HARSCO CORP
Form DEF 14A
March 22, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

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

Check the appropriate box:

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

Harsco Corporation

(Name of registrant as specified in its charter)

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þ No fee required.

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(3) Filing Party:

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Notice of
2013 Annual
Meeting of Stockholders
and Proxy Statement

Harsco Corporation

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Harsco Corporation

350 Poplar Church Road

Camp Hill, PA 17011 USA

Telephone: 717.763.7064

Fax: 717.763.6424

www.harsco.com

March 22, 2013

To Our Stockholders:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders (the Annual Meeting) of Harsco Corporation (the Company), which will be held on Tuesday, April 23, 2013, beginning at **8:00 a.m.**, local time, at the Radisson Hotel Harrisburg, Camp Hill, Pennsylvania.

Information about the Annual Meeting, including a listing and discussion of the various matters on which you, as our stockholders, will act, may be found in the formal Notice of Annual Meeting of Stockholders and Proxy Statement included with this mailing. We look forward to greeting as many of our stockholders as possible.

The Company is providing you with the opportunity to vote your shares by calling a toll-free number, by mailing the enclosed Proxy Card or via the Internet as explained in the instructions on the enclosed Proxy Card.

Whether you plan to attend the Annual Meeting or not, we urge you to fill in, sign, date and return the enclosed Proxy Card in the postage-paid envelope provided, or vote by telephone or via the Internet, in order to help ensure that as many shares as possible may be represented at the Annual Meeting. The vote of every stockholder is important and your cooperation in promptly returning your executed Proxy Card, or voting by telephone or via the Internet, is appreciated.

Sincerely,

Patrick K. Decker

President and Chief Executive Officer

This document is intended to be mailed to stockholders on or about March 22, 2013.

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HARSCO CORPORATION

350 Poplar Church Road

Camp Hill, Pennsylvania 17011 USA

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

The 2013 Annual Meeting of Stockholders (the Annual Meeting) of Harsco Corporation (the Company) will be held on Tuesday, April 23, 2013, beginning at **8:00 a.m.**, local time, at the Radisson Hotel Harrisburg, Camp Hill, Pennsylvania, to consider and act upon the following matters:

1. Election of the 10 nominees named in the Proxy Statement to serve as Directors until the 2014 Annual Meeting of Stockholders;
2. Ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2013;
3. Advisory vote to approve named executive officer compensation;
4. Approval of the 2013 Equity and Incentive Compensation Plan; and
5. Such other business as may properly come before the Annual Meeting.

The Board of Directors of the Company has fixed the close of business on March 1, 2013 as the record date for the determination of stockholders who are entitled to notice of, and to vote at, the Annual Meeting and at any adjournments thereof. Proxies will be accepted continuously from the time of mailing until the closing of the polls at the Annual Meeting.

Stockholders who do not expect to attend the Annual Meeting in person are requested to fill in, sign, date and return the enclosed Proxy Card in the postage-paid envelope provided, or vote by telephone or via the Internet, as explained in the instructions on the enclosed Proxy Card.

By order of the Board of Directors,

A. Verona Dorch

Vice President, General Counsel and

Corporate Secretary

March 22, 2013

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PROXY STATEMENT

ANNUAL MEETING INFORMATION

General

This Proxy Statement and the accompanying form of proxy are being furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the Board) of Harsco Corporation, a Delaware corporation (the Company, we or us), for use at the Annual Meeting of Stockholders of the Company to be held on April 23, 2013 (the Annual Meeting), or at any adjournment of the Annual Meeting.

The following information relates to the Annual Meeting and the voting of your shares at the Annual Meeting:

Type of shares entitled to vote at the Annual Meeting:	Our common stock, par value $1.25
Record date for stockholders entitled to notice of, and to vote at, the Annual Meeting (Record Date):	Close of business on March 1, 2013
Shares of our common stock issued and outstanding as of the Record Date (does not include treasury shares, which are not entitled to be voted at the Annual Meeting):	80,648,802 shares
Proxy Statements, Notices of Annual Meeting and Proxy Cards are intended to be mailed to stockholders:	On or about March 22, 2013
Location of our executive offices:	350 Poplar Church Road, Camp Hill, Pennsylvania 17011

To obtain directions to attend the Annual Meeting and vote in person, please contact Kenneth D. Julian, Senior Director Corporate Communications, by telephone at (717) 730-3683 or by e-mail at kjulian@harsco.com.

Information contained on our website is not incorporated by reference into this Proxy Statement, and you should not consider information contained on our website as part of this Proxy Statement. Copies of our Corporate Governance Principles, Code of Conduct and charters of the Board s committees are posted on our website at *www.harsco.com/about-us*.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on April 23, 2013

The Notice of 2013 Annual Meeting of Stockholders and Proxy Statement, our Proxy Card, our Annual Report on Form 10-K and our 2012 Summary Annual Report are available free of charge at *www.envisionreports.com/hsc* (for registered stockholders) or *www.edocumentview.com/hsc* (for all other stockholders), by calling toll-free (800) 652-8683 or by e-mailing kjulian@harsco.com.

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Voting

All shares of our common stock entitled to vote at the Annual Meeting are of one class, with equal voting rights. Each share of our common stock held by a stockholder is entitled to cast one vote on each matter voted on at the Annual Meeting. In order for the Annual Meeting to be valid and the actions taken binding, a quorum of stockholders must be present at the meeting, either in person or by proxy. A quorum consists of a majority of the issued and outstanding shares of our common stock as of the Record Date. Assuming that a quorum is present, (i) the 10 nominees who receive the greatest number of votes for election will be elected as Directors, and (ii) the affirmative vote of the holders of at least a majority of our outstanding common stock present in person or by proxy and entitled to vote on matters at the Annual Meeting will be required for (a) ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2013, (b) approval, on an advisory basis, of our named executive officer compensation and (c) approval of the 2013 Equity and Incentive Compensation Plan, provided that the total shares voted on the proposal to approve the 2013 Equity and Incentive Compensation Plan must represent at least a majority of the issued and outstanding shares of our common stock as of the Record Date. The vote required to act on all other matters to come before the Annual Meeting will be determined in accordance with the voting requirements established by Delaware law and our certificate of incorporation and by-laws, each as amended to date.

Stockholder votes will be tabulated by an independent inspector of election for the Annual Meeting. The shares of our common stock represented by each properly submitted proxy received by the Board will be voted as follows at the Annual Meeting:

- **If instructions are provided,** in accordance with such instructions; or

- **If no instructions are provided,** (1) FOR the election as Directors of each of the 10 nominees of the Board, (2) FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2013, (3) FOR approval, on an advisory basis, of our named executive officer compensation, (4) FOR approval of the 2013 Equity and Incentive Compensation Plan, and (5) in accordance with the best judgment of the named proxies on any other matters properly brought before the Annual Meeting.

Revocation of Proxies

Any proxy granted pursuant to this solicitation may be revoked by the person granting the proxy at any time before it is voted at the Annual Meeting. Proxies may be revoked by (i) delivering to the Secretary of the Company a written notice of revocation bearing a date later than that of the proxy, (ii) duly executing and delivering a later dated written proxy relating to the same shares, or (iii) attending the Annual Meeting and voting in person. If you hold your shares through a bank, broker or other nominee, only that bank, broker or other nominee can revoke your proxy on your behalf.

Withheld Votes, Abstentions and Broker Non-Votes

In certain circumstances, a stockholder will be considered to be present at the Annual Meeting for quorum purposes but will not be deemed to have cast a vote on a matter. This occurs when a stockholder is present but specifically withholds a vote or abstains from voting on a matter, or when shares are represented at the Annual Meeting by a proxy conferring authority to vote only on certain matters. The ratification of our auditors is a

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routine matter and, therefore, brokers and other nominees have the authority to vote shares for which no instructions are given with respect to that matter. In accordance with Delaware law and our certificate of incorporation and by-laws, each as amended to date, votes withheld and broker non-votes will not be treated as votes cast with respect to the election of Directors, and therefore will not affect the outcome of Director elections. With respect to the approval of the compensation of our named executive officers and the approval of the 2013 Equity and Incentive Compensation Plan, abstentions will have the effect of negative votes but broker non-votes will not have any effect on determining the outcome. With respect to the ratification of our auditors, abstentions will have the effect of negative votes.

Other Business

The Board knows of no other business to come before the Annual Meeting. However, if any other matters are properly presented at the Annual Meeting, or any adjournment of the Annual Meeting, the persons voting the proxies will vote them in accordance with their best judgment.

CORPORATE GOVERNANCE

We have a long-standing commitment to good corporate governance practices. These practices come in many different forms and apply at all levels of our organization. They provide the Board and our senior management with a framework that defines responsibilities, sets high standards of professional and personal conduct and promotes compliance with our various financial, ethical, legal and other obligations and responsibilities.

Corporate Governance Principles

The Board has adopted Corporate Governance Principles that, along with the charters of the Board committees, provide the framework for our Board s operation and governance. The Board s Nominating and Corporate Governance Committee (the Nominating Committee) is responsible for overseeing and reviewing our Corporate Governance Principles at least annually and recommending any proposed changes to the Board for approval. The Corporate Governance Principles are available on our website at *www.harsco.com/about-us* in the Corporate Governance section.

Code of Conduct

We have adopted a Code of Conduct applicable to our Directors, officers and employees worldwide. The Code of Conduct is issued in booklet form and an online training program facilitates new employee orientation and individual refresher training. Our Code of Conduct is produced in over 20 languages. The Code of Conduct, including amendments thereto or waivers thereof granted to a Director or officer, if any, can be viewed at the Corporate Governance section of our website at *www.harsco.com/about-us.*

Stockholder and Interested Party Communications with Directors

The Board has a formal process for stockholders and interested parties to communicate directly with the Non-Executive Chairman, the non-management Directors or with any individual member of the Board. Stockholders and interested parties may contact any member of the Board by writing to the specific Board member in care of our Corporate Secretary at our Corporate Headquarters (350 Poplar Church Road, Camp Hill, PA 17011).

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Our Corporate Secretary will forward any such correspondence to the applicable Board member; provided, however, that any such correspondence that is considered by our Corporate Secretary to be improper for submission to the intended recipients will not be provided to such Directors. In addition, Board members, including the Non-Executive Chairman, can be contacted by e-mail at *BoardofDirectors@harsco.com.*

Independence Standards for Directors

The following NYSE Euronext standards, which are also posted under the Corporate Governance section of our website at *www.harsco.com/about-us*, have been applied by the Board in determining whether individual Directors qualify as independent. References to us include our consolidated subsidiaries.

No Director will be qualified as independent unless the Board affirmatively determines that the Director has no material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us. We will disclose these affirmative determinations.

No Director who is a former employee of ours can be deemed independent until three years after the end of his or her employment relationship with us, although certain past employment as an interim Chairman or Chief Executive Officer (CEO) or other executive officer will not disqualify a Director from being considered independent following that employment.

No Director whose immediate family member is or has been an executive officer of ours can be deemed independent until three years after such family member has ceased to be an executive officer.

No Director who receives, or whose immediate family member receives, more than $120,000 during any twelve-month period in direct compensation from us, other than director and committee fees and deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), can be independent until three years after he or she ceases to receive more than $120,000 during any twelve-month period in such compensation.

No Director can be independent:

¡ who is a current partner or employee of our internal or external auditor;

¡ whose immediate family member is a current partner of our internal or external auditor;

¡ whose immediate family member is a current employee of our internal or external auditor and personally works on our audit; or

¡ who, or whose immediate family member, was within the last three years a partner or employee of such auditor and personally worked on our audit within that time.

No Director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of our present executive officers serve on that company s compensation committee can be independent until three years after the end of such service or employment relationship.

No Director who is an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, us for

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property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues, can be independent until three years after falling below such threshold.

The Board has affirmatively determined that the following nine Directors who are standing for election or re-election are independent: Messrs. Earl, Everitt, Graham, Growcock, Knueppel, Loree, Sordoni, and Wilburn and Ms. Eddy.

Executive Sessions of Independent Directors

Independent Directors regularly meet in executive session without management. Our Non-Executive Chairman, Henry W. Knueppel, presides over each session of the independent Directors. Prior to Mr. Knueppel s appointment as Non-Executive Chairman, Kathy G. Eddy served as Lead Director and presided at sessions of the independent Directors. During the 2012 fiscal year, the independent Directors held 10 meetings. Each of the 10 meetings was attended by the complete group of independent Directors serving on our Board at the time of the meeting.

Director Attendance at Annual Meeting

It is our policy to request that all Board members attend annual stockholder meetings. However, we also recognize that personal attendance by all Directors is not always possible. All of our then-current Directors attended the Annual Meeting of Stockholders in 2012.

Current Structure of the Board

Information regarding the structure of our Board immediately following our Annual Meeting:

Size of Board:	10 members
Size of Board authorized in the By-laws:	No fewer than five nor more than 12
Number of independent Directors:	Nine
Size of Board established by:	Board and the Company s by-laws

As of September 10, 2012, we separated the roles of CEO and Chairman in recognition of the differences between the two roles. Our CEO is responsible for planning, formulating and coordinating the development and execution of our corporate strategy, policies, goals and objectives. He is accountable for Company performance and reports directly to the Board.

Our CEO, Patrick K. Decker, became a member of the Board on October 29, 2012. The Board unanimously elected Mr. Decker as a Director in consideration of the insights he brings to the Board in light of his day-to-day leadership of the Company and intimate knowledge of our business and operations.

Our Non-Executive Chairman s responsibilities include the following:

- serving as a resource to the CEO in connection with his transition;
- serving as a resource to the CEO in connection with strategic planning and other matters of strategic importance to the Company;
- receiving reports from the CEO, organizing and facilitating the CEO evaluation process and providing ongoing, constructive feedback to the CEO;

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- consulting with the CEO regarding the Company s relations and communications with stockholders of the Company, analysts and the investor community;

- chairing meetings of the Board;

- setting the schedule and agenda for Board meetings in consultation with the CEO;

- determining the information that is sent to the Board in consultation with the CEO;

- presiding over the executive sessions and other meetings of the independent Directors; and

- communicating the results of meetings of the independent Directors to the CEO and other members of management, as appropriate.

We believe this Board leadership structure recognizes the time, effort and commitment that our CEO is required to devote to his position in the current business environment and the commitment required to fulfill his responsibilities.

Enterprise Risk Management

Our management is responsible for assessing and managing our exposure to risk. We have established an enterprise risk management process to identify, assess and manage the most significant risks facing us. As part of this process, we provide periodic updates to and receive feedback from the Board regarding the risks identified by the enterprise risk management process. In addition, the Audit Committee has oversight responsibility for financial risks. Our Audit Committee regularly meets with and discusses with management and our independent auditors major financial risks and the steps management has taken to monitor and control these risks. The Board is regularly advised of financial risks through discussions with management and the reports of the Audit Committee. We believe that our leadership structure, discussed in detail above, supports the risk oversight function of the Board.

Meeting Attendance and Committees

The Board held 10 meetings during the fiscal year ended December 31, 2012. Each Director attended at least 75% of the aggregate number of Board and applicable committee meetings held during the period of 2012 for which he or she served as a Director.

We have standing Audit, Management Development and Compensation, and Nominating and Corporate Governance committees.

Audit Committee	Meetings in 2012: five
	Members: Mr. Loree (Chairman), Messrs. Earl, Graham and Everitt and Ms. Eddy (Mr. Knueppel served as Chairman until February 2012)
	Duties: Established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Oversees our financial reporting processes, including meeting with members of management, the external auditors and the internal auditors, reviewing and approving both audit and non-audit services, reviewing the results of the annual audit

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	and reviewing the adequacy of our internal controls. The Audit Committee also discusses with management and the independent auditors our guidelines, policies and controls with respect to risk assessment and risk management. The Audit Committee is also responsible for managing the relationship with the external auditors and has established a direct reporting relationship with our Internal Audit Group (i.e., our Vice President, Internal Audit reports directly to the Audit Committee). The Audit Committee also oversees our compliance program, in conjunction with the Nominating Committee. The Audit Committee meets with management and with the independent auditors each quarter to review and discuss our Quarterly Report on Form 10-Q or Annual Report on Form 10-K prior to its filing with the Securities and Exchange Commission (the SEC), and the full Audit Committee meets with management and our independent auditors to review and discuss our Quarterly Earnings Releases prior to their release. See also the Report of the Audit Committee below. The Audit Committee completed a review of its charter in 2013 and determined that certain changes were desirable. A copy of the Audit Committee charter can be viewed at the Corporate Governance section of our website at *www.harsco.com/about-us.*
Management Development and Compensation Committee	Meetings in 2012: seven
	Members: Messrs. Growcock (Chairman), Everitt, Sordoni and Wilburn
	Duties: Administers our executive compensation policies and plans and advises the Board regarding management succession and compensation levels for members of management. The Management Development and Compensation Committee (the Compensation Committee) approves compensation and cash incentives for our senior officers and makes recommendations to the Board regarding equity-based and incentive compensation plans. The Compensation Committee s responsibilities include: (i) evaluating and approving the compensation of our executive officers, including reviewing and approving corporate performance goals and objectives related to the compensation of our executive officers; (ii) evaluating the executive officers and their performance relative to compensation goals and objectives; (iii) determining and approving the executive officers compensation levels based on the Compensation Committee s evaluation of their performance; (iv) evaluating and approving, or

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recommending to the Board for approval, compensation grants to executive officers under our annual and incentive compensation plans, policies and procedures, including equity-based compensation and incentive compensation plans; (v) overseeing our policies on structuring compensation programs for executive officers to preserve tax deductibility; (vi) delegating authority to subcommittees and to the Company s management for administration or other duties when the Compensation Committee deems it appropriate; (vii) adopting procedures and guidelines as the Compensation Committee deems appropriate to carry out its oversight functions; (viii) producing any Compensation Committee reports on executive compensation required to be included in our filings with the SEC; (ix) reviewing and discussing with our management the Compensation Discussion and Analysis (referred to herein as the CD&A) to be included in our filings with the SEC; (x) determining whether to recommend to the Board that the CD&A be included in our filings with the SEC; (xi) making regular reports to the full Board on the activities of the Compensation Committee; and (xii) performing such other duties as may be assigned to the Compensation Committee by law or the Board. The Compensation Committee completed a review of its charter in 2012 and determined that certain changes were desirable. A copy of the Compensation Committee s charter can be viewed at the Corporate Governance section of our website at *www.harsco.com/about-us.*

Nominating and Corporate Governance Committee

Meetings in 2012: five

Members: Messrs. Graham (Chairman), Growcock, Loree, Sordoni and Wilburn

Duties: Recommends Director candidates to the Board for election, reviews and recommends potential new Director candidates, reviews Director candidates recommended by our stockholders, makes recommendations to the Board regarding compensation for our Directors, oversees our corporate governance program and, in conjunction with the Audit Committee, oversees our compliance program. The role of the Nominating Committee is described in greater detail under the section entitled The Nominating Process below. The Nominating Committee completed a review of its charter in 2012 and determined that certain changes were desirable. A copy of the Nominating Committee s charter can be viewed at the Corporate Governance section of our website at *www.harsco.com/about-us.*

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THE NOMINATING PROCESS

The Nominating Committee is responsible for overseeing the selection of qualified nominees to serve as members of the Board and for guiding our corporate governance philosophy and practices. The Nominating Committee is composed of five Directors, each of whom is considered independent under the rules of the NYSE Euronext. The Nominating Committee operates pursuant to a written charter that complies with the guidelines established by the NYSE Euronext.

The Nominating Committee has not adopted formal procedures in selecting individuals to serve as members of the Board. Instead, it utilizes general guidelines that allow it to adjust the process to best satisfy the objectives established for any director search. The first step in the director search process is to identify the type of Director candidate the Nominating Committee may desire for a particular opening. This may involve identifying a specific background, skill set or set of experiences. Once the type of Director candidate is identified, the Nominating Committee next determines the best method of finding a Director candidate who satisfies the specified criteria. The Nominating Committee may consider Director candidates recommended by management, by other members of the Nominating Committee or the Board, or by stockholders, or it may engage a third party to conduct a search for possible Director candidates. The Nominating Committee has used independent search firms in the past to assist in the identification and evaluation of possible Director candidates. In 2012, the search firm RSR Partners was paid an aggregate fee of $25,000 (plus $3,553 in expenses) for services relating to the development of a Director profile report.

The Nominating Committee will consider all Director candidates in the same manner, regardless of the source of the recommendation of such Director candidate. The Nominating Committee will consider recommendations for Director candidates from stockholders if such recommendations are in writing and set forth the following information:

1. The full legal name, address and telephone number of the stockholder recommending the Director candidate for consideration and whether that stockholder is acting on behalf of or in concert with other beneficial owners, and, if so, the same information with respect to them.

2. The number of shares held by the recommending stockholder as of a recent date and how long such shares have been held, or, if such shares are held in street name, reasonable evidence satisfactory to the Nominating Committee of such stockholder s ownership of such shares as of a recent date.

3. The full legal name, address and telephone number of the proposed nominee for Director.

4. A reasonably detailed description of the proposed nominee s background, experience and qualifications, financial literacy and expertise, as well as any other information required to be disclosed in the solicitation of proxies for election of directors pursuant to the rules of the SEC, and the reasons why, in the opinion of the recommending stockholder, the proposed nominee is qualified and suited to be one of our Directors.

5. Disclosure of any direct or indirect relationship (or arrangements or understandings) between the recommending stockholder and the proposed nominee (or any of their respective affiliates).

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6. Disclosure of any direct or indirect relationship between the proposed nominee and the Company, any of our employees or Directors, any beneficial owner of more than 5% of our common stock, or any of their respective affiliates.

7. Disclosure of any direct or indirect interest that the recommending stockholder or proposed nominee may have with respect to any pending or potential proposal or other matter to be considered at this Annual Meeting or any subsequent meeting of our stockholders.

8. A written, signed and notarized acknowledgement from the proposed nominee consenting to such recommendation by the recommending stockholder, confirming that he or she will serve as a Director, if so elected, and consenting to our undertaking of an investigation into his or her background, experience and qualifications, any direct or indirect relationship with the recommending stockholder, the Company, our Directors or management or 5% stockholders, or interests in proposals or matters, and any other matter reasonably deemed relevant by the Nominating Committee to its considerations of such person as a potential Director candidate.

This information must be submitted as provided under the heading STOCKHOLDER PROPOSALS AND NOMINATIONS FOR PRESENTATION AT 2014 ANNUAL MEETING OF STOCKHOLDERS.

There were no material changes to the procedures relating to stockholder nominations during 2012, and there have been no such changes to date in 2013. The Nominating Committee believes that these procedural requirements are intended solely to ensure that it has a sufficient basis on which to assess potential Director candidates and are not intended to discourage or interfere with appropriate stockholder nominations. The Nominating Committee does not believe that any such requirements subject any stockholder or proposed nominee to any unreasonable burden. The Nominating Committee and the Board reserve the right to change the above procedural requirements from time to time and/or waive some or all of the foregoing requirements with respect to certain nominees, but any such waiver shall not preclude the Nominating Committee from insisting upon compliance with any and all of the above requirements by any other recommending stockholder or proposed nominees.

Once a Director candidate is identified by the Nominating Committee or recommended by a stockholder, the Nominating Committee conducts an evaluation of the Director candidate. The evaluation generally includes interviews and background and reference checks. Director candidates recommended by a stockholder are evaluated in the same manner as Director candidates identified by any other means. While the Nominating Committee has not established minimum criteria for a Director candidate, it has established important factors for consideration when evaluating a Director candidate. These factors include the following (although Director candidates need not possess all of the following characteristics, and not all factors are necessarily weighted equally):

- integrity and strength of character;
- mature judgment;
- strategic thinker;
- demonstrated leadership skills;
- business experience, including relevant industry experience;
- experience with international business issues and risk;
- public company experience;

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- innovation, technology or information technology expertise;
- availability;
- brand marketing expertise;
- career specialization;
- relevant technical skills;
- diversity; and
- the extent to which the candidate would fill a present need on the Board.

When considering a potential Director candidate s diversity, the Nominating Committee may take into consideration not only diversity of national origin, gender, age and race, but also diversity of profession and geographic experience. Although diversity is included as a potential selection criterion under our Nominating Committee s charter, our Board has not at this time adopted a separate diversity policy.

If the Nominating Committee determines that an individual should be nominated as a Director candidate, the individual s nomination is then recommended to the Board, which may in turn conduct its own review to the extent it deems appropriate. When the Board has agreed upon a Director candidate to be nominated at an annual meeting of stockholders, that Director candidate is then recommended to the stockholders for election at that annual meeting.

In addition to evaluating new Director candidates, the Nominating Committee periodically assesses our current Board to ensure that the composition of the Board reflects the appropriate balance of knowledge, skills, expertise, diversity and independence required for the Board as a whole. When making such assessments, the Nominating Committee may take into account all factors that it considers appropriate. These factors may include any of the factors discussed above.

Furthermore, at our January 2011 Board meeting, we initiated a process for the full Board to review and assess our Directors qualifications. As part of this process, the Nominating Committee solicited a self-assessment in the form of a skills matrix from each Director, pursuant to which the Nominating Committee asked each Director to personally assess his or her ability to meet the requirements described in this section.

Based on the compiled results of these responses and periodic assessments of the Board s composition, the Nominating Committee and the Board have determined that, in light of our business structure, we currently have an appropriate mix of Directors for our strategic path.

All of our current Directors are standing for election or re-election at the Annual Meeting. Each of the Director nominees has been recommended for election or re-election by the Nominating Committee, and the Board has approved all such recommendations.

PROPOSAL 1: ELECTION OF DIRECTORS

The first proposal to be voted on at the Annual Meeting is the election of the following 10 Directors, each of whom has been recommended by the Board. If elected, the Directors will hold office from election until the next annual meeting of stockholders or until their successors are elected and qualified. Biographical information about each of these nominees is included below.

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The Board recommends that stockholders vote FOR the election of each of the following nominees:

P. K. Decker,

J. F. Earl,

K. G. Eddy,

D. C. Everitt,

S. E. Graham,

T. D. Growcock,

H. W. Knueppel,

J. M. Loree,

A. J. Sordoni, III, and

R. C. Wilburn.

Nominees for Director

The information set forth below states the name of each nominee for Director, his or her age (as of March 1, 2013), a listing of present and recent employment positions, the year in which he or she first became a Director of the Company, other directorships held, the nominee s specific experience, qualifications, attributes or skills that qualify him or her to serve as a Director and the committees of the Board on which the individual serves.

Each nominee for election as Director was previously elected by our stockholders, with the exceptions of Messrs. Decker and Earl. As permitted by our governing documents, the Board increased its size to nine members and elected Mr. Earl to fill the resulting vacancy in July 2012, and subsequently increased its size to 10 members and elected Mr. Decker to fill the resulting vacancy in October 2012. Prior to his election by the Board, Mr. Earl was recommended to the Nominating Committee for election as a Director by a third-party search firm, RSR Partners.

Name	Age	Position with the Company, Prior Business Experience and Qualifications, Attributes and Skills	Director of the Company Since
P. K. Decker	48	President and Chief Executive Officer of the Company since September 10, 2012. From 2007 until his appointment as President and CEO, Mr. Decker served as President of Tyco Flow Control, the second largest business segment of Tyco International Ltd. (Tyco) (a global leader in engineered valves and controls, heat management solutions and large-scale water infrastructure projects). Prior to that, he served Tyco for four years in CFO roles at the operating segment level, including Tyco s multinational Engineered Products and Services division. Before joining Tyco, Mr. Decker held progressively responsible leadership positions throughout a 12-year career at Bristol-Myers Squibb Company (a global diversified healthcare company), including more than nine years in leadership positions in Latin America and the Asia-Pacific region.	2012
		Mr. Decker s service as President and CEO enables him to develop comprehensive knowledge of the various segments of our business and of the critical internal and external challenges facing	

the Company and the industries in which it operates. His leadership within the Company, as well as his prior senior management experience, make him an invaluable member of the Board.

Committee Membership: None.

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Name	Age	Position with the Company, Prior Business Experience and Qualifications, Attributes and Skills	Director of the Company Since
J. F. Earl	56	Executive Vice President of GATX Corporation (GATX) (one of the world s leading railcar and locomotive leasing companies) since 2006. President of the GATX Rail International business segment and Chief Executive Officer of American Steamship Company since 2012. Chief Operating Officer of GATX from 2006 to 2012. Mr. Earl has served as an executive with GATX since 1988 and prior to that time held management positions with two railroad companies, Soo Line Railroad and Southern Pacific Transportation Company. He is a past recipient of the Norman W. Seip Award for Industry Excellence in the rail finance industry. With several decades of senior management experience in the rail industry, Mr. Earl contributes to the Board a sophisticated and informed perspective on one of the Company s major business units. Furthermore, as President of the GATX Rail International business segment, Mr. Earl has gained substantial international business experience, which enhances his contributions to the Board. Committee Membership: Audit.	2012
K. G. Eddy	62	Certified Public Accountant. Founding partner of McDonough, Eddy, Parsons & Baylous, AC (a public accounting firm) since 1981. Chairman of the Board of Directors of the American Institute of Certified Public Accountants (AICPA) between 2000 and 2001. Current member of the AICPA Governing Council, Secretary of the West Virginia Higher Education Policy Commission. Member of the Board of Directors and Chairman of the Audit Committee of West Virginia United Health System, Inc. (WVUHS). Ms. Eddy brings over 30 years of financial accounting and consulting experience to our Board. Ms. Eddy has served as a certified public accountant for 33 years, providing accounting, auditing and tax services, and corporate financial consulting services in the areas of compensation and benefits, projections and forecasts for mergers and acquisitions and corporate planning purposes, for a wide range of clients. Her excellence in her field has been recognized through her past service as Chairman of the AICPA and her receipt of the AICPA gold medal for distinguished service. She continues to serve the AICPA as a member of the Risk Management and Internal Control Advisory Panel. This position provides her with insight into best practices related to Risk Management and Internal Controls. Ms. Eddy s leadership abilities have also been recognized through her appointment as Chairman of the West Virginia Jobs Investment Trust Board (the Trust Board), a position she held from 1993 to 1997. Ms. Eddy led the evaluation and commitment of loans and investments by the Trust Board in a variety of industries. Ms. Eddy has further demonstrated her leadership skills as Chairman of the Board of Directors of Camden Clark Memorial Hospital in Parkersburg, West Virginia from 1997 to 2000. During her tenure as Chairman, she led the development of the compensation evaluation process of the President and CEO, including the establishment of measurable corporate goals and objectives. Ms. Eddy continues to serve on Camden Clark s Board of Directors and on its Audit Committee. In 2011, Ms . Eddy was elected to the board of WVUHS, the largest health care system in West Virginia. Ms. Eddy also stays current on corporate governance issues by attending at least one corporate governance conference annually. Ms. Eddy s extensive accounting career, her long tenure as a member of the Company s Board and Audit Committee and previous service as Lead Director and a member of the Nominating Committee and, therefore, her knowledge of the Company, its finances and strategic direction, and her demonstrated leadership skills make her an integral part of our Board.	2004

Committee Membership: Audit.

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Name	Age	Position with the Company, Prior Business Experience and Qualifications, Attributes and Skills	Director of the Company Since
D. C. Everitt	60	Co-Leader of the Agriculture and Turf division of Deere & Company (the world s largest manufacturer of agricultural equipment and a major U.S. producer of construction, forestry, and lawn and grounds care equipment), the company s largest operating group, from 2009 until his retirement in September 2012, where he served as President North America, Asia, Australia, Sub-Saharan and South Africa and Global Tractor and Turf Products. Prior to that, he was appointed President, Agricultural Division North America, Australia, Asia and Global Tractor and Implement Sourcing in January 2006. In 2001, Mr. Everitt was appointed President, Agricultural Division Europe, Africa, South America and Global Harvesting Equipment Sourcing. Mr. Everitt is a director and member of the Executive Committee of Scott County YMCA. He is also a member of the Board of Directors of Gates Corporation, Brunswick Corporation and Agrium Inc.	2010
		Mr. Everitt s senior leadership roles across various Deere & Company entities, combined with his engineering experience and global expertise, will allow him to contribute his knowledge and experiences as an international business leader to our Board. Committee Memberships: Audit; Compensation.	
S. E. Graham	67	Chairman of Skanska AB (a leading provider of construction services) since April 2012. Previously, he was the Vice Chairman, a position he held since April 2011. Served as Chairman of Skanska USA from September 2008 until January 2010. From 2002 until his retirement in April 2008, Mr. Graham served as President and CEO of Skanska AB, one of the world s largest construction groups. From 1998 to 2002, Mr. Graham served as Executive Vice President and as a member of the Senior Executive Team of Skanska AB. Mr. Graham s career includes more than four decades of worldwide experience in the infrastructure and construction industry, including executive management responsibilities for Skanska s business units in the United States and United Kingdom, Hong Kong and Latin America. Mr. Graham has also served as Chairman of the Engineering and Construction Governors Council of the World Economic Forum and founded the Engineering and Construction Risk Institute. He is a member of the Board of Directors of Industrivarden AB, Skanska AB and PPL Corporation. Mr. Graham is Chairman of the Compensation and Project Review committees and a member of the Audit Committee of Skanska. He is a member of the Compensation and Nuclear Oversight committees of PPL. From 2006 to 2011, Mr. Graham was a member of the Board of Directors of Securitas AB.	2009
		Mr. Graham s extensive experience in the infrastructure and construction industries and his senior leadership roles across various Skanska entities enable Mr. Graham to be an effective Board member who demonstrates an in-depth understanding of our global business needs. He has lived and worked outside the United States for many years leading a large, multinational European construction group. This experience is an invaluable asset to the Board. Mr. Graham further contributes leadership and consensus-building skills as a member of our Audit and Nominating committees. His membership on other public company boards also enhances his contribution to the Board.	
		Committee Memberships: Audit; Nominating (Chairman).	

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Name	Age	Position with the Company, Prior Business Experience and Qualifications, Attributes and Skills	Director of the Company Since
T. D. Growcock	67	Retired Chairman of the Board of The Manitowoc Company (a worldwide provider of lifting equipment and foodservice equipment, and a North American mid-size shipbuilder). Served as Chairman of The Manitowoc Company from mid-2007 until December 2008. Previously served as Chairman and CEO of The Manitowoc Company from 2002 until mid-2007. Served as Manitowoc s President and CEO and as a member of its Board from 1998 to 2002. Served as President of Manitowoc Foodservice Group from 1995 to 1998. Served as Executive Vice President of Manitowoc Ice from 1994 to 1995. Served in numerous management and executive positions with Invensys plc (a global industrial automation, transportation and controls group), formerly known as Siebe plc, and United Technologies Corporation (a diversified provider of high technology products) prior to joining Manitowoc in 1994. He is a former Chairman of Wisconsin Manufacturers and Commerce, one of the state s leading business associations. Mr. Growcock is a director of Harris Corporation and Carlisle Companies, Inc.	2008
		Mr. Growcock has served as a member of several corporate governance panels, which helps inform his judgment as a member of our Nominating Committee. Mr. Growcock has also led and directed global industrial businesses, which contributed to the development of his judgment and risk assessment skills as a Board member. These skills allow him to contribute his experiences as an international business leader and his knowledge with regard to global procurement matters, economic value added, or EVA®, LeanSigma® and strategic planning, which initiatives currently contribute to the positioning of our business in 2013 and beyond. His membership on other public company boards also enhances his contribution to the Board.	
		Committee Memberships: Nominating; Compensation (Chairman).	
H. W. Knueppel	64	Non-Executive Chairman since September 10, 2012. Interim Chairman and CEO from February 23, 2012 to September 10, 2012. Served as Chairman between April 2006 and December 2011 and served as CEO between April 2005 and May 2011 of Regal Beloit Corporation (a multi-national organization serving the HVAC, industrial motor, power transmission and power generation markets). Served as President and Chief Operating Officer of Regal Beloit Corporation from April 2002 to December 2005. Served as Executive Vice President of Regal Beloit Corporation from 1987 to April 2002. Mr. Knueppel joined Regal Beloit Corporation in 1979. Mr. Knueppel has served as a director of Regal Beloit Corporation since 1987, Snap-On Incorporated since 2011 (where he serves on the Governance Committee) and Wisconsin Energy Corporation and Wisconsin Electric Power Company since 2013.	2008
		Mr. Knueppel s leadership roles with Regal Beloit have allowed him to bring to the Board his demonstrated management ability at senior levels. Mr. Knueppel s prior position as CEO of Regal Beloit has also led to his developing a critical level of insight into the operational requirements of a large, multinational company. Mr. Knueppel s service as a director of another public company brings additional value to the Board. His service as our Interim Chairman and CEO from February to September 2012 enhanced his knowledge of the Company s operations, personnel, finances and strategic direction, giving him additional insight that he shares with the Board.	
		Committee Membership: None.	

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Name	Age	Position with the Company, Prior Business Experience and Qualifications, Attributes and Skills	Director of the Company Since
J. M. Loree	54	President and Chief Operating Officer (COO) of Stanley Black & Decker (a diversified global provider of hand tools, power tools and related accessories, mechanical access solutions and electronic security solutions and engineered fastening systems) since January 2013. Previously, he was the Executive Vice President and COO, a position he held since the beginning of 2009, first with Stanley Works (a worldwide manufacturer and marketer of tools, hardware and specialty hardware products for home improvement, consumer, industrial and professional use) and subsequently since the merger of Stanley and Black & Decker, which was completed in March 2010. Before that, Mr. Loree served as Executive Vice President and CFO of Stanley, having joined the company in 1999 from General Electric (a diversified infrastructure, finance and media company) where he served for almost 20 years, including as Vice President for Finance and Strategic Planning within GE Capital (a global provider of an array of financial products and services). Mr. Loree brings an in-depth knowledge of the manufacturing and industrial services industries and a well developed understanding of the business issues and risks facing a global business in today s environment, as a result of his many years with Stanley Black & Decker and General Electric and his senior leadership roles within both companies. Mr. Loree s financial acumen is also of benefit to our Board. Committee Memberships: Audit (Chairman); Nominating.	2010
A. J. Sordoni, III	69	Chairman of Sordoni Construction Services, Inc. (a building construction and management services company) since 1978, and has been employed by that company since 1967. Director of Aqua America, Inc. Mr. Sordoni is an experienced, independent Director who has served as a director of public companies for more than 40 years and as a member of our Board for nearly 25 years. Mr. Sordoni s public company experience has included tenures in the banking, energy and utility fields, service which allows him to bring notable, multi-industry experience to the Board. Mr. Sordoni s experience in the construction industry makes him particularly suited to serve as a Director of the Company. Finally, Mr. Sordoni s prior service on numerous public and private boards gives him valuable knowledge and perspective, which enhances his contributions to the Board. Committee Memberships: Nominating; Compensation.	1988
R. C. Wilburn	69	Distinguished Service Professor at Carnegie Mellon University and Principal of The Wilburn Group (a management consulting firm) since 2009. Former President of The Gettysburg Foundation (a nonprofit educational institution) between 2000 and 2009. Former President and CEO of the Colonial Williamsburg Foundation (a historic preservation organization with resort facilities) between 1992 and 1999. Other former positions include President of Carnegie Institute and Carnegie Library, and Secretary of Budget and Administration and Secretary of Education for the Commonwealth of Pennsylvania. Mr. Wilburn served as President of Indiana University of Pennsylvania and has held several senior positions at Chase Manhattan Bank. He is a director of Erie Indemnity Company. Mr. Wilburn has served as a Trustee at St. Vincent	1986

College since 2001. He is also the director of the Gettysburg Foundation, director at the Education Policy and Leadership Center (EPLC) and a director at Fort Ligonier.

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Name	Age	Position with the Company, Prior Business Experience and Qualifications, Attributes and Skills	Director of the Company Since
		Mr. Wilburn is our longest-serving Board member, providing over 25 years of Board experience as well as extensive knowledge of our business. This, combined with his service on numerous public boards and chairmanship of two audit committees, three compensation committees and two nominating committees over his illustrious career, provide Mr. Wilburn with well-rounded, Board-level leadership capabilities that would be difficult to duplicate. Mr. Wilburn s leadership skills and business experience have enabled him to be a particularly effective Board member who has been able to strongly contribute to the Board. Mr. Wilburn also has extensive government experience at both the state and national level and has led a distinguished career in finance and education.	
		Committee Memberships: Nominating; Compensation.	

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NON-EMPLOYEE DIRECTOR COMPENSATION

The general policy of our Board is that compensation for non-employee Directors should be comprised of a mix of cash and equity. Our Nominating Committee annually reviews market data regarding comparable director compensation programs. This data is prepared by management utilizing several broad board compensation studies completed within one year of the Nominating Committee s review.

Annual compensation for non-employee Directors for 2012 consisted of the following components:

Annual Retainer:	$50,000
Non-Executive Chairman Fee (Annual):	$40,000(1)
Lead Director Fee (Annual):	$20,000(2)
Audit Committee Chair Fee (Annual):	$12,250
Management Development and Compensation Committee Chair Fee (Annual):	$10,000
Nominating and Corporate Governance Committee Chair Fee (Annual):	$ 7,500
Board Meeting Fee (Per Meeting):	$ 1,500
Committee Meeting Fee (Per Meeting):	$ 1,500
Other Meetings and Duties (Per Day):	$ 1,500
Telephonic Board Meeting Fee (Per Meeting):	$ 1,500
Telephonic Committee Meeting Fee (Per Meeting):	$ 750
Restricted Stock Units:	Restricted stock units equal to a dollar value of $90,000 annually, issued at a grant price equal to the average of the high and low market price on the date of grant.
Plan Participation:	Deferred Compensation Plan for Non-Employee Directors

(1) The position of Non-Executive Chairman was created in September 2012. Henry W. Knueppel was paid the prorated amount of $10,000 for his service as Non-Executive Chairman during 2012.

(2) The position of Lead Director was eliminated in September 2012. Kathy G. Eddy was paid the prorated amount of $13,750 for her service as Lead Director during 2012.

In addition to the above listed compensation, Directors are reimbursed for reasonable travel expenses related to attendance at Board or committee meetings.

Our Board has instituted a stockholding requirement for Board members equal to five times their annual retainer. Board members have three years from the date they join the Board to comply with this requirement. Vested and unvested restricted stock units, which must be held until termination of service, as well as phantom shares acquired through deferral of Director fees (as described below), are included for purposes of determining compliance with Director stockholding requirements. At December 31, 2012, all of our non-employee Directors who had served for at least three years were in compliance with Director stockholding requirements.

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Restricted stock units are granted under the 1995 Non-Employee Directors Stock Plan (the Director Plan). Each restricted stock unit vests at the close of business on the earlier of (i) the first anniversary of the grant date or (ii) the annual meeting of stockholders in the year immediately following the year of grant, subject to accelerated vesting in full if service as a Director terminates due to death, disability or under a mandatory retirement policy, and subject to pro rata vesting in the event of termination of service in other circumstances. Each restricted stock unit will be settled by issuance of a share of our common stock upon termination of the individual s service as a Director. Dividend equivalents on the restricted stock units are not credited prior to vesting, but are credited thereafter.

The Deferred Compensation Plan for Non-Employee Directors allows each non-employee Director to defer all or a portion of his or her Director compensation until some future date selected by the Director. Pursuant to the Director s election, the accumulated deferred compensation is held in either an interest-bearing account or a Company phantom share account. The interest-bearing deferred account accumulates notional interest on the account balance at a rate equal to the five-year United States Treasury Note yield rate in effect from time to time. Contributions to the phantom share account are recorded as notional shares of the Company s common stock. Deferred amounts are credited to the Director s account quarterly on the 15th of February, May, August and November. The number of phantom shares recorded is equal to the number of shares of common stock that the deferred compensation would have purchased at the market price of the stock on the day the account is credited. Dividend equivalents are earned on the phantom shares and are credited to the account as additional phantom shares. All phantom shares are non-voting and payments out of the account are made solely in cash, based upon the market price of the common stock on the date of payment selected by the Director. Under certain circumstances, the accounts may be paid out early upon termination of directorship following a change in control.

Directors who are actively employed by us receive no additional compensation for serving as Directors, and we do not pay consulting or professional service fees to Directors.

2012 Director Compensation

The table below details the compensation earned by our non-employee Directors for 2012 (except for Mr. Knueppel, who served for part of 2012 as Interim Chairman and CEO; Mr. Knueppel s named executive officer and Director compensation is reported in the 2012 Summary Compensation Table below):

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)	All Other Compensation ($)	Total ($)
James F. Earl	37,750	-0-	-0-	-0-	37,750
Kathy G. Eddy	105,750	86,084	-0-	-0-	191,834
David C. Everitt	86,000	86,084	-0-	-0-	172,084
Stuart E. Graham	93,500	86,084	-0-	-0-	179,584
Terry D. Growcock	105,000	86,084	-0-	-0-	191,084
James M. Loree	92,188	86,084	-0-	-0-	178,272
Andrew J. Sordoni, III	91,250	86,084	-0-	-0-	177,334
Robert C. Wilburn	94,250	86,084	-0-	-0-	180,334

(1) Includes fees associated with chairing a Board committee as well as fees relating to Board and committee meetings and other duties.

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(2) The amounts shown in this column represent the aggregate grant date fair value of the restricted stock units granted to each non-employee Director in 2012, computed in accordance with Financial Accounting Standards Board (FASB) ASC Topic 718. Each non-employee Director, except Mr. Earl and Mr. Knueppel, was granted 3,990 restricted stock units on May 1, 2012. Mr. Knueppel was granted 2,688 restricted stock units for his service as a non-employee Director during a portion of 2012 on December 4, 2012. The restricted stock units granted to non-employee Directors in 2012 are expected to vest on April 23, 2013 and are payable in common stock within 60 days following the termination of the non-employee Director s service as a Director. The information in this column does not reflect an estimate for forfeitures, and none of these awards has been forfeited as of March 1, 2013. See Note 13, Stock-Based Compensation to Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2012 for a discussion of the assumptions used to calculate share-based compensation expense under FASB ASC Topic 718.

As of December 31, 2012, non-employee Directors held the following restricted stock units, all of which were vested except for those granted in 2012: Mr. Earl, 0; Ms. Eddy, 19,626; Mr. Everitt, 6,593; Mr. Graham, 10,926; Mr. Growcock, 13,185; Mr. Knueppel, 9,624; Mr. Loree, 6,593; Mr. Sordoni, 20,834; and Mr. Wilburn, 20,834. As of December 31, 2012, Mr. Sordoni and Mr. Wilburn each held 4,000 stock options, all of which were fully vested and exercisable.

SHARE OWNERSHIP OF DIRECTORS, MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information with respect to the beneficial ownership of our outstanding voting securities, stock options and other stock equivalents by: (1) our CEO, our former CEO, our Interim CFO, our former CFO and the other four current and former executive officers named in the 2012 Summary Compensation Table, who we refer to collectively as our named executive officers; (2) each Director; (3) all current Directors and executive officers as a group; and (4) certain beneficial owners of more than 5% of our common stock. All of our outstanding voting securities are common stock.

Beneficial ownership information in the table is as of March 1, 2013, except the number of shares beneficially owned by beneficial owners of more than 5% of the common stock is as of the dates stated in footnotes (10) and (11) to the table (percentages are calculated assuming continued beneficial ownership at March 1, 2013).

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	Number of Shares Beneficially Owned(1)	Percent of Class	Number of Exercisable Options(2)	Number of Other Stock Equivalents(3)
Named Executive Officers				
P. K. Decker	-0-	*	-0-	5,985
B. E. Malamud	10,544	*	-0-	7,070(5)
G. J. Claro	22,704	*	-0-	12,002
S. H. Gerson	7,109	*	-0-	17,455(5)
M. E. Kimmel	33,458	*	-0-	10,402(5)
H. W. Knueppel	35,828	*	-0-	9,681(6)
S. D. Fazzolari(4)	106,721	*	-0-	-0-
S. J. Schnoor(4)	12,735	*	-0-	877(5)
Directors who are not Named Executive Officers				
J. F. Earl	-0-	*	-0-	-0-
K. G. Eddy	2,000	*	-0-	19,756(7)
D. C. Everitt	-0-	*	-0-	6,615(7)
S. E. Graham	5,000(8)	*	-0-	10,983(7)
T. D. Growcock	1,000	*	-0-	13,955(7)
J. M. Loree	-0-	*	-0-	6,615(7)
A. J. Sordoni, III	212,958(9)	*	4,000	20,974(7)
R. C. Wilburn	7,000	*	4,000	24,567(7)
All current Directors and executive officers as a group (16 persons in total, including those listed above)	350,433	*	8,000	170,426
More than 5% Beneficial Owners				
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355(10)	4,235,496	5.25%		
BlackRock, Inc. 40 East 52nd Street New York, NY 10022(11)	4,226,063	5.24%		

* Less than one percent.

(1) Includes, in the case of Messrs. Malamud, Kimmel, Gerson and all current Directors and executive officers as a group, 6,239 shares, 2,468 shares, 4,542 shares and 18,406 shares, respectively, pursuant to our qualified Retirement Savings and Investment Plan (RSIP), in respect of which such persons have shared voting power and sole investment power.

(2) Represents all stock options exercisable within 60 days of March 1, 2013. The stock options were awarded under our 1995 Executive Incentive Compensation Plan (the 1995 Plan), and the Director Plan. Unexercised stock options have no voting power.

(3) Stock equivalents include unvested restricted stock units.

(4) Mr. Fazzolari resigned as Chairman, President and CEO of the Company effective February 23, 2012. Mr. Schnoor resigned as Senior Vice President, Chief Financial Officer and Treasurer of the Company effective November 16, 2012, but remained an active employee of the Company through December 31, 2012.

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(5) Includes non-voting phantom shares held under the Supplemental Retirement Benefit Plan, which will ultimately be paid out in cash based upon the value of shares of common stock at the time of the payout, as well as non-voting phantom shares held in our Non-Qualified Retirement Savings and Investment Plan (NQ RSIP).

(6) Includes restricted stock units that were granted under the Director Plan in the period 2008 2012 as compensation for service as a non-employee Director.

(7) Certain Directors have elected to defer a portion of their directors fees in the form of credits for non-voting phantom shares under the terms of our Deferred Compensation Plan for Non-Employee Directors. These phantom shares are included. They will ultimately be paid out in cash based upon the value of the shares at the time of payout. Also includes restricted stock units that were granted under the Director Plan in the period 2004 2012.

(8) Mr. Graham holds his shares indirectly as trustee of a grantor retained annuity trust.

(9) Includes 42,600 shares as to which Mr. Sordoni shares voting and investment power with his spouse.

(10) The information for The Vanguard Group is derived from a Schedule 13G/A filing by such entity with the SEC in February 2013, reporting sole voting power over 58,867 shares, shared dispositive power over 55,467 shares and sole dispositive power over 4,180,029 shares at December 31, 2012.

(11) The information for BlackRock, Inc. is derived from a Schedule 13G filing by such entity with the SEC in January 2013, reporting sole voting power over 4,226,063 shares and sole dispositive power over 4,226,063 shares at December 31, 2012.

Except as otherwise stated, each individual or entity has sole voting and investment power over the shares set forth opposite his, her or its name. None of the Directors and executive officers individually beneficially owned 1% or more of our common stock, and our current Directors and executive officers as a group beneficially owned less than 1% of our outstanding common stock.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is composed of five Directors, each of whom is considered independent under the rules of the NYSE Euronext and the SEC. Mr. Knueppel served as Chairman of the Audit Committee until February 23, 2012, when he became Interim Chairman and CEO of the Company. The Board has determined that Kathy G. Eddy, a certified public accountant and former Chairman of the AICPA, who has been a member of the Audit Committee since September 28, 2004, qualifies as a financial expert as that term is defined under the rules promulgated by the SEC.

The Audit Committee operates pursuant to a written charter that complies with the guidelines established by the NYSE Euronext.

The Audit Committee is responsible for monitoring our financial reporting processes and system of internal controls, supervising our internal auditors and overseeing the independence and performance of the independent auditors. In carrying out these responsibilities, the Audit Committee meets with our internal auditors and our independent auditors to review the overall scope and plans for their respective audits of our financial statements. The Audit Committee also meets privately (and in separate meetings) with members of management, our independent auditors and our internal auditors following each Audit Committee meeting and as may otherwise be needed. The Audit Committee meets with management and with the independent auditors each quarter to review and discuss our Annual Report on Form 10-K and quarterly reports on Form 10-Q prior to their being filed with the SEC, and also meets with management and our independent auditors to review and discuss our quarterly earnings prior to their release.

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While the Audit Committee and the Board monitor our financial record keeping and controls, management is ultimately responsible for our financial reporting process, including our system of internal controls, disclosure control procedures and the preparation of the financial statements. The independent auditors support the financial reporting process by performing an audit of our financial statements and issuing a report thereon.

The Audit Committee has reviewed and discussed with management and the independent auditors the audited consolidated financial statements for the year ended December 31, 2012 and related periods. These discussions focused on the quality, not just the acceptability, of the accounting principles used by us, key accounting policies followed in the preparation of the financial statements and the reasonableness of significant judgments made by management in the preparation of the financial statements and alternatives that may be available.

In addition, the Audit Committee has discussed with the independent auditors the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1., AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, including the quality of our accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee has also received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the Audit Committee concerning independence, and has discussed with the independent auditors the independent auditors independence.

Based on the review and discussions referred to above, the Audit Committee s review of the representations of management and the report of the independent auditors, the Audit Committee recommended to the Board that the audited financial statements be included (and the Board approved such inclusion) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 for filing with the SEC.

SUBMITTED BY THE AUDIT COMMITTEE:

J. M. Loree, Chairman

J. F. Earl

K. G. Eddy

D. C. Everitt

S. E. Graham

FEES BILLED BY THE INDEPENDENT AUDITORS FOR AUDIT AND NON-AUDIT SERVICES

The following table sets forth the amount of audit fees, audit-related fees, tax fees and all other fees billed or expected to be billed by PricewaterhouseCoopers LLP, our principal auditor for the fiscal years ended December 31, 2012 and December 31, 2011.

	Amount 2012	**Amount 2011**
Audit Fees(1)	$ 4,800,884	$ 5,393,950(5)
Audit-Related Fees(2)	$ 87,809	$ 500,347(5)
Tax Fees(3)	$ 592,102	$ 1,762,554
All Other Fees(4)	$ 8,820	$ 14,848
Total Fees	**$ 5,489,615**	**$ 7,671,699(5)**

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(1) Includes fees related to the integrated audit of the consolidated financial statements and internal controls over financial reporting as well as statutory audits and quarterly reviews.

(2) Includes fees related to due diligence procedures, audits of employee benefit plans and accounting consultations.

(3) Includes fees related to income tax services other than those directly related to the audit of the income tax accrual, such as tax compliance and tax planning services. The aggregate fees for tax compliance services performed by PricewaterhouseCoopers LLP were $55,300 and $799,662 in 2012 and 2011, respectively.

(4) Includes fees related to trainings and surveys as well as licensing fees for software products.

(5) 2011 amounts represent decreases of $181,901 and $10,500 for audit and audit-related fees, respectively, reflecting reallocations of amounts previously included for 2011 that were attributable to years prior to 2011, partially offset by the inclusion of amounts attributable to 2011 that had not been identified as of the date of the proxy statement for the 2012 Annual Meeting of Stockholders.

The Audit Committee has considered the possible effect of non-audit services on the auditors independence and pre-approved the type of non-audit services that were rendered. The Audit Committee has adopted a policy authorizing the pre-approval of certain audit, non-audit and tax services (and related fees) to be provided by the independent auditors. The services to be provided are to be reviewed with the Audit Committee and approval is given for a specific dollar amount and for a period of not greater than 12 months. Services that are not pre-approved in this manner must be pre-approved on a case-by-case basis throughout the year. Additionally, if the pre-approved fee is exceeded, the Audit Committee must be advised of such overruns. In making its decision regarding the approval of services, the Audit Committee will consider whether such services are consistent with the SEC s rules on auditor independence, whether the independent auditor is best positioned to provide such services and whether the services might enhance the Company s ability to manage or control risk or improve audit quality. No services were provided during the last two fiscal years pursuant to the de minimis safe harbor exception from the pre-approval requirements.

All of the fees included in the table above were pre-approved by the Audit Committee.

PROPOSAL 2: APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has appointed PricewaterhouseCoopers LLP as independent auditors to audit our financial statements for the fiscal year ending December 31, 2013. Although not required to do so, the Board has determined to submit the Audit Committee s appointment of PricewaterhouseCoopers LLP as our independent auditors to stockholders for ratification as a matter of good corporate governance. In the absence of contrary direction from stockholders, all proxies that are submitted will be voted in favor of the ratification of the Audit Committee s appointment of PricewaterhouseCoopers LLP as our independent auditors.

If this proposal is not ratified by at least a majority of the shares of our outstanding common stock present in person or by proxy and entitled to vote on matters at the Annual Meeting, the appointment of the independent auditors will be reevaluated by the Audit Committee. Due to the difficulty and expense of making any substitution of auditors, it is unlikely that their appointment for the audit of the financial statements for the fiscal year ending December 31, 2013 would be changed. However, the Audit Committee may review whether to seek new independent auditors for the fiscal year ending December 31, 2014.

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A representative of PricewaterhouseCoopers LLP will attend the Annual Meeting, with the opportunity to make a statement and answer questions of stockholders.

The Board recommends that stockholders vote FOR the ratification of the Audit Committee s appointment of PricewaterhouseCoopers LLP as the Company s independent auditors for the fiscal year ending December 31, 2013.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis (CD&A) provides information regarding our executive compensation philosophy, the elements of our executive compensation program and the factors that were considered in making compensation decisions for our named executive officers (NEOs) in 2012. Our Compensation Committee was responsible for establishing the 2012 executive compensation program, including the program s underlying philosophy and related policies.

The following five executive officers were serving in key positions with the Company at the end of 2012 and are considered NEOs for purposes of this proxy statement:

- Patrick K. Decker, our President and CEO;
- Barry E. Malamud, our Vice President, Corporate Controller and Interim Chief Financial Officer (CFO);
- Galdino J. Claro, our Executive Vice President and Group CEO of Harsco Metals & Minerals;
- Mark E. Kimmel, our Senior Vice President and President of Harsco Infrastructure; and
- Scott H. Gerson, our Vice President and Group President of Harsco Industrial.

In addition, due to executive officer transitions during 2012, three of our former executive officers are also considered NEOs for purposes of this proxy statement:

- Henry W. Knueppel, our Non-Executive Chairman of the Board, who served for just over six months as our Interim Chairman and CEO;
- Salvatore D. Fazzolari, our former Chairman, President and CEO; and
- Stephen J. Schnoor, our former Senior Vice President, CFO and Treasurer.

2012 Executive Officer Transitions

As noted above, we experienced several executive officer transitions during 2012. On February 23, 2012, Mr. Fazzolari resigned his position as Chairman, President and CEO and as a director of the Company. Mr. Knueppel, one of our directors, agreed to serve as Interim Chairman and CEO during our transition to a new CEO and served in this position until September 10, 2012, on which date Mr. Decker commenced serving as our President and CEO, and Mr. Knueppel transitioned to a new role as Non-Executive Chairman of the Board. Mr. Decker was elected to our Board of Directors on October 29, 2012. On May 22, 2012, Mr. Ivor J. Harrington resigned his position as Executive Vice President and Group CEO of Harsco Infrastructure and was succeeded by Mr. Kimmel, our then-Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary and current Senior

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Vice President and President of Harsco Infrastructure. On November 16, 2012, Mr. Schnoor resigned his position as Senior Vice President, CFO and Treasurer and was succeeded in the role of CFO on an interim basis by Mr. Malamud. Mr. Schnoor remained an employee of the Company until December 31, 2012, pursuant to the terms of his separation agreement.

As a result of these transitions, our CD&A and the related compensation tables and narratives cover eight NEOs for 2012 and analyze a variety of compensation decisions and actions, some of which were made specifically in reaction to these transition events. Not all of the NEOs participated in or received all of the compensation elements described in this CD&A. For example, Mr. Knueppel received a focused interim CEO compensation package for his limited service to us during the year, and did not participate in some of the programs in which our other NEOs participated. In addition, Mr. Fazzolari did not participate in many of the programs described below due to his departure in early 2012, and Mr. Decker is participating in compensation programs resulting specifically from the pay package he negotiated when he joined us in late Summer 2012. When discussing each compensation element in this CD&A, we will explain the degree to which each NEO participated in or was eligible for the standard program. In general, any compensation decisions that our Compensation Committee makes for our executive officers for 2013 are expected to affect only Messrs. Decker, Malamud, Claro, Kimmel and Gerson, among our current NEOs, as well as any new executive officers added as NEOs during 2013.

Executive Summary

2012 Financial and Operational Performance

We provide industrial services and engineered products to global industries that are fundamental to worldwide economic growth and infrastructure development. Our operations fall into four reportable segments: (1) Harsco Metals & Minerals; (2) Harsco Infrastructure; (3) Harsco Rail; and (4) Harsco Industrial. We have locations in approximately 50 countries, including the United States, and we were incorporated over 55 years ago.

Although we entered 2012 with cautious optimism, we continued to face economic challenges during the year. Our dedicated team adjusted to these economic realities and refocused our path as the year progressed in order to maximize our financial and operational performance. We believe that responsible actions were taken in the area of executive leadership and compensation to reflect these difficult conditions and to further tie compensation to the improvement of free cash flow and overall financial performance. As we look ahead to 2013, we intend to continue our focus on cost management, operating efficiency and disciplined capital allocation, towards attractive growth and to further strengthen our performance.

The compensation decisions and actions discussed in this CD&A are aligned with our financial and operational performance during 2012, the key takeaways from which are:

- Revenues for the Company totaled $3.0 billion and $3.3 billion for 2012 and 2011, respectively. As expected, the Company generated lower revenues for 2012 due to several actions taken to increase long-term returns and invest capital more effectively. These actions included exiting underperforming contracts in the Harsco Metals & Minerals Segment and ceasing operations in certain countries in the Harsco Infrastructure Segment, which together accounted for $129 million of the year-over-year revenue decline. 2012 revenues also reflected decreased global steel production, which affected our Harsco Metals & Minerals Segment, and decreased volumes in our Harsco Infrastructure Segment that were partially offset by increased demand for products in our Harsco Rail and Harsco Industrial Segments. Foreign currency translation decreased revenues by $123 million for 2012 in comparison with last year;

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The operating results for 2012 include a $265 million non-cash goodwill impairment charge for the Harsco Infrastructure Segment as a result of the Company s annual goodwill impairment testing. While the Infrastructure business is demonstrating improved operating performance in the face of a prolonged market downturn, particularly in Europe, it was determined that a goodwill impairment charge was required at this time. Including this charge, there was an operating loss from continuing operations for 2012 of $175 million compared with operating income from continuing operations of $88 million for 2011. 2012 operating results reflect the continued realization of cost savings from our 2011-2012 restructuring efforts and prior cost savings initiatives, as well as improved natural gas and industrial grating markets. Foreign currency translation decreased operating income by $10.3 million for 2012 in comparison with last year;

Including the non-cash goodwill impairment charge noted above of $3.29 per share, the 2012 loss per share from continuing operations was $3.15. Excluding the non-cash goodwill impairment charge, 2012 earnings per share would have been $0.14, compared with a loss per share of $0.12 for 2011. This improvement was primarily driven by the continued realization of cost savings from our 2011-2012 restructuring efforts and prior cost savings initiatives, as well as improved natural gas and industrial grating markets, as noted above;

Our Harsco Metals & Minerals Segment results reflect lower global steel production and demand. Results for 2012 also reflect the impact of our decision to exit underperforming contracts, as well as start-up costs for new contracts that are expected to generate improved operating margins in future periods. These impacts were partially offset by overall cost reductions from our 2011-2012 restructuring efforts;

In addition to the goodwill impairment charge noted above, our Harsco Infrastructure Segment s results were negatively impacted by lower service volumes and the overall softness in commercial construction markets. These impacts were partially offset by the realization of expected cost savings resulting from restructuring initiatives implemented in 2010 and 2011-2012, as well as exiting unprofitable countries. As part of exiting certain unprofitable countries, this segment recognized non-cash cumulative currency translation adjustment gains of $11 million in 2012;

Our Harsco Rail Segment had operating income for 2012 that was lower than 2011 principally due to a pre-tax reduction of estimated costs of approximately $8 million that occurred in 2011 related to the first phase of our large equipment order from the Ministry of Railways of China. Operating income was positively impacted in 2012 by the volume and timing of equipment orders; and

Our Harsco Industrial Segment experienced increased market demand with gains in market share principally in the energy-related markets, and increased demand for industrial grating.

While overall 2012 results were generally in line with our expectations, the decline in global steel production impacting the Metals & Minerals Segment and the prolonged downturn in the European markets in our Harsco Infrastructure Segment did not allow us to achieve our targeted improvements.

Despite continued uncertainties throughout several major global economies, particularly in non-residential construction markets in the United Kingdom and certain Western European countries, as well as lower global steel production, we believe we are

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well-positioned to capitalize on opportunities in the short to long term based on our solid balance sheet and difficult decisions made that put us on more pragmatic footing.

Key 2012 Compensation Decisions and Actions

Overview of Incentive Compensation Results (Pay-For-Performance)

In 2012, we once again linked payouts for incentive awards to our actual performance, which is consistent with our pay-for-performance philosophy. Although our corporate-level 2012 financial results were not to the level we expected in our business plans, the financial results for certain of our business units did meet or exceed target levels. As a result, our NEOs received a wide range of payouts under our annual incentive compensation program from 63% below target to 30% above target representing results that were both below and above 2011 payouts depending upon the particular NEO.

- **Annual Incentive Plan Awards**: Based on the Economic Value Added (EVA®) performance metrics achieved under our 2012 cash-based incentive compensation program (which we refer to as the Annual Incentive Plan or AIP), Messrs. Decker, Schnoor and Malamud earned payouts for Company-level achievement of 62% of their target awards, while Messrs. Claro, Kimmel and Gerson earned payouts of 37%, 94% and 130%, respectively, of their target awards for both Company-level and business unit-level achievement, weighted equally. Mr. Knueppel did not participate in the 2012 AIP due to his status as a director and Mr. Fazzolari did not participate in the 2012 AIP due to his departure from the Company.

- **Payout of Long-Term Incentive Awards in 2012**: At the end of 2012, the three-year cycle relating to the incentive award granted in 2010 ended. Based on the EVA performance metrics achieved, no payout of the performance-based portion of the award (representing 50% of the total award opportunity) was made to Messrs. Schnoor, Malamud, Kimmel, Claro and Gerson. Each of these officers vested in the time-based portion of the award (representing the other 50% of the total award opportunity), as further described and analyzed below. Messrs. Decker and Knueppel did not receive a long-term incentive award in 2010, as neither was employed as an executive officer at the time of grant. Mr. Fazzolari forfeited his 2010 award opportunity as a result of his departure from the Company, and in lieu thereof received a cash severance payment equal to the value of a pro-rata payout of the time-based portion of such award.

- **Grant of Long-Term Incentive Awards in 2012**: In March 2012, the Compensation Committee granted long-term incentive awards to Messrs. Malamud, Kimmel, Claro, Gerson and Schnoor, with approximately 70% of the total award value granted in the form of stock-settled stock appreciation rights (SARs) and the remaining total award value granted in the form of restricted stock units (RSUs). The SARs vest in annual 20% increments, and the RSUs vest in full after three years. Mr. Knueppel did not receive a 2012 long-term incentive award due to his status as a director and Mr. Fazzolari did not receive a 2012 long-term incentive award due to his departure from the Company. Mr. Schnoor forfeited his 2012 long-term incentive award opportunity due to his departure from the Company, and Mr. Decker received a pro-rated award when he joined us.

Overview of Other 2012 Compensation Decisions and Actions

In 2012, the non-incentive based elements of our NEOs compensation either did not increase or increased moderately to reflect unique circumstances. More specifically:

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Base Salary: At the beginning of 2012, NEO base salaries were frozen at 2011 levels (however, total salary received by most of our NEOs in 2012 exceeded their received salaries in 2011 given the timing of prior increases). Certain limited exceptions were made during 2012 to reflect evolving roles and responsibilities for our NEOs, as noted below:

- Effective January 2, 2012, Mr. Malamud received a 9% base salary increase to $240,000 per year, representing the second half of a phased-in base salary increase awarded to him in connection with his promotion to the position of Corporate Controller in June 2011. Effective November 19, 2012, Mr. Malamud received an additional 15% base salary increase to $276,000 per year based on the increased responsibilities in his assignment as Interim CFO;

- Mr. Knueppel received a base salary of $75,000 per month when he assumed the duties of our Interim Chairman and CEO; and

- Mr. Decker received a base salary of $825,000 per year when he joined us in September 2012.

Discretionary Award: Separate and apart from the amount earned under the 2012 AIP, a discretionary bonus of $96,462 was awarded to Mr. Decker by the Compensation Committee in February 2013, which discretionary bonus was paid in March 2013. The Compensation Committee determined the value of this discretionary bonus by equating it in value to 38% of Mr. Decker s target award opportunity under the 2012 AIP. This discretionary amount was paid in recognition of certain bonus amounts that Mr. Decker forfeited when departing his previous employer as well as the limited amount of time he had to influence Company-level decisions and actions during 2012 regarding our relative achievement of Company performance goals during the year. The Compensation Committee s goal with the payment was that Mr. Decker receive for 2012, total short-term cash compensation equal to his base salary plus 100% of his pro-rated target annual incentive opportunity for 2012.

All Other Compensation (as reported in the 2012 Summary Compensation Table): Except as follows, All Other Compensation received by our NEOs was modest in absolute level. In particular:

- Mr. Decker received relocation benefits in connection with beginning service as our President and CEO in September 2012; and

- Messrs. Fazzolari and Schnoor received separation packages in connection with their departures from the Company.

New CEO Pay Package: In addition to Mr. Decker s base salary described above, he was granted participation in the 2012 AIP (on a pro rata basis) and is eligible to receive future AIP awards. He also received a pro rata 2012 long-term incentive award based on a target value equal to 200% of his base salary. Mr. Decker received four weeks of annual paid vacation, eligibility for our standard health and welfare benefits, and relocation benefits and payments under our relocation policy. Finally, Mr. Decker entered into our standard form of change in control severance agreement, as further described below. The Compensation Committee also awarded Mr. Decker a discretionary bonus of $96,462 in February 2013 as described above and further below.

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Change in Pension Value and Nonqualified Deferred Compensation Earnings (as reported in the 2012 Summary Compensation Table): Our executive pension plan is fully frozen. Accordingly, amounts reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the 2012 Summary Compensation Table reflect changes in the present value of the pensions for each of Messrs. Malamud, Kimmel, Gerson, Fazzolari and Schnoor rather than increases in compensation or additional service credits.

Special One-Time Equity Awards: Mr. Malamud received a grant of 5,000 RSUs in November 2012 in light of his assumption of additional duties and responsibilities as Interim CFO, and Mr. Gerson received a grant of 15,000 RSUs in January 2012 as a retention incentive.

Interim CEO Pay Package: In addition to Mr. Knueppel s base salary described above, his pay package for service as our Interim Chairman and CEO primarily consisted of two quarterly awards of approximately $400,000 each in unrestricted Company shares as well as an initial pro-rated share award with a value equal to $145,044 (granted in March 2012). These awards were designed to compensate Mr. Knueppel in lieu of participation in our 2012 AIP and 2012 long-term incentive plan award programs. The other benefits to which Mr. Knueppel was entitled under his pay package are described below.

Executive Compensation Program Policies and Practices

Continuing Policies

Significant performance-based awards: Our compensation programs focus on good corporate governance and pay-for-performance, and incentivize as well as reward management for achievement of our annual performance goals, which are specifically designed to reinforce the creation and enhancement of stockholder value. The programs utilize short-and long-term compensation arrangements, a majority of which are payable only if certain financial and individual business objectives are achieved and/or our stock price appreciates. At target performance levels, these performance-based arrangements represented 53% of Mr. Decker s total compensation and, on average, 46% of total compensation for our other NEOs who remained employed by us as of December 31, 2012. See our disclosure regarding compensation mix below for further information.

Emphasis on stockholder value: Our compensation programs emphasize stockholder value. One hundred percent (100%) of long-term incentive award annual value delivery for the NEOs is in the form of equity vehicles, the ultimate value of which to our NEOs is tied directly to our stock price performance.

Stock ownership guidelines: Our NEOs are subject to robust stock ownership guidelines, which further align the interests of our NEOs with our stockholders and encourage our NEOs to manage from an owner s perspective.

Market median compensation for target-level performance: The Compensation Committee establishes target levels of all elements of total direct compensation, earnable for target-level performance, with reference to market medians. While individual compensation levels vary from median levels based on an NEO s experience, potential to impact Company results and other factors (discussed below), the average target total direct compensation of our NEOs serving at December 31, 2012 was determined by the Compensation Committee to be 10% below market median levels.

Appropriate Compensation Committee discretion: The Compensation Committee exercises discretion in taking compensation actions when necessary as a result of extraordinary changes in the economy, unusual events or significant changes in overall Company performance. This discretion was evident most notably during 2012 following Mr. Fazzolari s departure, both with the Compensation Committee s redesign of the 2012 AIP and 2012 long-term incentive awards and with the new compensation packages provided for Messrs. Knueppel and Decker upon their assumption of principal executive officer duties.

Avoidance of tax gross-ups: The severance agreements with our NEOs, as applicable, do not provide for Internal Revenue Code Section 280G tax gross-ups, and we generally do not provide our NEOs with tax gross-ups for other compensation elements. (See our discussion below regarding Mr. Knueppel s interim CEO pay package for more information.)

Independent consultants: The Compensation Committee engaged an outside, independent executive compensation consultant, Pearl Meyer & Partners (or PM&P), to advise and counsel on key compensation decisions and actions during 2012.

Actions Taken to Further Improve Our Executive Compensation Program; Impact on Say on Pay Advisory Voting

We conducted our second advisory vote on NEO compensation in April 2012 and received approximately 74% approval for our NEO compensation program. This result demonstrated increased stockholder support for our NEO compensation program from 2011, when our initial advisory vote on NEO compensation received approximately 69% approval. Some of the significant actions taken by the Compensation Committee in 2011 and 2012 to ensure our executive compensation programs foster good governance, appropriately reflect our pay-for-performance philosophy, focus on the long term and align NEO interests with those of stockholders include:

Base salaries: Except in the limited case of our officer transitions, as described above, the NEOs base salaries were frozen through all of 2012;

Short-term incentive awards: In support of aligning pay with overall Company performance, the Compensation Committee increased the impact that Company-wide EVA performance has on our NEOs who lead our business units. Under the 2012 AIP, Messrs. Claro, Kimmel and Gerson s award opportunities were based 50% on Company-wide EVA performance and 50% on the EVA performance of the business unit for which each such NEO was directly responsible. In contrast, under our 2011 AIP structure, business unit leaders award opportunities were based 20% on Company-wide EVA performance and 80% on the EVA performance of the business units for which the NEO was directly responsible;

Long-term incentive awards: Our long-term incentive awards for the three-year cycle beginning in 2011 contained both time-based and performance-based vesting requirements, with performance metrics based on free cash flow and relative total stockholder return. In 2012, the Compensation Committee modified our awards program to further increase the performance-based component of long-term incentive awards, such that roughly 70% of the 2012 long-term incentive awards are comprised of SARs (which have no value to our NEOs unless our stock price increases), with the remaining 30% comprised of time-based RSUs. The Compensation Committee determined that this structure helps maintain the linkage between long-term incentives, performance, executive retention and the creation of long-term stockholder value;

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CEO compensation: Prior to Mr. Decker joining the Company, the Compensation Committee undertook a comprehensive review of his pay package to ensure that it would be well aligned with the market (based on data provided by PM&P and Towers Watson) and embrace best practices. Mr. Knueppel s pay package was also determined by the Compensation Committee following its review of research provided by PM&P, as described further below;

Stockholder outreach: We have engaged in ongoing correspondence and direct interaction with our largest institutional stockholders, with the goal of communicating improvements to and soliciting constructive feedback regarding our executive compensation practices;

Clawback policy: We adopted, on a voluntary basis and in advance of final Dodd-Frank Act clawback rules, a clawback policy that applies to our incentive compensation;

Double-trigger change in control provisions: Each of the change in control severance agreements that we maintain with our NEOs provide for double-trigger payments or benefits, which means that a qualifying termination of employment within a specified period of time after a change in control is required before payments and benefits are received;

Insider trading policy changes and features: We adopted, on a voluntary basis and in advance of final Dodd-Frank Act hedging rules, changes to our insider trading policy to prohibit our directors, officers and employees from engaging in hedging or monetization transactions involving our securities, such as prepaid variable forward contracts, equity swaps, collars or exchange funds. In addition, our insider trading policy prohibits our directors, officers and employees from pledging Company securities, except in cases where an individual wishes to pledge securities as collateral for a loan and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities;

Repricing/reloads: We adopted changes to our current equity compensation plan on a voluntary basis to prohibit both the repricing of underwater stock options and SARs (without stockholder approval) and reload options. We note that we are seeking stockholder approval of a new 2013 Equity and Incentive Compensation Plan at the 2013 Annual Meeting, and that such plan contains similar prohibitions; and

Specific performance goals: We will continue our practice of providing robust disclosure about our programs in this and upcoming proxy statements to demonstrate strong linkages between our incentive pay programs and performance.

Pay for Performance: Aligning CEO Compensation with Total Stockholder Return (TSR)

This CD&A and the tables and narratives that follow disclose CEO compensation in compliance with required SEC reporting rules. However, such compensation disclosures may obscure the degree to which pay and performance were linked in any given year. In assessing our pay programs and making compensation determinations, it is important to note that the Compensation Committee evaluates the pay for performance link by assessing the relationship of pay that would be earned especially equity award values actually generated to our business performance for the corresponding year or period. The Compensation Committee believes that this view of realizable pay more precisely demonstrates the link between pay and performance than relying on pay numbers generated, for example, by accounting values established upfront for equity awards or yearly increases in potential pension amounts largely driven by changes in interest rates.

The following chart demonstrates the link between realizable pay and TSR with respect to both Mr. Fazzolari s non-severance compensation and Messrs. Knueppel and Decker s compensation over the last three years:

Although our relative TSR results for the 2009-2011 and 2010-2012 performance periods lagged that of most of our Peer Group companies (see Impact of the Consideration of Market Data section for Peer Group details), Messrs. Fazzolari, Knueppel and Decker s aggregate realizable compensation over those same periods also lagged that of the Peer Group s CEOs and was aligned with our TSR results. While the Compensation Committee s compensation decisions are intended to motivate our CEO and our other NEOs to achieve meaningful results with respect to our key metrics and goals and drive long-term stockholder value, this alignment of pay and performance demonstrates that when our executives have been unable to deliver target results, their realizable pay has tracked that performance, resulting in actual compensation well below both their potential pay opportunities and market medians.

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Core Compensation Philosophy and Objectives

The major objectives of our NEO compensation program and the ways in which these objectives are achieved remained consistent from 2011 to 2012, and are described in the following table:

Compensation Objective	How Objective is Achieved
Rewarding NEOs for sustained financial performance	AIP awards are based on achievement of EVA performance metrics, to closely align pay with performance;
	Approximately 70% of the long-term incentive plan (LTIP) award program is comprised of SARs, which are inherently performance-based equity awards whose ultimate value is determined solely by stock price performance; and
	A larger portion of the NEOs total compensation is based on performance as they assume increasingly senior responsibilities within the Company.
Aligning the interests of NEOs with the interests of stockholders	The Compensation Committee increased the impact that Company-wide EVA performance has on the compensation opportunity for our NEOs who lead business units;
	New LTIP for 2012 focuses on time-based equity awards, the ultimate value of which to our NEOs is tied directly to our stock price performance over the vesting period, with approximately 30% of the total award value denominated in RSUs with three-year cliff vesting and approximately 70% of the total award value denominated in SARs with five-year ratable vesting; and
	Stock ownership requirements are in place for all NEOs at levels ranging from a minimum of two times salary to a maximum of five times salary (for our CEO), with most NEOs subject to a requirement of three times salary, and with increases tied to seniority of position.

Compensation Objective	How Objective is Achieved
Attracting and retaining highly motivated and talented NEOs	During 2012, we focused more intently on retention considerations to help us attract and maintain a strong executive team during our significant executive officer transitions; All compensation elements are referenced to market median compensation levels based on general industry Survey Data and Peer Group data (subject to variance based on an NEO s experience, potential to impact Company results and other factors); Pay-for-performance emphasis attracts NEOs that are innovative and willing to risk a larger share of their compensation on their respective business unit s performance and our overall Company performance; and LTIP grants have multi-year, time-based vesting elements and provide for general forfeiture of unvested awards if an NEO departs.

Determining 2012 Named Executive Officer Compensation

General Process

Executive compensation decisions at the Company are the product of several factors, in each case subject to modification by the Compensation Committee as it may deem necessary in its reasonable discretion, and also depend on whether the decisions are made in the normal pay setting cycle or under special circumstances (such as for a newly appointed or hired executive). For 2012, the predominant factors influencing pay determinations for our NEOs who were serving as officers at the beginning of the year included:

- key financial measurements consisting of EVA, revenues and earnings;
- strategic initiatives such as business restructurings and implementation of lean process improvements;
- achievement of specific operational goals relating to the sphere of influence led by the applicable NEO; and
- compensation reflected in Survey Data and Peer Group data.

While the pay packages for Messrs. Knueppel and Decker were prepared outside of our typical annual pay setting process, the decisions impacting those packages were primarily based on the Compensation Committee s review of Survey Data and Peer Group data, as further described below.

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Role of Compensation Committee. For 2012, all members of the Compensation Committee were independent directors, enabling them to be objective representatives of our stockholders. The Compensation Committee oversaw the design and development of our 2012 NEO compensation program and determined CEO compensation consistent with the overall objectives of the program, as described above, plus special consideration of our executive officer transitions during 2012. The Compensation Committee also approved all incentive compensation plans and approved or revised recommendations made by the CEO for compensation decisions affecting the other NEOs.

Role of CEO. Our former, interim and new CEOs, assisted by our Human Resources department, were responsible for the implementation and administration of the NEO compensation program throughout the organization during 2012. Prior to and during early 2012, Mr. Fazzolari met with the Compensation Committee and compensation consultants to consider and recommend the overall structure for our NEO compensation programs, to set and evaluate 2012 AIP metrics, and to make specific recommendations regarding the form and amount of compensation opportunities for the other NEOs. During 2012, Mr. Knueppel met periodically with the Compensation Committee and compensation consultants to consider and recommend changes to our NEO compensation programs (especially in the light of Mr. Fazzolari s departure), to set and evaluate revised 2012 AIP metrics, and to make specific recommendations regarding the form and amount of any changes to the compensation opportunities for the other NEOs. Mr. Decker also met with the Compensation Committee to review the structure of our compensation programs and to begin to evaluate the performance of the other NEOs who were still employed by us as officers at the end of 2012. The ultimate decisions regarding NEO compensation were, however, made by the Compensation Committee.

Role of Compensation Consultants

Independent Compensation Committee Consultant

For 2012, our Compensation Committee again engaged an outside, independent executive compensation consultant, PM&P, to advise and counsel the Compensation Committee. PM&P was engaged by the Compensation Committee because of its broad expertise in many executive compensation areas and for its fit with the overall philosophy and makeup of the Compensation Committee. The Compensation Committee also conducted its annual evaluation of PM&P and assessed its service to be of excellent quality and support. In 2012, in addition to providing the Compensation Committee with an overview of executive compensation trends and regulatory developments, PM&P reviewed draft materials for the Company s 2012 proxy disclosure and conducted various proxy compensation, peer group, realizable pay and severance analyses. PM&P also helped the Compensation Committee develop the specific separation arrangements for Messrs. Fazzolari and Schnoor, the interim CEO compensation package for Mr. Knueppel and the new CEO pay package for Mr. Decker. PM&P provided no services to the Company other than those provided directly to or on behalf of the Compensation Committee.

At the Compensation Committee s direction, during 2012, management provided all Compensation Committee materials to PM&P and discussed such materials and any recommendations relating thereto with the consultant in advance of each Compensation Committee meeting. PM&P considered and discussed the information with the Compensation Committee chairperson, specifically identifying any issues or concerns. The

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Compensation Committee considered PM&P s input as part of its decision-making processes. PM&P attended five Compensation Committee meetings in 2012, either in person or via teleconference.

Management Consultants

Our Human Resources department retained Buck Consultants during 2012 to provide long-term incentive planning services because of its broad level of expertise and its expansive knowledge of relevant market data in that area. Buck Consultants attended one telephonic Compensation Committee meeting in 2012 regarding the redesign of our 2012 LTIP award program. Our Human Resources department also used various survey data compiled by Towers Watson to provide information to the Compensation Committee as part of its decision-making processes. Towers Watson did not meet with the Compensation Committee in 2012.

EVA Consultant

Stern Stewart & Co. (Stern Stewart) was again selected and engaged by management in 2012 to provide assistance in developing both annual and long-term EVA goals because of its expertise in working with economic value-added programs. From a compensation standpoint, the information provided by Stern Stewart was utilized as part of our 2012 AIP program design. Stern Stewart attended one Board meeting in 2012.

Non-Compensation Related Services

In 2012, Towers Watson again provided pension plan-related and other similar advice to our Human Resources and Finance groups as well as measurement support for various casualty exposures. The decision to engage Towers Watson for these non-compensation related services was made by management.

No Compensation Consultant Conflicts of Interest

The Compensation Committee has considered and assessed all relevant factors, including but not limited to those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Securities Exchange Act of 1934, that could give rise to a potential conflict of interest with respect to any of the compensation consultants described above. Based on this review, we are not aware of any conflict of interest that has been raised by the work performed by Towers Watson, PM&P, Buck Consultants or Stern Stewart.

Impact of Market Data

Based on our compensation philosophy, we sought to establish pay levels for each of our NEOs at or near the 50th percentile of market levels for executives in similar positions. We compete against companies in many industries for executive talent. Because we believe that our most direct competitors for executive talent are not necessarily limited to the companies that would be included in our Peer Group (explained below), for 2012 we used general industry national survey data of companies that are of a similar size to us based on revenue to establish market pay levels (we refer to this as Survey Data) and reviewed compensation programs and compensation levels of the 14 publicly-traded companies that the Compensation Committee and management agreed were peer companies (we refer to this group as our Peer Group) to provide an equally-weighted perspective on pay competitiveness. The Survey Data was gathered from Towers Watson and the Peer Group data was prepared by PM&P.

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The Survey Data and the Peer Group data were the primary sources of information used by the Compensation Committee to establish the pay packages for Messrs. Knueppel and Decker (for our other NEOs, this data was considered in connection with the other factors listed above in the description of our general pay-setting process). After reviewing the Survey Data and the Peer Group data, the Compensation Committee targeted both the interim CEO s and the new CEO s pay level at the lower range of competitive CEO market data in recognition of the interim nature of the position (in Mr. Knueppel s case) and new assumption of a CEO-level position (in Mr. Decker s case). In addition, the method chosen to deliver Mr. Knueppel s pay (a monthly salary and quarterly stock awards) was designed to provide maximum flexibility for the duration of Mr. Knueppel s tenure in the interim assignment and to reinforce that his responsibility was to focus on key organizational and turnaround issues rather than to achieve short-term financial goals.

Survey Data and Peer Group Data

In determining 2012 NEO compensation, the Compensation Committee reviewed benchmarking data prepared by PM&P. Specifically, NEO compensation was benchmarked against data from the Peer Group, which as indicated above consisted of a group of 14 publicly-traded companies that the Compensation Committee and management agreed were similarly situated to the Company in terms of type of business, annual revenue and revenue from outside the United States (in other words, their multinational status). As we are a diversified industrial services company, no other company perfectly matches our profile. Companies included in the Peer Group were companies that had one or more business aspects that corresponded with one or more of the following aspects of our business: Metals & Minerals, Infrastructure, Rail and Industrial. For the Peer Group, median revenues for 2011 (2011 data was utilized to determine 2012 NEO compensation) were approximately $4.1 billion (as compared to the Company s 2011 revenues of approximately $3.3 billion) and median market capitalization as of December 31, 2011 was approximately $2.7 billion (as compared to the Company s 2011 market capitalization of approximately $1.7 billion).

Performance and compensation data for the Peer Group was tracked by PM&P and provided to the Compensation Committee as part of the 2012 executive compensation review process. In addition to competitive pay levels, the Compensation Committee also considered Peer Group data when determining its compensation practices.

The 14 Peer Group companies used during the 2012 executive compensation review process were:

AMETEK Inc.	Kennametal Inc.
Commercial Metals Company	The Manitowoc Company Inc.
Cooper Industries, Ltd.	Minerals Technologies Inc.
Dover Corporation	Sauer-Danfoss Inc.
EMCOR Group, Inc.	SPX Corp.
Flowserve Corporation	Teleflex Incorporated
Jacobs Engineering Group Inc.	United Rentals, Inc.

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The Compensation Committee also used Towers Watson annual Survey Data as an equally-weighted component in its NEO compensation decisions for 2012. The Survey Data utilized a broad, industry-wide benchmarking database of approximately 435 companies, and is a standard product offering of Towers Watson (rather than any sort of survey gathering project specifically requested by the Company). In completing its analysis for each of our NEOs, our Human Resources department began by screening the Towers Watson database for compensation data related to positions with duties and responsibilities similar to those of our NEOs. This data was then subjected to a regression analysis, which helped define the relationship between revenue and an executive s compensation. The regression analysis was then used to calculate a compensation level for each NEO consistent with our total revenues. The compensation data subjected to this regression analysis, and not the identity of the individual companies participating in the survey, was the material factor influencing the ultimate decisions made by the Compensation Committee with respect to our 2012 NEO compensation program.

For 2012, the Compensation Committee set each NEO s total direct annual compensation with reference to the median range for comparable positions in the Survey Data and in our Peer Group, and sought to drive Company financial performance consistent with that in the upper quartile of our Peer Group. The Compensation Committee structured our overall NEO compensation program so that outstanding performance as measured against our compensation plans metrics and associated goals would generate total direct annual compensation at or above the median range, while achievement below compensation plan metrics and goals would generate total direct annual compensation below the median range, all in support of our pay-for-performance philosophy.

The Compensation Committee had discretion to establish or set a component of any NEO s pay or total direct annual compensation above or below the market median range to acknowledge the experience and value the individual brings to the role, sustained high-level performance and/or demonstrated success in meeting key financial and other business objectives. The differences in compensation levels among our NEOs are attributable both to the differences in the median range of compensation for similar positions in the Survey Data and our Peer Group data and the Compensation Committee s assessment of each NEO s internal value.

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In mid-2012, the Compensation Committee conducted a review of the current Peer Group and determined that certain revisions were appropriate to ensure the Peer Group continued to include companies that were similarly situated to the Company in terms of type of business, annual revenue and multinational status. As a result of this review, the Compensation Committee, PM&P and management established a new group of 18 publicly-traded companies that will serve as peer companies beginning in 2013 (this new peer group was not used for any 2012 compensation decisions). Companies included in the new peer group continue to have one or more business aspects that correspond with one or more of the following aspects of our business: Metals & Minerals, Infrastructure, Rail and Industrial. Also, for the new peer group, median revenues for 2012 were approximately $3.6 billion (as compared to the Company s 2012 revenues of approximately $3.0 billion) and median market capitalization as of December 31, 2012 was approximately $3.5 billion (as compared to the Company s approximately $1.9 billion). The 18 new peer group companies, which will be discussed more in our proxy statement for the 2014 Annual Meeting, are:

AMETEK Inc.	The Manitowoc Company Inc.
Briggs & Stratton Corp.	Meritor Inc.
Chicago Bridge & Iron Co. NV	Pentair Inc.
Crane Co.	Sauer-Danfoss Inc.
Flowserve Corp.	Snap-On Incorporated
Foster Wheeler AG	SPX Corp.
Gardner Denver Inc.	United Rentals Inc.
ITT Corp	Valmont Industries Inc.
Kennametal Inc.	Xylem Inc.

Initial Benchmarking

In reviewing salaries, target total-cash compensation and target total direct compensation for 2012, the Compensation Committee initially targeted each NEO s compensation opportunity at the 50th percentile of the Survey Data. The Compensation Committee believes that NEOs should not be compensated at either the high or low end of compensation as compared to the market, but rather should receive a reasonable level of compensation based on both the Company s overall performance and their individual performance when target performance levels are achieved. The Compensation Committee then sets final compensation amounts either above or below the initial benchmarks, taking specifically into account:

- differences in the scope of responsibilities held by the NEOs;
- performance (specifically the effect of what the Compensation Committee viewed as exceptional performance) of duties during an NEO s tenure with us;
- market requirements; and
- length of service with us in specific positions.

While past performance is considered by the Compensation Committee in setting current year compensation opportunities, the effect of performance is much more significant in determining the level at which those compensation opportunities are earned and paid out. Our program provides each NEO an opportunity to earn a competitive level of compensation

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each year if we achieve our pre-established objectives, with an opportunity to earn greater amounts by helping us exceed those targets or lesser amounts when performance falls short of targets. The Compensation Committee believes that we will be impaired in our ability to recruit and retain quality executives if compensation opportunities are not set at levels that reasonably reflect market medians, and therefore the extent to which we reduce compensation opportunities based on below-target performance in a past year is limited. Rather, our total compensation opportunities are designed to reduce the actual compensation earned and paid out if performance in a given year or over a multi-year period falls below target levels.

Impact of NEO Individual Performance on 2012 Compensation

As described above, in determining NEO compensation for 2012, the Compensation Committee considered both our overall corporate performance and the individual performance of each of the NEOs during the course of the year, as evaluated by the Compensation Committee in the case of Mr. Decker, and by Mr. Decker and the Compensation Committee in the case of our other NEOs who were still serving as officers at the end of 2012. The Compensation Committee also considered the performance of our divisions in the case of the NEOs who lead such divisions.

In general, the Compensation Committee has discretion to reduce payouts or compensation levels for individuals who underperform, and discretion is used to reduce, but not increase, final awards for the NEOs under the AIP and other incentive programs if and when the Compensation Committee deems appropriate. The Compensation Committee has discretion to either increase or decrease non-incentive compensation elements based on individual NEO performance or other factors. For example, separate and apart from the amount earned under the 2012 AIP, a discretionary bonus of $96,462 was awarded to Mr. Decker by the Compensation Committee in February 2013, which discretionary bonus was paid in March 2013. The Compensation Committee determined the value of this discretionary bonus by equating it in value to 38% of Mr. Decker s target award opportunity under the 2012 AIP. This discretionary amount was paid in recognition of certain bonus amounts that Mr. Decker forfeited when departing his previous employer as well as the limited amount of time he had to influence Company-level decisions and actions during 2012 regarding our relative achievement of Company performance goals during the year. The Compensation Committee s goal with the payment was that Mr. Decker receive for 2012, total short-term cash compensation equal to his base salary plus 100% of his pro-rated target annual incentive opportunity for 2012.

For 2012, the Compensation Committee specifically considered the following individual performance and other quantifiable and non-quantifiable factors (including financial performance factors involving particular divisions within an NEO s area of responsibility) when making compensation decisions for the following NEOs other than Mr. Decker (in the case of compensation decisions in early 2012, these factors reflected performance in 2011 and earlier years):

- *For Mr. Malamud:* Overall guidance for as well as interim leadership of the finance function;

- *For Mr. Claro:* EVA improvement; overall growth in revenues and earnings for Harsco Metals & Minerals; reorganization of certain operations and methods of doing business within Harsco Metals & Minerals; and management succession and development for Harsco Metals & Minerals;

For Mr. Kimmel: Management of the legal function; development of proactive legal strategies as well as sound risk mitigation for the many and varied actions taken by the Company; leadership of the Company s mergers and acquisitions efforts; and leadership of Harsco Infrastructure (as of June 5, 2012);

For Mr. Gerson: EVA improvement; overall growth in revenues and earnings for Harsco Industrial; reorganization of certain operations and methods of doing business within Harsco Industrial; focus on innovation; and management succession and development for Harsco Industrial; and

For Mr. Schnoor: Improvement in overall Company financial performance, including growth in revenues and earnings and EVA improvement.

As a result of these considerations, based on the Survey Data and Peer Group data, we determined that, with respect to our NEOs continuing to serve as our officers as of December 31, 2012:

their 2012 salaries ranged from 40% below to 53% above market median levels for comparable positions, with an average of 2% above market median levels;

their target 2012 AIP award opportunities ranged from 64% below to 48% above market median levels for comparable positions, with an average of 10% below market median levels;

their 2012 LTIP award opportunities ranged from 75% below to 32% above market median levels for comparable positions, with an average of 14% below market median levels;

their target total cash compensation for 2012 ranged from 50% below to 51% above market median levels for comparable positions, with an average of 3% below market median levels; and

their target total direct compensation for 2012 (excluding all special one-time grants) ranged from 63% below to 41% above market median levels for comparable positions, with an average of 10% below market median levels.

Elements of 2012 Named Executive Officer Compensation Program

The elements of our 2012 NEO compensation program are described in the following table:

Component	Description
Base Salary	Fixed annual cash amount based on competitive salary data
Annual Incentive (AIP Awards)	Variable annual cash payment based on the achievement of independently pre-established EVA goals, both at a Company and business unit level (as applicable)

Component	Description
Discretionary Award	A discretionary amount awarded to Mr. Decker to recognize certain bonus amounts that Mr. Decker forfeited when departing his previous employer as well as the limited amount of time he had to influence Company-level decisions and actions during 2012 regarding our relative achievement of Company performance goals during the year
Long-Term Incentive (LTIP Awards)	Time-based incentive awards provided with approximately 30% of the total award value denominated in RSUs (three-year cliff vesting) and approximately 70% of the total award value denominated in SARs (five-year ratable vesting)
Perquisites and Personal Benefits	Limited non-cash compensation designed to attract and retain NEOs and provide a competitive compensation package
Retirement Benefits	Defined contribution plans and pension plan benefits similar in form to benefits available to our other employees
Post-Employment Payments	Contingent in nature and payable only if an NEO s employment is terminated as specified under the terms of various plans and arrangements

Compensation Mix

In 2012, as reflected in the following charts, the Compensation Committee awarded a significant amount of each NEO s total direct pay opportunity in the form of:

Long-term compensation (2012 LTIP awards); and

Performance-based compensation (2012 AIP awards and 2012 time-based SARs).

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The charts above include 2012 base salary, as disclosed in the 2012 Summary Compensation Table, as well as 2012 target AIP award opportunity and 2012 LTIP awards reflected at their grant date fair value, as disclosed in the 2012 Grants of Plan-Based Awards Table. The Average Other NEOs Target Total Direct Compensation Mix chart includes data for those NEOs (other than the CEO) serving at December 31, 2012, including Mr. Schnoor, who resigned as an officer of the Company on November 16, 2012, but who remained an employee of the Company until and terminated services on December 31, 2012.

Analysis of 2012 Executive Compensation Decisions and Actions

2012 Base Salaries

Considering the continuing overall economic challenges in our business climate, and without regard to any comparison to the Survey Data or Peer Group data, the Compensation Committee chose to freeze the base salaries of our NEOs who started 2012 as our employees at the following 2011 year-end levels: Mr. Fazzolari, $915,000; Mr. Claro, $675,000; Mr. Schnoor, $450,000; Mr. Kimmel, $445,000; and Mr. Gerson, $265,000. Mr. Malamud s base salary was increased by $20,000 (or 9%) to $240,000 per year as part of a phased-in increase awarded to him in connection with his promotion to the position of Corporate Controller in June 2011. Mr. Malamud s base salary was ultimately increased by an additional $36,000 (or 15%) to $276,000 per year shortly after his assumption of duties as Interim CFO in November 2012, based on his increased responsibilities in that assignment.

Executive officer transitions resulted in several other base salary changes during 2012. When Mr. Knueppel assumed the duties of our Interim Chairman and CEO in February 2012, his base salary was established at $75,000 per month. Prior to that time, Mr. Knueppel did not receive a salary. When Mr. Decker joined us in September 2012 as our President and CEO, his annual base salary was established at $825,000. As described above under Impact of Market Data, the Compensation Committee primarily relied on its review of the Survey Data and the Peer Group data to establish the pay packages for Messrs. Knueppel and Decker.

2012 AIP Awards

Introduction

Prior to 2012, EVA had been the sole performance metric underlying the AIP. As previously disclosed, for 2012 the Compensation Committee initially adopted a structure that supplemented the use of EVA with other performance metrics as a guide for determining final NEO payouts under the 2012 AIP. Under this modified structure, an overall financial goal of 2012 positive cash flow provided by operations was established as a payment gate for funding of the AIP. If the overall financial goal was achieved, then the 2012 AIP would fund based on overall Company and business unit year-over-year improvement in EVA performance. Final payouts were to be determined based on four measurement components, including the Company s overall year-over-year improvement in EVA performance, key operational performance indicators (such as expense and cost savings and reduced liability claims costs), key financial performance indicators (such as operating margin and operating income targets), and key individual performance indicators, subject in all cases to the negative discretion of the Compensation Committee.

After the departure of our former CEO, Mr. Fazzolari, in February 2012, our interim CEO, Mr. Knueppel, determined with the Compensation Committee that, in a time of transition, a return to EVA as the sole performance metric for the AIP was the more prudent structure for 2012. In March 2012, the Compensation Committee approved this revised structure for the 2012 AIP so that it operated substantially as described in prior years, with EVA at the overall Company and business unit levels as the applicable performance metrics. AIP award opportunities for 2012 were communicated to the NEOs under this revised structure consistent with prior years.

Setting 2012 AIP Award Opportunities

The 2012 AIP award payouts for NEOs were based on a formula that multiplied each NEO s annual base salary by a predetermined bonus percentage, and then multiplied this resulting amount by the percentage of target performance achieved in 2012. For purposes of the formula, the dollar amount calculated as annual base salary times the bonus percentage represents the NEO s target annual incentive opportunity. This annual incentive opportunity was established by the Compensation Committee based on the NEO s level of responsibilities and his ability to impact our overall results.

As discussed above, the Compensation Committee established improvement in EVA as the applicable performance metric underlying the 2012 AIP. The target levels of performance required which would correspond to a 100% payout of the target AIP opportunity represented aggressive goals established based on EVA improvement targets calculated by our outside consultant, Stern Stewart. Achievement of less than 100% of the pre-established EVA improvement target would result in a limited payout or no payout under the 2012 AIP, while achievement exceeding the EVA improvement target would result in a payout of up to 200% of the target AIP opportunity. The 2012 performance goals for Mr. Decker, Mr. Kimmel (prior to June 5, 2012), Mr. Schnoor and Mr. Malamud were based 100% on Company-wide EVA performance, while the 2012 performance goals for Mr. Claro, Mr. Kimmel (after June 5, 2012) and Mr. Gerson were based 50% on Company-wide EVA performance and 50% on the EVA performance of the business units for which they were directly responsible. Mr. Knueppel did not participate in the 2012 AIP due to his status as a director and Mr. Fazzolari did not participate in the 2012 AIP due to his departure from the Company.

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Approximately 1% and 200% of target were set as the threshold and maximum payout levels for the 2012 AIP based on recommendations by Stern Stewart, and our desire to keep incentive payments within a particular range. We set the EVA performance goals with the intent that there would be roughly a 20% probability that either an award of approximately 1% or 200% would be achieved. The Compensation Committee was also given discretion to reduce (but not increase) the final payout amounts for the NEOs.

The threshold, target and maximum 2012 AIP opportunities (as a percent of base salary) established for the NEOs were as follows:

Named Executive Officer	Threshold	Target	Maximum
Mr. Decker	1%	100%	200%
Mr. Claro	0.70%	70%	140%
Mr. Kimmel	0.65%	65%	130%
Mr. Malamud	0.45%	45%	90%
Mr. Gerson	0.45%	45%	90%
Mr. Schnoor	0.70%	70%	140%
Mr. Fazzolari	N/A	N/A	N/A
Mr. Knueppel	N/A	N/A	N/A

For the period from 2007 to 2012, we used EVA improvement as the sole financial performance metric underlying our annual incentive awards. The table below shows actual EVA performance since 2007 on an overall Company basis. While performance has lagged since the global financial crisis began in 2008, payouts for officers have been in line with that performance, as was the design of the AIP consistent with our pay for performance philosophy:

Calendar Year	EVA Performance	Annual Bonus Payout for Corporate-Level Officers
2007	193%	193% of Target
2008	19%	19% of Target
2009	0%	0% of Target
2010	15%	15% of Target
2011	84%	84% of Target
2012	62%	62% of Target

Actual annual incentive award payouts to the NEOs are detailed in the 2012 Summary Compensation Table.

2012 AIP Performance Metrics, Goals and Actual Results

EVA is a measure of after-tax profit that takes into account the cost of capital used by management to achieve that profit, and thus serves as a useful guide for determining the extent to which management has effectively used the capital invested by stockholders to generate profit for the Company. To calculate EVA, we start with net operating profit after tax (which is similar to operating earnings less taxes) and subtract a charge for capital employed in the particular business. The charge for capital is the amount of capital used by the business multiplied by our cost of capital.

Our annual incentive EVA goals are set as a level of improvement in EVA compared with a base EVA level. EVA improvement is a measure related to the future growth prospects

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of the Company, which growth prospects are already reflected in the Company s current market value. EVA improvement at a given level represents the amount that EVA must improve each year in order for our current operations value to increase in line with the expected growth reflected in our market value. We set EVA improvement goals at levels that give an incentive to management to make effective use of our capital to add to profitability, which should increase the value of our current operations and, correspondingly, the market value of the Company, thereby enhancing returns to stockholders.

The 2012 EVA improvement targets were developed using calculations provided by Stern Stewart and approved by the Compensation Committee based on the principles outlined above. Threshold and maximum EVA improvement goals were established as equal amounts (each referred to as an EVA interval) below and above the EVA improvement targets.

For 2012, the Company-wide EVA improvement target (in other words, the amount that would result in a target annual incentive payout under the 2012 AIP) was set at $12,533,000, and the EVA interval for the Company as a whole was set at $42,000,000.

An example of how the EVA improvement goals (company-level) correspond to threshold, target and maximum 2012 AIP payouts is provided below:

Degree of Company-Wide EVA Improvement	2012 AIP Award Payout
Negative $29.467 million or below (below threshold)	0%
Greater than negative $29.467 million but less than $12.533 million	Interpolated payout between 0% and 100% of target payout amount
$12.533 million (target)	100% target payout amount
Greater than $12.533 million but less than $54.533 million	Interpolated payout between 100% and 200% of target payout amount
$54.533 million or above (maximum)	200% of target payout amount

The table below sets forth the EVA improvement targets and intervals established for the 2012 AIP, EVA improvement levels achieved in 2012 and the resulting payouts under the 2012 AIP:

	2012 EVA Improvement Target	2012 EVA Interval	2012 Results EVA Improvement Achieved	2012 Results Incentive % Achieved	Basis for Determining AIP Payout to NEOs	2012 AIP Payout to NEOs (% of Target)
Total Company (Messrs. Decker, Malamud and Schnoor; Mr. Kimmel prior to June 5)	$ 12,533,000	$ 42,000,000	($ 3,502,000)	62%	100% Company	62%
Metals & Minerals (Mr. Claro)	$ 4,813,000	$ 28,000,000	($ 19,784,000)	12%	50% Company / 50% Business Unit	37%
Infrastructure (Mr. Kimmel after June 5)	$ 7,008,000	$ 34,700,000	$ 31,925,000	172%	50% Company / 50% Business Unit	94%

Industrial (Mr. Gerson)	$ 358,000	$ 8,000,000	$ 8,160,000	198%	50% Company / 50% Business Unit	130%

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Discretionary Award

In February 2013, the Compensation Committee exercised its discretion to award Mr. Decker a bonus payment equal to $96,462, which discretionary bonus was paid in March 2013. The Compensation Committee determined the value of this discretionary bonus by equating it in value to 38% of Mr. Decker s target award opportunity under the 2012 AIP. This discretionary amount was paid in recognition of certain bonus amounts that Mr. Decker forfeited when departing his previous employer as well as the limited amount of time he had to influence Company-level decisions and actions during 2012 regarding our relative achievement of Company performance goals during the year. The Compensation Committee s goal with the payment was that Mr. Decker receive for 2012, total short-term cash compensation equal to his base salary plus 100% of his pro-rated target annual incentive opportunity for 2012.

Long-Term Incentive Awards

LTIP Awards A Key Component of Our Named Executive Officer Compensation Program

LTIP awards remained a key part of our NEO compensation program in 2012. Our primary purpose in granting LTIP awards is to drive outstanding stockholder returns, to closely align the interests of management with the interests of stockholders, and to motivate key executives to remain with us over a long-term period. With respect to retention specifically, the Compensation Committee believes that, when structured correctly, LTIP awards play a critical role in encouraging talented NEOs to remain in service to the Company rather than seek positions elsewhere. In addition, the Compensation Committee recently examined the structure of pay at competitors and concluded that the Company s failure to include a significant service-based component within its long-term incentive program differed from market practice and may put the Company at a competitive disadvantage in terms of maintaining key executive talent. As a result, over the last few years the Compensation Committee has made certain revisions to the Company s long-term incentive award program to ensure that LTIP awards are structured to not only reward NEOs for creating stockholder value over a multi-year period (which we typically refer to as an award cycle), but also to provide NEOs with an opportunity to earn cash or shares based on service during the award cycle.

We believe that the modified structure of our long-term incentive award program, as embodied by the 2012 LTIP awards described below, ensures an appropriate balance between performance-based and service-based pay and helps us achieve our goals by:

- Rewarding the NEOs for the creation of sustained stockholder value, with compensation varying in line with performance;
- Encouraging ownership of our stock by management, including via our stock ownership guidelines;
- Fostering teamwork; and
- Providing us with a means to retain and motivate high-caliber executives.

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Award Opportunities and Compensation Realized

For the LTIP award cycle beginning in 2012, the Compensation Committee and the Board established the grant level for each NEO as a percentage of that NEO s actual salary. As discussed above at page 41, the Compensation Committee and the Board set target values for the 2012 LTIP awards with the intent that each NEO s total direct compensation ***opportunity*** fall within a reasonable range of the market median for the NEO s position.

The distinction between compensation ***opportunity*** and compensation ***realized*** is crucial to an understanding of our LTIP compensation program. In order for us to be able to hire highly capable executives and retain them in long-term service, we must offer them an ***opportunity*** each year to earn compensation that is comparable to the compensation of other executives with similar skills and similar responsibilities. We provide this opportunity, but do so with what we consider to be inherently performance-based awards (the SARs portion of the LTIP awards) that will enable the executive to ***realize*** the compensation only to the degree that the Company s performance, namely stock price performance, is strong. Accordingly, whether our program aligns executive pay with performance should not be judged by looking at the performance achieved in a particular year and concluding that pay ***opportunities*** should have been reduced, but should be judged by looking at the compensation actually ***earned*** by our NEOs and whether it was in line with the results achieved over the performance period.

Our LTIP award payouts in the past five years have closely tracked our performance. From 2008 on, our performance has not met our expectations, a reflection of the lingering effects of the world-wide financial crisis and continuing turmoil in key end markets for our products and services in our two largest business segments. Payouts for LTIP awards in this period have corresponded closely to that performance.

Our historical use of cumulative EVA improvement as a performance goal for our LTIP awards proved to be unusually challenging and significantly impacted our ability to utilize the LTIP awards as a retention device. With goals set at the beginning of an award cycle, weak EVA performance in any one year (particularly in an early year) was shown to be difficult to reverse. For example, for the 2010 2011 award cycle, below-target performance results in 2010 combined with a much stronger performance result in 2011 ultimately resulted in only a 7% payout for the two-year cycle. Due to the extreme turbulence experienced across the world s economies during 2008 and 2009, as well as continued weakness in some of the key end markets for our products and services, our performance during those years was negatively impacted and the performance goals underlying the LTIP awards in effect during the period were substantially not achieved. As a result, we made no payouts to our NEOs for the 2007 2009 award cycle, 2008 2010 award cycle and 2009 2011 award cycle, and paid out the 2010 2011 award cycle at only 7% of target.

Based on this recent experience, and intending to achieve a better balance between performance-based and service-based pay in the overall design of the LTIP awards (and thereby strengthen the retention effect of such awards), over the last few years the Compensation Committee has made certain revisions to the LTIP awards granted to our executive officers. For the 2010 2012 award cycle, the LTIP awards granted to executive officers included a service-based element, with 50% of the award granted in the form of performance-based RSUs (with the underlying performance goal continuing to be cumulative EVA improvement) and the other 50% granted in the form of time-based RSUs. As described above, using cumulative EVA improvement as a performance metric for a long-term incentive award has some inherent disadvantages. With that in mind, the LTIP awards granted to

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executive officers for the 2011 2013 award cycle were again granted in the form of 50% performance-based RSUs and 50% time-based RSUs, but the performance goal underlying the performance-based portion of the awards was changed from cumulative EVA improvement to a combination of free cash flow and TSR, as described in more detail below.

In 2012, the Compensation Committee continued its ongoing review of the effectiveness of recent LTIP awards in meeting our overall compensation goals. As a result of its review, the Compensation Committee determined to place greater emphasis on the performance-based component of the LTIP awards for 2012. Accordingly, rather than granting one RSU award subject in equal parts to time-based and performance-based vesting conditions, in March 2012, the Compensation Committee granted Messrs. Malamud, Kimmel, Claro, Gerson and Schnoor a combination of performance-based SAR awards and time-based RSU awards, with SARs comprising approximately 70% of the overall grant and RSUs comprising just 30% of the grant. The Compensation Committee and its compensation advisers view SARs as inherently performance-based awards because their value is directly tied to the performance of our stock price, thus ensuring that NEOs are incentivized to achieve sustained stock price increases. Accordingly, we believe SARs are an appropriate replacement for the performance-based RSUs granted under prior years long-term incentive awards.

Due to abbreviated periods of Company service, Messrs. Knueppel and Fazzolari did not receive LTIP awards in 2012, and Mr. Decker received a pro-rated award when he joined us in September. Mr. Schnoor forfeited his 2012 LTIP award opportunity in connection with his departure from the Company.

Previously-Granted LTIP Cycles

2010 2012 Award Cycle. As indicated above, for the 2010 2012 award cycle, the performance goal underlying the performance-based portion of the LTIP award (50% of the award) was cumulative EVA improvement, with threshold and target performance levels established based on recommendations from Stern Stewart. Compensation earnable under this LTIP award was denominated in cash and payable in shares, except that an NEO whose share ownership met Company guidelines would receive a cash payout for the performance-based portion of the award.

The threshold and target performance levels for cumulative EVA improvement and the actual results achieved over the 2010 2012 award cycle were as follows:

	(in millions)		**Results Achieved**	
Performance Goal	**Threshold (0% Payout)**	**Target (100% Payout)**	**Performance**	**Payout**
Cumulative EVA Improvement 2010 2012	$ (324.9)	$ (171.9)	$ (338.1)	0%

Based on the EVA performance metrics achieved, no payout of the performance-based portion of the 2010 2012 long-term incentive award was made to Messrs. Schnoor, Malamud, Kimmel, Claro and Gerson. Each of these officers vested in the time-based portion of the 2010 2012 long-term incentive award (representing the other 50% of the total award opportunity). Messrs. Decker and Knueppel did not receive a long-term incentive award in 2010, as neither was employed as an executive officer at the time of grant. Mr. Fazzolari forfeited his 2010 2012 award opportunity as a result of his departure from the Company, and in lieu thereof received a cash severance payment equal to the value of a pro-rata payout of the time-based portion of such award.

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2011 2013 Award Cycle. For the 2011 2013 award cycle, the performance goal underlying the performance-based portion of the LTIP award (50% of the award) is based one-half on free cash flow and one-half on the Company s TSR as compared to the TSR of companies in the S&P MidCap 400 index, provided that no payouts will be made for the performance-based portion of the award if generally accepted accounting principles-based earnings per share (GAAP EPS) over the award cycle is not positive. If positive GAAP EPS is achieved, the Compensation Committee will then assess performance based on the principal performance goals, but will retain discretion to approve payouts that may be lower than the precise payout level corresponding to the free cash flow and relative TSR performance achieved. Compensation earnable under this LTIP award is denominated in cash and payable in shares, except that an NEO whose share ownership meets Company guidelines will receive a cash payout for the performance-based portion of the award. The time-based portion of the 2011 2013 LTIP award (50% of the award) is not subject to the GAAP EPS threshold and will be paid out in shares provided the NEO remains employed by us at the end of the award cycle.

For purposes of the 2011 2013 award cycle, free cash flow is defined as cash from operations less capital expenditures, adding back proceeds from the sale of assets and a strategic partner s portion of capital expenditures related to major strategic venture investments. TSR reflects annualized stock price growth over a three-year period (with beginning and end points based on the average closing price over the first and last 10 trading days of the period, respectively) with dividends reinvested monthly. Relative TSR is based on the Company s three-year TSR percentile performance relative to each company s three-year TSR performance within the S&P MidCap 400 Index. For example, if the Company s TSR is better than the TSR of 59.9% of those other companies over the award cycle, it will be at the 60th percentile, representing an above-target performance.

The threshold, target and maximum performance levels for free cash flow and relative TSR performance and the interim results achieved to date are as follows:

Performance Goal	Threshold (0% Payout)	Target (100% Payout)	Maximum (150% Payout)	Interim Results Achieved Through 2012(1)
Free cash flow 2011 2013	$400 million	$600 million	$800 million	$26 million
Relative TSR 2011 2013	25th percentile	50th percentile	75th percentile	below 25th percentile

(1) This shows the free cash flow through two years of the award cycle, as well as the Company s relative TSR positioning versus the companies in the S&P MidCap 400 index for 2011.

Messrs. Fazzolari and Schnoor forfeited their 2011 2013 LTIP award opportunities as a result of their departures from the Company, but each received a cash severance payment equal to the value of a pro-rata payout of the time-based portion of such award.

2012 LTIP Awards

For the 2012 LTIP awards, as described above, the Compensation Committee established target award levels with the intent that each NEO s total direct compensation opportunity fall within a reasonable range of the market median for the NEO s position. Approximately 30% of the total value of each NEO s 2012 LTIP award was provided in the

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form of RSUs that cliff vest after three years, with the remaining 70% of the total award value provided in the form of stock-settled SARs that vest ratably over five years, resulting in the following LTIP awards for the NEOs:

Named Executive Officer	RSUs	SARs
Mr. Decker*	5,985	43,058
Mr. Claro	12,002	86,343
Mr. Kimmel	7,385	53,128
Mr. Malamud	1,963	14,122
Mr. Gerson	2,168	15,593
Mr. Schnoor**	8,802	63,319
Mr. Fazzolari	N/A	N/A
Mr. Knueppel	N/A	N/A

* Mr. Decker s award was prorated to reflect his start date of September 10, 2012.

** Mr. Schnoor forfeited his award opportunity due to his departure from the Company.

The exercise price for the SARs is $23.73, which is the average of the high and low sales prices of our stock on the grant date of March 16, 2012 (except with respect to Mr. Decker, whose pro-rated award was granted on September 10, 2012, and for whom the exercise price for the SARs is $21.37). Compensation earnable under the 2012 LTIP award is payable in shares.

2012 Service-Based Awards

As noted above, Mr. Knueppel did not participate in our 2012 AIP or our 2012 LTIP award programs during his service as our interim CEO. In lieu of participation in these programs, Mr. Knueppel received two quarterly awards of approximately $400,000 each in unrestricted Company shares as well as an initial pro-rated share award equal in value to $145,044 (granted in March 2012). These awards were designed to align Mr. Knueppel s compensation interests during his tenure as interim CEO with those of the Company s stockholders. This portion of Mr. Knueppel s pay package was determined by the Compensation Committee based on its review of Survey Data and Peer Group data, as described above under Impact of Market Data. Overall, the value of Mr. Knueppel s grants, on an annualized basis, was below the median of market data. Mr. Knueppel also was granted 2,688 RSUs for his service as a non-employee Director during a portion of 2012 on December 4, 2012. These RSUs are expected to vest on April 23, 2013 and are payable in common stock within 60 days following the termination of his service as a Director.

In addition to the grants made to Mr. Knueppel, Messrs. Malamud and Gerson were also provided special one-time grants of time-based RSUs during 2012. Mr. Gerson was provided a grant of 15,000 RSUs on January 24, 2012, as a retention incentive to help ensure his ongoing assistance in driving the continued overall growth in revenues and earnings for Harsco Industrial. These RSUs vest in full after three years. Mr. Malamud was provided a grant of 5,000 RSUs on November 16, 2012, as additional compensation in connection with his assumption of additional duties and responsibilities as Interim CFO. These RSUs also vest in full after three years.

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Other Compensation Elements

During 2012, we provided our NEOs (other than Mr. Knueppel) with the following broad-based employee benefits on the same terms that apply to our non-executive U.S. employees:

- Health insurance;
- Disability insurance;
- A term life insurance benefit equal to two times the individual s salary up to a maximum benefit of $500,000;
- Defined benefit pension plan participation (frozen as to the four participating NEOs; four NEOs were not eligible to participate because they joined the Company after 2008); and
- 401(k) Savings Plan participation.

Under the terms of his interim CEO pay package, Mr. Knueppel elected not to participate in any of our health and welfare, retirement or other employee benefit programs or plans, and was provided only the limited perquisites and personal benefits described below.

Two of the current NEOs (Messrs. Kimmel and Malamud) and two of the former NEOs (Messrs. Fazzolari and Schnoor) were eligible to participate in the Supplemental Retirement Benefit Plan (the SERP) during 2012, as discussed in more detailed below under the section Retirement Plans. We continue to note that amounts reported in the 2012 Summary Compensation Table as changes in pension values do not reflect increases in compensation or additional service credits for the NEOs, but instead reflect a change in the present value of the pensions for Messrs. Malamud, Kimmel, Fazzolari and Schnoor. Both the SERP, which supplements the qualified pension plan, and the pension plan itself were frozen in 2008, and the retirement benefit payable under those programs has not increased since that time. The changes reported for 2012 resulted mainly from a reduction in the prevailing interest rates used to calculate the present value of the NEOs pension benefit at the end of 2012, and to a small extent reflect the fact that present value increased as the NEOs aged. Changes in the NEOs pension values for 2011 and 2010 likewise resulted entirely from changes in present values and not from accruals of service credits or increases in compensation used to calculate the pension.

Our NEOs are also eligible to participate in the NQ RSIP, which supplements the RSIP with respect to contributions that could not be made because of Internal Revenue Service compensation and contribution limitations.

We provided other benefits to certain of our NEOs during 2012, including coverage under the change in control severance agreements described below. Mr. Fazzolari was entitled to personal use of a car we provided during his tenure as an officer in 2012, and the Board of Directors maintains a policy regarding our CEO s personal use of our corporate aircraft. Our CEO is taxed on the imputed income attributable to personal use of our aircraft, and none of our CEOs received a tax gross-up from us with respect to such imputed amounts. Under the terms of his interim CEO pay package, we reimbursed Mr. Knueppel for his temporary living and commuting expenses in recognition of both the temporary and sudden nature of his executive assignment and as an inducement to him to accept the assignment. Mr. Decker received modest relocation assistance from us during 2012,

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including home sale assistance and payment of other relocation expenses, plus limited tax reimbursement related to such relocation. This relocation assistance was provided for Mr. Decker s transition to our corporate headquarters.

Our philosophy in providing perquisites and other personal benefits to our NEOs is to position the aggregate of these benefit amounts at levels that are competitive with those provided by our Peer Group companies as well as a larger group of companies within our general industry that are similarly situated to us in terms of overall size and relative performance. We believe that the other benefits we provided to our NEOs were necessary to help us attract and retain our senior executive team, and that the values of these benefits were reasonable, competitive and consistent with the overall executive compensation program.

For more information on the perquisites and certain other benefits provided to the NEOs in 2012, see the All Other Compensation Table that serves as a supplement to the 2012 Summary Compensation Table below.

Employment Arrangements with Certain NEOs

Notification Letter; Offer Letter

In March 2012, we provided Mr. Knueppel with a notification letter confirming the compensation package we would be providing to him for his service as our Interim Chairman and CEO. Under this package, Mr. Knueppel received a base salary at a rate of $75,000 per month. In addition, in lieu of participating in our 2012 AIP or our 2012 LTIP award programs, Mr. Knueppel received the equity awards described above under 2012 Service-Based Awards. Mr. Knueppel was also entitled to three weeks of paid vacation, in addition to the other perquisites and personal benefits described above.

In July 2012, we provided Mr. Decker with an offer letter detailing his pay package as our new President and Chief Executive Officer. Under this package, Mr. Decker received an annual base salary of $825,000, which was determined by the Compensation Committee to be at the low end of the competitive market range in recognition of Mr. Decker s new assumption of a CEO-level position. In addition, Mr. Decker participated in the 2012 AIP on a pro-rated basis based on his hire date of September 10, 2012. He also received a pro-rated 2012 long-term incentive award based on a target value equal to 200% of his base salary, four weeks of annual paid vacation, eligibility for our standard health and welfare benefits, and standard relocation benefits and payments under our relocation policy. Mr. Decker also entered into our standard form of change in control severance agreement, as further described below. The Compensation Committee determined these payments and benefits to be in line with market practice.

The Company does not have any employment agreements with any current NEOs beyond Mr. Decker s above-described offer letter.

Potential Payments upon Change in Control and Other Potential Post-Employment Payments

Change in Control Severance Agreements

We are currently a party to change in control severance agreements with Messrs. Decker, Malamud, Claro, Kimmel and Gerson, and we were a party to change in control severance agreements with Messrs. Fazzolari and Schnoor prior to their departures from the Company. We have never been a party to a change in control severance agreement with

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Mr. Knueppel. During 2012, these change in control severance agreements reflected what we believe to be a market-based approach to a potential change in control scenario and incorporated several stockholder-favored compensation practices, including:

- double-trigger payment provisions that require a qualifying termination of employment after a change in control before benefits and payments are received; and
- no excise tax gross-ups on severance benefits (each NEO will either pay the excise taxes on his severance benefits or the severance benefits will be reduced to a point where the excise tax does not apply, depending on which result is more favorable to the executive).

In general, under the change in control severance agreements, each of Messrs. Fazzolari and Decker is entitled to receive (or was entitled to receive in the case of Mr. Fazzolari) double-trigger severance benefits equal to three times his highest base salary in effect during the period beginning 90 days prior to the change in control through the date of termination, plus three times his target annual bonus for the year of termination, and each of Messrs. Schnoor, Kimmel, Claro and Gerson is entitled to receive (or was entitled to receive in the case of Mr. Schnoor) double-trigger severance benefits equal to two times his highest base salary in effect during the period beginning 90 days prior to the change in control through the date of termination, plus two times his target annual bonus for the year of termination. Mr. Malamud s change in control severance agreement provides that he is entitled to receive double-trigger severance benefits equal to one times his highest base salary in effect during the period beginning 90 days prior to the change in control through the date of termination, plus one times his target annual bonus for the year of termination. Each change in control severance agreement provides for a rolling three-year term that renews each year, subject to certain exceptions.

The change in control severance agreements are reviewed on a regular basis, though not necessarily as part of the annual compensation review.

The Compensation Committee believes that the change in control severance agreements serve the following purposes:

- assure that we have the continued dedication and full attention of certain key employees prior to and after the consummation of a change in control event;
- ensure that, if a possible change in control should arise and a change in control officer should be involved in deliberations or negotiations in connection with the possible change in control, such officer would be in a position to consider as objectively as possible whether the possible change in control transaction is in our best interest as well as the best interests of our stockholders, without concern for his position or financial well-being; and
- protect us by retaining key talent in the face of corporate changes.

Separation Arrangements

On March 9, 2012, in connection with Mr. Fazzolari s departure from the Company, we entered into a Separation and Release Agreement with Mr. Fazzolari to establish the terms of his separation effective February 23, 2012. Under the Separation and Release Agreement,

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Mr. Fazzolari received or will receive:

- $3,843,000, representing two times his base salary and target 2012 AIP award opportunity, plus an additional cash payment of $1,173,583 representing a pro rata payout for the time-based portion of his 2010 2012 and 2011 2013 LTIP awards;

- health insurance continuation coverage in the form of the Company s payment of health insurance premiums for Mr. Fazzolari, his spouse and his covered dependents for up to two years;

- payment of all amounts earned or accrued as a result of Mr. Fazzolari s employment with the Company (including $87,981 in payment of earned and unused vacation time); and

- transfer of ownership from us of the automobile, tablet device and cellular phone he used during his employment (see the All Other Compensation column of the 2012 Summary Compensation Table below).

Under the Separation and Release Agreement, all of Mr. Fazzolari s other outstanding equity compensation awards were forfeited without additional consideration, and Mr. Fazzolari is subject to certain non-disparagement and confidentiality provisions as well as restrictions preventing him from competing against us or soliciting our customers or employees for two years. Mr. Fazzolari also executed a general release of claims against us, and we agreed to release Mr. Fazzolari from claims to the extent they were suspected or known to the Board as of March 9, 2012. Mr. Fazzolari agreed to make himself available to his successor as reasonably requested for a period of two years to assist with the transition of his role.

On December 5, 2012, in connection with Mr. Schnoor s departure from the Company, we also entered into a Separation Agreement with Mr. Schnoor to establish the terms of his separation effective December 31, 2012. Under the Separation Agreement, Mr. Schnoor received or will receive:

- $765,000, representing one times his base salary and target 2013 AIP award opportunity, plus an additional cash payment of $220,000 representing a pro rata payout for the time-based portion of his 2011 2013 LTIP award;

- health insurance continuation coverage in the form of the Company s payment of health insurance premiums for Mr. Schnoor, his spouse and his covered dependents for up to one year;

- payment of all amounts earned or accrued as a result of Mr. Schnoor s employment with the Company (including $8,654 in payment of earned and unused vacation time);

- reimbursement for up to $7,500 in outplacement services; and

- transfer of ownership from us of the tablet device and cellular phone he used during his employment.

Under the Separation Agreement, all of Mr. Schnoor s other outstanding equity compensation awards (except for his 2010 2012 time-based RSUs, as described above) were forfeited without additional consideration, and Mr. Schnoor is subject to certain non-disparagement and confidentiality provisions as well as restrictions preventing him from competing against us or soliciting our customers or employees for one year. Mr. Schnoor also executed a general release of claims against us, and agreed to make himself available to his successor as reasonably requested for a period of one year to assist with the transition of his role.

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The severance payments and severance-related benefits provided to Mr. Fazzolari and Mr. Schnoor were based on current market practices as reflected in research provided by PM&P and took into specific consideration Mr. Fazzolari s 30 plus years of service and Mr. Schnoor s 24 years of service with the Company. The pro-rata payouts of Mr. Fazzolari s 2010 2012 and 2011 2013 time-based RSUs and Mr. Schnoor s 2011 2013 time-based RSUs were also provided based on market practices and in recognition of their long tenure with and many contributions to the Company.

Other Potential Post Employment Payments

Upon certain types of terminations of employment not related to a change in control, payments under various Company policies and plans may be paid to NEOs. As described above, Messrs. Fazzolari and Schnoor received separation packages during 2012 under these other Company policies and plans. These events and amounts are more fully explained in the Termination or Change in Control Arrangements section below.

Stock Ownership Guidelines

In 2012, we continued to maintain stock ownership guidelines that applied to the NEOs. Our stock ownership guidelines encourage the retention of stock acquired through our LTIP awards. In 2010, the stock ownership requirements were updated and revised so that no shares may be sold by participants until their applicable ownership guidelines are satisfied, subject to a hardship exception that will be administered by the Compensation Committee. The Compensation Committee determined that the restrictions on sale would not apply to Mr. Knueppel s service-based award in his capacity as interim CEO, due to the anticipated short duration of the assignment.

The stock ownership guidelines are established as a multiple of each NEO s base salary and were benchmarked against the stock ownership guidelines for similarly situated executives at Peer Group companies. They were also based on the Board s determination of appropriate share ownership levels based on our compensation system. Under the guidelines, each NEO is required to own a specific amount of our common stock and is restricted from selling shares until the guideline has been satisfied. The share ownership levels (based on fair market value as measured periodically) for each NEO are as follows:

Current Named Executive Officer	**Multiple of Salary**
Mr. Decker	Five times salary
Mr. Claro	Three times salary
Mr. Kimmel	Three times salary
Mr. Gerson	Three times salary
Mr. Malamud	Two times salary
Former Named Executive Officer	**Multiple of Salary**
Mr. Fazzolari	Five times salary
Mr. Knueppel	Five times annual retainer*
Mr. Schnoor	Three times salary

* As a member of our Board, Mr. Knueppel was subject to our Directors stock ownership guidelines during his service as interim CEO, rather than any officer-based stock ownership guideline.

Our NEOs have five years from the date they are first granted LTIP awards to comply with the guidelines. If an NEO is promoted into a position with greater holding requirements,

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that individual has five additional years to comply with the new guideline. All common stock held by the NEOs, whether acquired as a result of an LTIP award or otherwise, is included in determining whether they have achieved the applicable ownership guideline. Stock options, RSUs and SARs are not included in calculating whether the guidelines have been met. Failure to meet the guidelines within the applicable five-year period will result in a review by the Compensation Committee to determine the cause of such failure and to develop an appropriate corrective action plan. The Compensation Committee believes that this is a reasonable approach in light of the recent economic downturn and its impact on our stock price.

At December 31, 2012, none of the NEOs owned stock fully meeting the ownership guidelines, but each was within the five-year phase-in period and therefore was in compliance with the guidelines.

Policy Regarding Tax and Accounting Impact on Executive Compensation

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code generally limits to $1 million the U.S. federal tax deductibility of compensation paid in one year by publicly-traded corporations to their named executive officers (with the exception of the CFO) serving at the end of the fiscal year. Qualified performance-based compensation as defined under Section 162(m) is not subject to the limits on deductibility, provided such compensation meets certain requirements, including stockholder approval of the material terms of the compensation.

We intend, to the extent practicable, to preserve this deductibility of compensation paid to our NEOs while maintaining compensation programs that effectively attract and retain exceptional executives in a highly competitive environment. However, on occasion it is not possible to satisfy all conditions of the Internal Revenue Code for deductibility and still meet our compensation needs, and in such limited situations, we may choose to pay compensation that would otherwise not be deductible under Section 162(m) if we believe that it is appropriate and in our best interest.

Compensation Committee Report

The Management Development and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Management Development and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and our Proxy Statement for our 2013 Annual Meeting of Stockholders, for filing with the SEC.