Long-Term Incentive Grants

The number of long-term incentive awards granted during fiscal 2013 was determined by: (1) taking 50% of the participant s target award value and dividing it by the calculated Black-Scholes value of a Quanex stock option to determine the number of options, (2) taking 25% of the participant s target award value and dividing it by the 10-day average closing stock price between November 1, 2012, and November 14, 2012, to determine the number of restricted stock awards and (3) taking 25% of the participant s target award value and dividing it by $100 (target unit value), to determine the number of performance units. Both equity grant calculations apply an average stock price based on the first 10 trading days in November 2012. For more information related to long-term incentive awards granted during fiscal 2013, please see the table entitled Grants of Plan Based Awards located on page 52.

Table of Contents

Fiscal 2014 Long-Term Incentive Grants

At the Compensation Committee s December 2013 meeting, the Compensation Committee elected to make changes to the Company s LTI plan design for fiscal 2014. The changes include:

- Replacing cash-settled performance units with performance shares that are settled 50% in cash and 50% in stock.
- Increasing the weighting of performance-based LTI from 25% of the total LTI mix to 50% of the total LTI mix.
- Decreasing the weighting of stock options from 50% of the total LTI mix to 25% of the total LTI mix.
- Decreasing the LTI targets for three of the five named executives.

The following chart illustrates the FY 2014 allocation of LTI by vehicle type, description of each vehicle type and related performance goals.

We feel these changes are appropriate and will help better align our compensation program with Company performance.

Fiscal 2014 Performance Shares

Performance shares are payable 50% in cash and 50% in shares and are intended to motivate executives to achieve preset goals that are in line with critical business drivers. These awards also provide incentive for executives to outperform peer companies as measured by relative shareholder return.

The fiscal 2014 performance share measures include EPS Growth and Relative TSR, each weighted 50%. EPS Growth is measured as the cumulative value of EPS over the three-year performance period, and Relative TSR is expressed as the stock price appreciation plus dividends reinvested relative to appreciation of our peer group. These are the same performance measures used under the Company s FY 2013 performance unit plan.

			Performance Share Modifier		
Milestones	**Relative Total Shareholder Return Percentile**	**3-Yr. Cumulative Compounded Annual EPS Growth %**	**R-TSR (50% Weighting)**	**EPS (50% Weighting)**	**Total**
Maximum	75%	12%	100%	100%	200%
Target	60%	9%	50%	50%	100%
Threshold	30%	6%	37.5%	37.5%	75%

Table of Contents

For fiscal 2014, the three-year cumulative compounded EPS growth will be applied to the starting value of of $0.20 per share, which is the period ending EPS adjusted for costs and expenses related to the ERP implementation project which was terminated during fiscal 2013.

The reader is cautioned that the foregoing goals are not intended to and do not reflect guidance by or expectations of the Company as to actual results. These goals are part of an overall compensation program designed, among other things, to align executive compensation with the market s reasonable expectations of performance and shareholder returns.

LTI Targets

The following LTI targets were established for the executives in FY 2014.

Participant	LTI Target (as a % of salary)	% Change (as compared to fiscal 2013)
CEO	275%	-8%
CFO	175%	-12.5%
GC	165%	-17.5%
VPs	70%	0%

Processes and Procedures for Determining Executive Compensation

Guided by the principal objectives described above, the Compensation Committee approves the structure of the executive compensation program and administers the programs for our executive officers, including matters where approval by our independent Compensation Committee members is appropriate for tax or regulatory reasons. The following describes the roles of key participants in the process.

The Role of Executives

Our Chief Executive Officer is the only executive who works with the Compensation Committee and compensation consultant in establishing compensation levels and performance targets. Our Chief Executive Officer is responsible for reviewing the compensation and performance of the other executive officers. Therefore, he makes recommendations to the Compensation Committee regarding adjustments in compensation to such executive officers. The Compensation Committee considers the Chief Executive Officer s recommendations along with the committee s own evaluation of individual and business performance and the market data provided by its compensation consultant. In making his recommendations, the Chief Executive Officer relies upon his evaluation of his direct reports performance and competitive compensation information. The Chief Executive Officer does not recommend his own compensation. The Chief Executive Officer recommends AIA performance goals to the Compensation Committee. The Chief Executive Officer, with input from the compensation consultant, recommends performance goals for long-term incentive awards that are properly aligned with the business goals and compensation strategy.

Our Senior Vice-President General Counsel and Secretary serves as the liaison between the compensation consultant, the Compensation Committee, and the Governance Committee. In this role, he interfaces with the compensation consultant to carry out the duties of the Compensation Committee and Governance Committee.

The Role of Independent External Advisors

To facilitate the formulation and administration of our compensation program, beginning in April 2008 until June 30, 2012, the Compensation Committee retained Cogent Compensation Partners as its independent consultant on executive compensation matters. On July 1, 2012, Cogent Compensation Partners merged with Frederic W. Cook & Co., Inc. Upon the merger, the Compensation Committee confirmed its appointment of Cook as its independent consultant. Cook has been retained by the Compensation Committee to help assess the competitiveness and appropriateness of compensation programs throughout the market, including our peers, and to help develop a compensation program that is consistent with our objectives and market conditions. Cook meets with our Compensation Committee in executive sessions and advises the Compensation Committee with respect to a wide range of issues related to executive compensation. The Compensation Committee authorizes the scope of services that it desires Cook

Table of Contents

to provide for the company, including reviewing and analyzing market data, evaluating our peer group composition, making recommendations for incentive system designs, providing market and regulatory updates, assisting with deliberations related to CEO compensation, reviewing any relevant information and reporting to the Compensation Committee on all aspects of our compensation programs. Cook reports directly to, and takes its charge from, the Compensation Committee. However, the Compensation Committee does not specifically direct Cook on how to perform the scope of services it provides to the Company, and the Compensation Committee makes all final decisions regarding compensation.

Independence of Advisors

The Compensation Committee reviewed the independence of Cook based on the NYSE rules for independence which include the following factors: (i) the provision of other services to the Company by Cook; (ii) the amount of fees from the Company paid to Cook as a percentage of Cook s total revenue; (iii) the policies and procedures of Cook that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the individual compensation advisors who serve the Committee with any member of the Committee; (v) any stock of the Company owned by such individual compensation advisors, and (vi) any business or personal relationship of Cook or the individual compensation advisors employed by either who serve the Committee with an executive officer of the Company. The Compensation Committee also reviewed Cook s policies for avoiding conflicts of interest. The Compensation Committee has determined, based on its analysis in light of the factors listed above, that the work of Cook and the individual compensation advisors employed by Cook as compensation consultants to the Company has not created any conflicts of interest and that Cook meets the NYSE standards for independence.

The Role of the Compensation and Management Development Committee

The Compensation Committee is currently comprised of three non-employee independent directors. The Compensation Committee s duties in administering executive compensation programs include the following:

- Review and approve the Company s overall total compensation policy.
- Review and evaluate company performance against pre-established performance metrics.
- Establish the annual total compensation paid to officers and key executives, including base salary, annual incentive, and long-term incentives.
- Regularly review and approve all employment agreements and severance arrangements for the executive officers.
- Review the Company s Compensation Discussion and Analysis disclosure.

The Compensation Committee determines the Chief Executive Officer s salary and incentive awards based upon an assessment of individual and company performance as well as market data provided by the compensation consultant. The Compensation Committee may form and delegate duties to subcommittees when appropriate. A more expansive list of the Compensation Committee s responsibilities can be found in its charter, which can be viewed on our website at *www.quanex.com*.

Post-Employment Compensation

Severance and change of control benefits are provided under the employment agreements of our executives, as well as under our incentive plans. These benefits are discussed at greater length in the section entitled Employment Agreements and Potential Payouts upon Termination or Change in Control on page 41.

Beginning in 2013, the Compensation Committee adopted a policy that it would not provide excise tax gross up benefits to new executives in the event of change in control termination. The Compensation Committee determined that it was important to shareholder interests to continue to honor the commitment to existing executive agreements in which excise tax gross up benefits are provided.

Table of Contents

Deferred Compensation Plan

The Company has a nonqualified deferred compensation program that gives executives the opportunity to defer income. As with our various other plans and programs, this deferral opportunity is designed to attract and retain key executives.

The deferred compensation program is administered by the Compensation Committee. Before they can participate, eligible employees must first receive a recommendation from our senior managers and then final approval by the Compensation Committee. Participants in the program may choose to defer up to 100% of their annual and long-term incentive bonuses. Participants may choose from a variety of investment choices in which the Company will invest their deferrals over the defined deferral period. Until April 1, 2009, when the Company match was suspended, the program provided that we match 20% of the annual incentive deferrals invested in a Common Stock denominated account.

Executive Benefits

Purpose: The role of executive benefits is to provide financial security, enhanced employee welfare, and competitive packages that are meaningful in the markets for which we compete for executive talent. These programs provide meaningful and competitive post retirement income, and in some cases, our plans replace benefits that would otherwise be lost because of plan limits imposed by the Internal Revenue Code.

Competitive Positioning: Our strategy with respect to executive benefits is to provide a meaningful benefit to executives at a cost that is efficient, and our desired competitive positioning is the middle of the market. We provide executives with health and welfare benefits that are consistent with our program for exempt personnel generally. Supplemental retirement and supplemental life benefits are also provided to our officers.

Program Elements:

- Retirement and other benefits. Our executives participate in the Company s defined benefit pension plan, 401(k) defined contribution retirement plan, and supplemental executive retirement plans. Executives also receive company contributions under our 401(k) plan, a 15% match under our employee stock purchase program (ESPP) and dividends on unvested restricted stock. The Company previously provided a 20% match under the deferred compensation plan, but that benefit was suspended on April 1, 2009.

- Life insurance benefits. Our executives participate in Company provided life insurance, the amount of which takes into consideration their age and/or income. Our executives also have the opportunity to purchase supplemental life insurance.

- Perquisites. We provide our executives with certain perquisites which help us compete for executive talent, and in some cases, allow our executives to devote more attention to the business of the Company. Certain perquisites have been grandfathered and not all executives are provided the same. The various perquisites include financial and tax planning, company provided automobiles or allowances, and club memberships. The Compensation Committee eliminated tax gross-up payments on perquisites, effective December 31, 2009.

Other Compensation Items

Clawback Provision (Recovery of Incentive Payments)

We have implemented a policy to enable the Board, in its judgment and to the extent permitted by governing law, to require reimbursement of any cash bonus or performance shares paid to executives where (a) the value of the award was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement, and (b) a lower payment would have been made to the executive(s) based on the restated financial results. In each instance, the Company may seek to recover that portion of the affected executive(s) annual and/or long-term incentive payments that is higher than the payment that would have originally been paid. No reimbursement will be required if such material restatement was caused by or resulted from any change in accounting policy or rules.

Table of Contents

Risk Assessment

The Compensation Committee discussed and analyzed risks associated with the Company s compensation policies and practices for executive officers and all employees generally. This discussion included, but was not limited to, topics such as eligibility, affordability, retention impact, corporate objectives, alignment with shareholder interests, governance, and possible unintended consequences. The Compensation Committee did not identify any risks arising from the Company s compensation programs or practices that are reasonably likely to have a material adverse effect on the Company.

Executive Stock Ownership Guidelines

We encourage our executives to own our Common Stock because we believe such ownership provides strong alignment of interests between executives and shareholders. Our executive stock ownership guidelines provide that different levels of executives are expected to own a specific value of our Common Stock, expressed as a percentage of salary. The stock ownership requirement for the current CEO is effective five years after assuming his role. For other executives, the stock ownership requirement is effective three years after they assume their roles. The chart below shows the guidelines by executive level.

Level	Typical Executive Position	Stock Ownership Goal
1	CEO	4x Base Salary
2	SVP	2x Base Salary
3	VP	1x Base Salary

All of our named executives currently are in compliance with the executive stock ownership guidelines.

Timing of Certain Committee Actions

The Compensation Committee schedules actions related to executive pay to coincide with its regularly scheduled Board meeting in December:

Executive Compensation Element	Action Item
Base Salaries	• Review and/or adjust based on market review
Short-Term Incentives	• Determine year-end results and approve payouts • Set goals for upcoming year
Long-Term Incentives	• Determine performance results and approve long-term plan s payouts • Set goals for long-term plan s next three-year performance cycle

- Determine and approve equity awards, including stock options and restricted stock awards

Compensation decisions related to promotions or new hire awards are addressed on an individual basis, at the time the executive is promoted or first joins the Company.

Accounting Considerations and Tax Deductibility of Executive Compensation

In designing compensation programs, we consider the effects that accounting and taxation may have on us, the named executive officers or other employees as a group. Accounting for compensation arrangements is in accordance with FASB ASC Topic 718. All share based payments to employees are measured at fair value on the date of grant and recognized in the statement of operations as compensation expense over their requisite service periods.

Section 162(m) of the Internal Revenue Code provides that we may not deduct for federal income tax purposes compensation of more than $1,000,000 paid in any year to the Chief Executive Officer or any of the three other most highly compensated executive officers, excluding the Chief Financial Officer, unless the compensation is paid solely on the

Table of Contents

attainment of one or more pre-established objective performance goals and certain other considerations are met. Under the terms of our annual cash bonus program and performance unit and performance share programs, the Compensation Committee may, in its discretion, adjust payouts to executives downward. Because the plans are intended to comply with Internal Revenue Code Section 162(m), no upward discretion in determining payouts is permitted.

Influence of Say on Pay Results on Executive Compensation Decisions

Management and the Compensation Committee are attentive to the outcome of the shareholder Say on Pay vote. At the Company s 2013 annual shareholder meeting, the Company received significant support for its executive compensation program, with 98% of the votes in favor of the Say on Pay resolution. The Compensation Committee remains responsive to shareholder feedback and believes that the strong support from shareholders indicates satisfaction with the executive compensation program.

Employment Agreements and Potential Payments upon Termination or Change in Control

The Company has entered into change in control agreements with its named executive officers. We believe that the change in control agreements help us attract and retain our named executive officers by reducing the personal uncertainty and anxiety that arises from the possibility of a future business combination. During a potential change in control, we do not want executives leaving to pursue other employment out of concern for the security of their jobs or being unable to concentrate on their work. To enable executives to focus on the best interest of our stockholders, we offer change in control agreements that generally provide benefits to executives whose employment terminates in connection with a change in control. Except as discussed below, no new agreements have been entered into, and there have been no material modifications to any employment or change in control agreement, since December 2008.

During June and July 2013, the Company entered into three change in control agreements. In June, the Company entered into a change in control agreement with Mr. Ketelaar in connection with his assumption of duties as the Company s Vice President-Treasurer & Investor Relations. In July, the Company entered into a change in control agreement with Mr. Williams in connection with his hiring as Vice President-Controller, and with Mr. Griffiths in connection with his assumption of the role of President and Chief Executive Officer.

None of the recently executed change in control agreements provide for a golden parachute excise tax gross-up.

A short summary of the material terms of each change in control agreement is set forth below:

Griffiths Change in Control Agreement

Under the change in control agreement with Mr. Griffiths, the Company will provide the following benefits in the event that Mr. Griffiths employment is terminated following a change in control of the Company and such termination is (x) by the Company for any reason other than occurrence of an Event of Termination for Cause, or (y) by Mr. Griffiths after the occurrence of an Event of Termination for Good Reason (as such capitalized terms are used in the change in control agreement):

(i) The Company will pay to Mr. Griffiths his base salary, bonus and benefits accrued through the termination date but not previously paid;

(ii) The Company will pay to Mr. Griffiths a performance bonus equal to the higher of (x) the target performance bonus for the Fiscal Year in which the termination date occurs and (y) the performance bonus that was actually paid out for the Fiscal Year preceding the Fiscal Year in which the termination date occurs (the higher of (x) and (y) is referred to as the Highest Bonus), in each case pro-rated to reflect the number of days that passed between the beginning of the current fiscal year and the termination date;

(iii) The Company will pay to Mr. Griffiths an amount equal to 2.99 times the sum of (x) the Highest Bonus and (y) the amount of base salary that would have been paid during the fiscal year in which the termination date occurs based on the assumption that Mr. Griffiths employment would have continued throughout that fiscal year at the base salary rate in effect in the fiscal year in which the termination date occurs, or in the immediately preceding fiscal year, whichever is higher; and

Table of Contents

(iv) For a period of three years or until Mr. Griffiths begins new employment, the Company will maintain in effect, and not materially reduce the benefits provided by, certain of the Company s benefit plans in which Mr. Griffiths will participate.

In the event Mr. Griffiths severance benefits under the Change in Control Agreement exceed the limits set forth in Section 280G of the Internal Revenue Code (i.e., result in an excess parachute payment greater than 2.99 times Mr. Griffiths base amount, as such term is defined in the Change in Control Agreement), and such exceedence would result in the imposition of an excise tax, Mr. Griffiths will receive either the net benefits after the excise tax is calculated, or the benefits will be cut back to the point that they do not exceed 2.99 times the base amount, whichever is greater.

Ketelaar and Williams Change in Control Agreements

Under the change in control agreements with Mr. Ketelaar and Mr. Williams, the Company will provide the following benefits to the applicable employee in the event that the employment of such employee is terminated following a Change in Control of the Company, if such termination is (x) by the Company for any reason other than occurrence of an Event of Termination for Cause, or (y) by the employee after the occurrence of an Event of Termination for Good Reason (as such capitalized terms are used in the applicable change of control agreement):

(i) The Company will pay to such employee his base salary, bonus and benefits accrued through the termination da