Quanex Building Products CORP
Form DEF 14A
February 27, 2019

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

SCHEDULE 14A

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Quanex Building Products Corp.

(Name of Registrant as Specified In Its Charter)

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

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QUANEX BUILDING PRODUCTS CORPORATION

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

February 27, 2019

Dear Fellow Stockholder:

You are cordially invited to attend the Company's Annual Meeting of Stockholders to be held at 8:00 a.m., C.D.T., on Friday, March 22, 2019, at the Company's principal executive offices at 1800 West Loop South, Suite 1500, Houston, Texas.

This year you will be asked to vote in favor of the election of six directors, in favor of an advisory vote approving the Company's named executive officer compensation, and in favor of a resolution ratifying the Company's appointment of its independent auditor for the 2019 fiscal year. These proposals are more fully explained in the attached Proxy Statement, which you are encouraged to read.

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

Thank you for your continued support.

Sincerely,

William C. Griffiths
Chairman of the Board

YOUR VOTE IS IMPORTANT

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held March 22, 2019

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Quanex Building Products Corporation, a Delaware corporation (the "Company" or "Quanex"), will be held at the principal executive offices of the Company, 1800 West Loop South, Suite 1500, Houston, Texas, 77027, on Friday, March 22, 2019, at 8:00 a.m., C.D.T., for the following purposes:

(1) To elect six directors to serve until the Annual Meeting of Stockholders in 2020;

(2) To approve an advisory resolution approving the compensation of the Company's named executive officers;

(3) To approve a resolution ratifying the appointment of the Company's independent auditor for fiscal 2019; and

(4) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

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

The Board of Directors of the Company (the "Board of Directors" or "Board") has fixed the close of business on January 30, 2019, as the record date for determining stockholders entitled to notice of and to vote at the meeting. A complete list of the stockholders entitled to vote at the meeting will be maintained at the Company's principal executive offices, will be open to the examination of any stockholder for any purpose germane to the meeting during ordinary business hours for a period of ten days prior to the meeting, and will be made available at the time and place of the meeting during the whole time thereof.

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

The Company's Annual Report to Stockholders for the fiscal year ended October 31, 2018, accompanies this Notice.

By order of the Board of Directors,

Kevin P. Delaney
Senior Vice President General Counsel and Secretary

Houston, Texas
February 27, 2019

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PROXY STATEMENT

Annual Meeting of Stockholders
To Be Held March 22, 2019

This Proxy Statement and the accompanying form of proxy are to be first mailed on or about February 27, 2019, to all holders of record on January 30, 2019 (the "Record Date"), of the common stock, $.01 par value (the "Common Stock"), of Quanex Building Products Corporation, a Delaware corporation (the "Company"). These materials are furnished in connection with the solicitation of proxies by the Board of Directors of the Company to be used at the Annual Meeting of Stockholders to be held at the Company's principal executive offices, 1800 West Loop South, Suite 1500, Houston, Texas, 77027, at 8:00 a.m., C.D.T., on Friday, March 22, 2019, and at any adjournment or adjournments thereof. Shares of Common Stock represented by any un-revoked proxy in the enclosed form, if such proxy is properly executed and is received prior to the meeting, will be voted in accordance with the specifications made on such proxy. Proxies on which no specifications have been made will be voted FOR the election as director of all nominees listed herein, FOR ratification of the appointment of the Company's independent auditor for fiscal 2019, and FOR each other proposal included herein. Proxies are revocable by written notice to the Secretary of the Company at the address of the Company set forth below, or by delivery to the Company of a later dated proxy, at any time prior to their exercise. Proxies may also be revoked by a stockholder attending and voting in person at the meeting.

The Common Stock is the only class of securities of the Company that is entitled to vote at the meeting. As of the close of business on the Record Date, the date for determining stockholders who are entitled to receive notice of and to vote at the meeting, there were 33,299,617 shares of Common Stock outstanding. Each share is entitled to one vote. The presence at the meeting, in person or by proxy, of the holders of a majority of shares of Common Stock is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present in determining whether the quorum requirement is satisfied.

The cost of soliciting proxies will be borne by the Company. Solicitation may be made personally or by mail, telephone or electronic data transfer by officers, directors and regular employees of the Company (who will not receive any additional compensation for any solicitation of proxies), or by the firm of Morrow Sodali, LLC, which has been retained by the Company to assist in the solicitation for a fee of approximately $7,500 plus expenses. The Company will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for sending proxy materials to the beneficial owners of Common Stock. The mailing address of the Company's principal executive office is 1800 West Loop South, Suite 1500, Houston, Texas, 77027.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE ANNUAL MEETING TO BE HELD ON MARCH 22, 2019:

Our Proxy Statement and 2018 Annual Report are available online at the following web address:

http://www.quanex.com/2018AR

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

MATTERS TO COME BEFORE THE MEETING

PROPOSAL NO. 1
ELECTION OF DIRECTORS

Six directors are to be elected at the meeting. Prior to March 2016, the Board was divided into three classes, with the terms of office expiring at different times for each class. In March 2016, however, the Company amended its Certificate of Incorporation and Bylaws to declassify the Board of Directors by providing that each director would be elected for a term of only one year. Class I and Class II directors were elected to one year terms at the Company's Annual Meeting in 2018, and the final three year term of the Class III directors will expire at the Company's Annual Meeting in 2019. As such, the declassification process is now complete, and all of the Company's current directors are up for election for one-year terms.

Because the Quanex Corporate Governance Guidelines mandate that no person may be nominated to serve on the Board after his or her 72nd birthday, Mr. Nosbaum is not standing for re-election as a director. Instead, the Board has nominated Mr. Donald R. Maier to stand for election as a director. Mr. Maier is currently the President and Chief Executive Officer of Armstrong Flooring, located in Lancaster, Pennsylvania. In selecting Mr. Maier to stand for election, the Board engaged in a thorough and diligent search process that involved consideration of a number of highly qualified candidates. The Board strongly believes that Mr. Maier's executive, industry, and operational experience, along with his strong understanding of corporate governance issues, will prove to be a huge asset for the Company's Board. More information about Mr. Maier's background and qualifications may be found on page 5 of this Proxy Statement.

Current directors Robert R. Buck, Susan F. Davis, William C. Griffiths, Joseph D. Rupp and Curtis M. Stevens are the directors currently standing for election. Mr. Griffiths was elected by the stockholders in 2016 to a term ending in 2019, and all other directors were elected in 2018 to a one-year term that ends in 2019. Each director nominee is standing for re-election for a term expiring at the 2020 Annual Meeting.

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

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Nominees for election to a term that will expire at the 2020 Annual Meeting	Principal Occupation	Age	Director Since
Robert R. Buck	Chairman of the Board of Beacon Roofing Supply, Inc., a leading distributor of roofing materials (Herndon, Virginia).	71	2011
Susan F. Davis	Retired Executive Vice President Asia Pacific of Johnson Controls, Inc., a global leader in automotive systems, building efficiency and power solutions (Milwaukee, Wisconsin).	65	2007
William C. Griffiths	Chairman, President and Chief Executive Officer, Quanex Building Products Corporation (Houston, Texas).	67	2009
Donald R. Maier	President and Chief Executive Officer, Armstrong Flooring, Inc., a global producer of flooring products (Lancaster, Pennsylvania).	54	n/a
Joseph D. Rupp	Retired Chairman of the Board of Olin Corporation, a basic materials company concentrated in chemicals and ammunition (Clayton, Missouri).	68	2007
Curtis M. Stevens	Retired Chief Executive Officer of Louisiana-Pacific Corporation, a leading building materials manufacturer (Nashville, Tennessee).	66	2010

Director whose term expires at the 2019 Annual Meeting (not standing for election)	Principal Occupation	Age	Director Since
LeRoy D. Nosbaum	Retired President and Chief Executive Officer of Itron, Inc., a leading technology provider to the global energy and water industries and a leading provider of intelligent metering, data collection and utility software solutions (Liberty Lake, Washington).	72	2010

Director and Director Nominee Biographies, Key Attributes, and Skills

ROBERT BUCK, age 71

Biography: Mr. Buck is the Chairman of the Board of Beacon Roofing Supply, Inc., a $6.4 billion NASDAQ-traded roofing materials distributor. Prior to becoming Chairman in early 2011, Mr. Buck served as Chairman and CEO of Beacon from 2007 to 2011; as Chairman, President, and CEO in 2007; and as President and CEO from 2003 to 2007. Prior to joining Beacon in 2003, Mr. Buck spent 21 years with Cintas Corporation in various executive positions. Mr. Buck holds a B.S. in Finance from the University of Cincinnati.

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

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Other Directorships Since 2013: Mr. Buck currently serves on the boards of Beacon Roofing Supply, Inc., and Multi-Color Corporation. Mr. Buck also serves on the board of privately held Elkay Manufacturing Co..

SUSAN DAVIS, age 65

Biography: Ms. Davis retired in 2016 from Johnson Controls, Inc., a global leader in automotive systems, building efficiency and power solutions. Prior to her retirement, Ms. Davis served as the Executive Vice President Asia Pacific for Johnson Controls, beginning in 2015. Prior to her appointment to that position, Ms. Davis served as the chief human resources officer of Johnson Controls from 1994 to 2015, holding the positions of Executive Vice President and Chief Human Resources Officer from 2014 to 2015, Executive Vice President of Human Resources from 2006 to 2014, and Vice President of Human Resources from 1994 to 2006. Prior to that time, she served in various other positions with Johnson Controls, which she originally joined in 1983. Ms. Davis received an MBA degree from the University of Michigan, and received both Master's and Bachelor's degrees from Beloit College.

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

Other Directorships Since 2013. Ms. Davis has served since 2016 on the board of Cooper Tire & Rubber Company, an NYSE-traded manufacturer of car, motorcycle, truck, and racing tires.

WILLIAM GRIFFITHS, age 67

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

Key Attributes, Experience, and Skills: During his tenure as CEO of Champion Enterprises, Mr. Griffiths gained extensive experience with manufacturing processes, corporate governance, and public company issues. Champion also provided Mr. Griffiths with valuable expertise and insight into the building products industry, which he has continued to build during his tenure at Quanex Building Products. In addition, Mr. Griffiths' time as a senior leader at SPX Corporation provided him with extensive and wide-reaching expertise in international operations management and international business in general. It also allowed him to build a great deal of experience in mergers and acquisitions, both international and domestic.

DONALD MAIER, age 54

Biography: Mr. Maier has served since 2016 as the President and Chief Executive Officer of Armstrong Flooring, Inc., an NYSE-traded global producer of flooring products for use primarily in the construction and renovation of commercial, residential and institutional buildings. Prior to assuming that role, Mr. Maier served as Executive Vice President and CEO of the Flooring Products division of Armstrong World Industries, Inc. from 2014 to 2016, and as Senior Vice President, Global Operations Excellence of Armstrong World Industries, Inc. from 2010 to 2014. Mr. Maier also served as Senior Advisor of TPG Capital Advisors from 2007 to 2010, and in various senior leadership, strategic, marketing, business development, and engineering roles at Hillenbrand Industries and its subsidiaries Hill-Rom and Batesville Casket Company from 1987 to 2007.

Key Attributes, Experience, and Skills: Mr. Maier has extensive manufacturing, engineering, marketing and operational experience that will make him a valuable member of the Board. In addition, Mr. Maier's experience as a director and chief executive officer of a global and publicly-traded company has provided him with extensive corporate governance, international business, and public company expertise.

Other Directorships Since 2013. Mr. Maier has served on Armstrong Flooring's board of directors since 2016.

LEROY NOSBAUM, age 72

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

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

JOSEPH RUPP, age 68

Biography: Mr. Rupp is the retired Chairman of the Board of Olin Corporation, an NYSE traded basic materials company concentrated in chemicals and ammunition. Mr. Rupp served as the Chairman of the Board of Olin Corporation from May 2016 to April 2017. Prior to May 2016, Mr. Rupp served as Chairman, President and Chief Executive Officer of Olin since 2005. Prior to his election as Chairman, Mr. Rupp was President and Chief Executive Officer of Olin from 2002 to 2005. Prior to

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2002, Mr. Rupp served in various positions with Olin, which he originally joined in 1972. Mr. Rupp holds a bachelor's degree in metallurgical engineering from the University of Missouri, Rolla.

Key Attributes, Experience, and Skills: As the CEO of Olin, Mr. Rupp amassed strong corporate governance expertise, public company management experience, and solid financial acumen. He also brings a wealth of experience in operations management, lean manufacturing processes, and mergers and acquisitions. In addition, he has gained extensive public board experience as a director of Olin since 2002 and as a director of Quanex Building Products since 2008.

Other Directorships Since 2013: Mr. Rupp served as a director of Olin Corporation from 2002 to 2005, and as Chairman of Olin's board from 2005 until his retirement in April 2017. Mr. Rupp has served since 2018 on the board of Owens-Illinois, an NYSE-traded manufacturer of container glass products and since 2016 as a director of Cass Information Systems, a NASDAQ traded company.

CURTIS STEVENS, age 66

Biography: Mr. Stevens retired in June 2017 from Louisiana-Pacific Corporation, an NYSE traded building materials manufacturer. Prior to his retirement, Mr. Stevens served as the Chief Executive Officer and a director of Louisiana-Pacific from 2012 to June 2017. Prior to becoming CEO in May 2012, Mr. Stevens served as Louisiana-Pacific's Chief Operating Officer and Executive Vice President beginning in December 2011. Prior to assuming the role of Chief Operating Officer, Mr. Stevens served as Chief Financial Officer of Louisiana-Pacific since 1997, and as Executive Vice President, Administration, since 2002. Before joining Louisiana-Pacific, Mr. Stevens served for 14 years in various financial and operational positions at Planar Systems, a flat-panel display products manufacturer. Mr. Stevens holds a B.A. in Economics and an M.B.A with a concentration in Finance from the University of California at Los Angeles.

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

Other Directorships Since 2013: Mr. Stevens served on the board of Louisiana-Pacific from 2012 until his retirement in 2017, and has served since 2018 on the board of Interfor Corporation, a lumber producer whose stock is listed on the Toronto Stock Exchange.

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

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

Vote Required

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

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

Recommendation

The Board of Directors recommends that you vote "FOR" the elections of Ms. Davis and Messrs. Buck, Griffiths, Maier, Rupp and Stevens. Unless you give contrary instructions in your proxy, your proxy will be voted "FOR" the elections of Ms. Davis and Messrs. Buck, Griffiths, Maier, Rupp and Stevens. If any nominee should become unable or unwilling to accept nomination or election, the person acting under the proxy will vote for the election of such other person as the Board of Directors may recommend. The Board has no reason, however, to believe that any nominee will be unable or unwilling to serve if elected.

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PROPOSAL NO. 2
ADVISORY VOTE APPROVING NAMED EXECUTIVE OFFICER COMPENSATION

At the meeting, the stockholders will vote on an advisory resolution approving the compensation of the Company's named executive officers, as required pursuant to section 14A of the Securities Exchange Act.

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

> "Resolved, that the stockholders approve the compensation of the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K in the Company's 2019 Proxy Statement, which disclosure includes the Compensation Discussion and Analysis, the Summary Compensation Table and the other executive compensation tables and related discussion."

The Company and the Compensation & Management Development Committee (the "Compensation Committee") remain committed to the compensation philosophy, practices, and objectives outlined under the heading "*Compensation Discussion and Analysis*" located on page 15 of this Proxy Statement. As always, the Compensation Committee will continue to review all elements of the executive compensation program and take any steps it deems necessary to continue to fulfill the objectives of the program.

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

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

Unless the Board modifies its policy on the frequency on holding "Say-on-Pay" advisory votes, Say-on-Pay votes by our stockholders take place at each Annual Meeting, and the next such vote will occur at the annual meeting to which this Proxy Statement relates.

Vote Required

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

Board Recommendation

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

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PROPOSAL NO. 3
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDIT FIRM

The Audit Committee has selected Grant Thornton LLP, an independent registered public accounting firm, to audit the Company's consolidated financial statements for fiscal year 2019. Grant Thornton LLP has been the Company's independent registered public accounting firm since April 2014, when it was retained by the Audit Committee after the completion of a competitive process to select an auditor for the Company's fiscal 2014 financial statements. We are asking the stockholders to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2019. Grant Thornton LLP was appointed by the Audit Committee in accordance with its charter.

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

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

Vote Required

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

Board Recommendation

The Board recommends that you vote "FOR" the ratification of appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2019.

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EXECUTIVE OFFICERS

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

Name and Age	Office and Length of Service
William C. Griffiths, 67	Chairman of the Board, President and Chief Executive Officer since 2013
Brent L. Korb, 47	Senior Vice President Finance and Chief Financial Officer since 2008
Kevin P. Delaney, 57	Senior Vice President General Counsel and Secretary since 2007
George L. Wilson, 50	Vice President Chief Operating Officer since 2017
Scott M. Zuehlke, 42	Vice President Investor Relations & Treasurer since 2016

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

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

Mr. Delaney was named Senior Vice President General Counsel and Secretary of Quanex Corporation on February 24, 2005, and was elected to the same position with the Company upon its creation on December 12, 2007. Prior to that, he was Vice President General Counsel of Quanex Corporation since 2003, and Secretary since 2004. Prior to that he was Chief Counsel for Trane Residential Systems, a business of American Standard Companies, a global manufacturer with market leading positions in automotive, bath and kitchen, and air conditioning systems, since 2002; Assistant General Counsel for American Standard Companies since 2001; and Group Counsel for The Trane Company's North American Unitary Products Group since 1997. Prior to that time, Mr. Delaney was Vice President General Counsel with GS Roofing Products Company, Inc. from 1995 to 1997 and Senior Attorney with GTE Directories Corporation from 1991 to 1995.

Mr. Wilson was named Vice President Chief Operating Officer of the Company effective August 1, 2017. Prior to his appointment to that role, Mr. Wilson served as President and General

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Manager of the Company's Insulating Glass Systems Division since 2011, and as General Manager of Edgetech I.G., Inc. beginning with its purchase by Quanex in March 2011 until it was consolidated with existing Quanex operations to create the Insulating Glass Systems Division. Prior to joining Quanex, Mr. Wilson served as the Vice President of Operations for Lauren Manufacturing from 2008 to 2010, and as the Vice President of Human Resources for its parent company Lauren International, a diversified manufacturer of polymers, rubbers and plastics, from 2010 to 2011. Prior to that time and beginning in 1993, Mr. Wilson served in various capacities of increasing responsibility for Federal Mogul, a Tier 1 manufacturer of various automobile components.

Mr. Zuehlke was named Vice President Investor Relations and Treasurer of the Company effective January 25, 2016. Prior to joining the Company, Mr. Zuehlke served as Vice President, Investor Relations for Halcón Resources from 2011 to 2016, and as Director, Investor Relations for Geokinetics from 2010 to 2011. In those roles, Mr. Zuehlke was responsible for leading and managing the investor relations function and acting as the primary contact to the investment community. Halcón is an independent energy company focused on the acquisition, production, exploration and development of onshore liquids-rich assets in the United States, while Geokinetics is an international land and shallow water geophysical service company focusing on the petroleum and mining industries. Prior to joining Geokinetics, Mr. Zuehlke served as Manager, Finance and Investor Relations for Hercules Offshore from 2009 to 2010. Mr. Zuehlke began his career at Invesco, where he was employed as an Equity Analyst and Market Data Associate from 1998 to 2009.

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DIRECTOR AND OFFICER COMPENSATION

Director Compensation

Directors who are also employees of the Company do not receive any additional compensation for serving on the Board. In fiscal 2018, Mr. Griffiths was the only director who also served as an employee of the Company. As such, he did not receive any additional compensation for Board service, and has not since the date on which he became an employee.

For the fiscal year ended October 31, 2018, the Company's non-employee directors received the following compensation:

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

Committee Member Retainer(1)

Member of Audit Committee: $9,000/year paid quarterly

Member of Compensation & Management Development Committee: $7,500/year paid quarterly

Member of Nominating & Corporate Governance Committee: $7,500/year paid quarterly

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

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

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

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

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

Annual Restricted Stock Unit Retainer(3) On the first business day of each fiscal year, non-employee directors receive an annual restricted stock unit award of $80,000 in equivalent value. The restricted stock unit award vests immediately upon issuance. If the non-employee director meets the Company's director stock ownership guidelines (in shares and share equivalents), payment of the award will be deferred automatically to the director's separation from service (or, if earlier, a change in control of the Company), unless an election is made by the director to settle and pay the award on an earlier permitted specified date, and such election is made prior to the last day of the deferral election period applicable to the award under Section 409A of the Internal Revenue Code. If the non-employee director has not met the Company's applicable stock ownership guidelines, then payment of the award will automatically be deferred until the director's separation from service, and no election for an earlier payment date will be allowed. For purposes of this paragraph, the determination of whether a director meets the stock ownership guidelines will be made as of December 31st of the calendar year immediately preceding the calendar year in which the applicable restricted stock unit award is granted. With respect to the restricted stock unit awards that were granted on November 1, 2018, Mr. Stevens elected for early payment to be made on the second anniversary of the date of grant. No other directors elected for an early payment to be made.

Initial Restricted Stock Unit Grant On the date on which a non-employee director is first elected or appointed as a director, such director will be granted an annual restricted stock unit award that is pro-rated for the time served during the current fiscal year, from the director's date of election or appointment. These grants will immediately vest and will be settled and paid upon the earlier of the director's separation from service or a change in control of the

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Company. The pro-rated restricted stock unit award, as well as the first full restricted stock unit award granted to a newly appointed or elected director, is not eligible for any form of deferral or other payment timing election.

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

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(1) Non-employee directors are permitted to defer all or any part of their cash retainers and fees under the Quanex Building Products Corporation Deferred Compensation Plan (the "DC Plan"). These deferrals are placed into notional accounts maintained under the DC Plan and are deemed invested in cash, units denominated in Common Stock, or any of the accounts available under the Company's qualified 401(k) plan, as the director elects. The number of units that are deemed invested in Company common stock units and credited to a director's notional account is equal to the number of shares of Common Stock that could have been purchased with the dollar amount deferred based on the closing price of the Common Stock on the New York Stock Exchange on the date the amount would have been paid for such share purchase. If a dividend or other distribution is declared and paid on Common Stock, for each notional common stock unit credited to a director's account a corresponding credit will be accrued in the director's notional matching account. All director deferrals are 100% vested. No payments may be made under the DC Plan until a distribution is permitted in accordance with the terms of the DC Plan. In the event of a "change in control" of the Company, any amount credited to a director's account is fully vested and is payable in cash within five days after the change in control occurs. A "change in control" is defined generally as (i) an acquisition of securities resulting in an individual or entity or group thereof becoming, directly or indirectly, the beneficial owner of 20% or more of either (a) the Company's then-outstanding Common Stock or (b) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors, (ii) a change in a majority of the persons who were members of the Board of Directors as of December 12, 2007 (the "Incumbent Board"), (iii) generally, a reorganization, merger, consolidation or sale of the Company or disposition of all or substantially all of the assets of the Company, or (iv) the approval by the stockholders of the Company of a complete liquidation or dissolution of the Company. For this purpose, an individual will be treated as a member of the Incumbent Board if he becomes a director subsequent to December 12, 2007, and his election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board; unless his initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, entity or group other than the Board. All distributions under the DC Plan will be made in cash. Any deferral or payment permitted under the DC Plan is administered in a manner that is intended to comply with Section 409A of the Internal Revenue Code of 1986.

(2) Mr. Rupp serves as Chairman of the Nominating & Corporate Governance Committee, but has chosen to decline the Committee Chairman Fee related to that position.

(3) Restricted stock unit grants are issued from the Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as amended.

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The table below shows the total compensation of our non-employee directors for the fiscal year ended October 31, 2018:

Name	Fees Earned or Paid in Cash(1) ($)	Restricted Stock Unit Awards(2) ($)	Option Awards(2) ($)	Change in Pension Value & Nonqualified Deferred Compensation Earnings(3) ($)	All Other Compensation(4) ($)	Total ($)
Robert R. Buck	71,500	78,879			7,741	158,120
Susan F. Davis	72,500	78,879			8,987	160,366
LeRoy D. Nosbaum	79,000	78,879			3,931	161,810
Joseph D. Rupp	90,000	78,879			4,791	173,760
Curtis M. Stevens	77,500	78,879			6,824	163,203

(1) Amounts shown reflect fees earned by the directors from the Company during fiscal year 2018. During fiscal 2018, Messrs. Buck and Stevens elected to defer cash compensation of $71,500 and $9,688, respectively, under the Quanex Building Products Corporation Deferred Compensation Plan in the form of notional units.

(2) These columns show respectively, the aggregate grant date fair value for restricted stock units and stock options awarded in fiscal 2018 computed in accordance with FASB ASC Topic 718. There were no grants of stock options to non-employee directors during fiscal 2018. Director grants vest immediately and as such are expensed on the date of grant. A discussion of the assumptions used in computing the grant date fair values may be found in Note 15, "Stock-Based Compensation," included in the audited financial statements including in the Company's Annual Report on Form 10-K for the year ended October 31, 2018. These values reflect the Company's assumptions used to determine the accounting expense associated with these awards and do not necessarily correspond to the actual value that may be recognized by the directors.

The following table shows the grant date fair value of restricted stock units and option grants made during fiscal year 2018 as well as the aggregate number of restricted stock units and stock option awards outstanding for each non-employee director as of October 31, 2018:

	Restricted Stock Units			Stock Options		
	2018 Grants		Total Units	2018 Grants		Total Stock Options
Name	Grant Date	Grant Date Fair Value ($)	Outstanding as of October 31, 2018 (#)	Grant Date	Grant Date Fair Value ($)	Outstanding as of October 31, 2018 (#)
Buck	11/1/17	78,879	16,545	n/a		20,876
Davis	11/1/17	78,879	23,956	n/a		35,887
Nosbaum	11/1/17	78,879	19,656	n/a		35,398
Rupp	11/1/17	78,879	23,956	n/a		35,887
Stevens	11/1/17	78,879	19,656	n/a		35,398

(3) The Company does not provide a pension plan for non-employee directors. None of the directors received preferential or above-market earnings on deferred compensation.

(4) Amounts shown represent (a) dividends paid during fiscal 2018 on outstanding restricted stock units, and (b) equivalent dividends paid on phantom stock in the Deferred Compensation Plan for Ms. Davis and Messrs. Buck and Stevens of $4,196; $4,432; and $2,893, respectively.

Compensation Discussion and Analysis

Introduction

This section of the proxy describes the compensation paid to the executive officers listed in the "*Summary Compensation Table"* on page 39 of this Proxy Statement:

- William C. Griffiths Chairman, President and Chief Executive Officer ("CEO")
- George L. Wilson Vice President and Chief Operating Officer ("COO")
- Brent L. Korb Senior Vice President Finance and Chief Financial Officer ("CFO")
- Kevin P. Delaney Senior Vice President General Counsel and Secretary
- Scott M. Zuehlke Vice President Investor Relations and Treasurer

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

Business and Compensation Context

Execution on Strategic Imperatives

Beginning early in fiscal 2018, we undertook a thorough assessment of the business and our position within the current economic cycle. As a result, we made a conscious decision to accelerate our de-leveraging plans, by focusing even greater attention to free cash flow generation. The Compensation Committee worked closely with management to develop a comprehensive and effective executive compensation program aligned with the Company's strategy. For fiscal 2018, the Compensation Committee set modified free cash flow as the metric in the annual incentive plan, which is consistent with the 2018 strategic imperatives.

Through continuous improvement, tighter control over working capital, and a reduction in capital expenditures, our management team generated record free cash flow in fiscal 2018 of $78 million. The successful execution of our strategy resulted in returning cash to our shareholders and strengthening our balance sheet, which translated into the following significant accomplishments:

- Doubled the quarterly cash dividend from 4 cents to 8 cents per share;
- Repurchased $32 million of Quanex stock in the fourth fiscal quarter;
- Repaid $28 million of debt; and
- Exited the year at a two-times net debt to Adjusted EBITDA ratio.

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The following graph illustrates critical financial metrics over the prior five-year period. Achievements during fiscal 2018 reflect our focus on free cash flow generation and our commitment to reducing our leverage while returning capital to our

Execution of our Strategy Yielded Record Free Cash Flow Generation in Fiscal 2018, Resulting in Cash to our Shareholders and a Stronger Balance Sheet

Financial Metric(1)	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Revenue ($M)	$ 595	$ 646	$ 928	$ 867	$ 890
EBITDA ($M)	$ 49	$ 60	$ 102	$ 92	$ 88
EBITDA Margin	8.2%	9.3%	11.0%	10.6%	9.9%
Free Cash Flow ($M)	$ (13)	$ 37	$ 50	$ 45	$ 78

(1) For the periods presented above, a reconciliation of EBITDA to Net Income as reported by the Company and a reconciliation of Free Cash Flow to Cash Provided by Operating Activities as reported by the Company, are included in *Annex A* to this Proxy Statement. Free Cash Flow is defined as cash provided by operations less capital expenditures. Free Cash Flow is measured before application of certain contractual commitments (including capital lease obligations), and accordingly is not a true measure of the Company's residual cash flow available for discretionary expenditures.

Realized Compensation and Shareholder Alignment

The effect of the strategic repositioning has meaningfully reduced realized pay for our executives during this time frame. The following chart illustrates the relationship between the CEO's aggregate

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target and realized compensation from fiscal 2014 through fiscal 2018 and the Company's total shareholder return between fiscal 2015 and fiscal 2018.

Note: Target pay includes base salary; target bonus; and the grant date value of options, restricted stock, cash-based performance units, and performance shares for the applicable period. Realized compensation includes base salary, bonus payout, in-the-money value of stock options based on the October 31, 2018 stock price, the value of restricted stock and performance restricted stock units granted during the period based on the October 31, 2018 stock price, and the value of performance shares paid out during the period.

The following table shows the payouts (as a percentage of target) for the Company's annual incentive award program ("AIA") and performance awards under the Company's Long-Term Incentive Plan. Over the past five years, incentive plan payouts have been responsive to Company performance on average, payouts under the AIA and long-term performance award have been approximately 85% of target and 42% of target, respectively.

	Payout (as a % of target)				
Award Type	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**
AIA	78.5%	92.8%	81.4%	0.0%	170.7%
Perf. Award	0.0%	66.8%	100.0%	41.0%	0%

In fiscal 2018, we earned a payout of 170.7% of target under the AIA and 0% of target on the long-term performance award, consistent with our performance on goals during the year.

Responding to Shareholders: Changes for 2019

In line with our commitment to align pay and performance, we undertook careful analysis of the value drivers of our business in relation to our compensation arrangements. As a result, the Compensation Committee decided to change our compensation programs for fiscal 2019. The Compensation Committee believes the decisions made to our program going forward demonstrate our ongoing commitment to align executive compensation with stockholder interests and encourage value

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creation at Quanex. Although these changes are discussed here, the full impact of these decisions will be reflected in 2019 pay and in next year's proxy statement. These recent changes include the following:

- Held target compensation levels flat for executives, with the exception of a 10% adjustment for the COO.
- Changed AIA to be based on 50% EBITDA growth and 50% revenue growth, with a modifier based on working capital as a percentage of sales;
- Changed LTI mix to be 30% restricted stock, 30% performance restricted stock units, and 40% performance share awards;
- Performance share awards will be based 100% on corporate Return on Net Assets (RONA).

Compensation Best Practices

We use traditional compensation elements of base salary, annual incentives, long-term incentives, and employee benefits to deliver attractive and competitive compensation. We benchmark both compensation and Company performance in evaluating the appropriateness of pay. All of our executive pay programs are administered by an independent compensation committee, with assistance from an independent consultant. Some highlights to our executive compensation program include the following actions:

What We Do	What We Don't Do
Link annual incentive compensation to the achievement of an objective pre-established performance goal.	No tax gross ups for new executive officers.
Provide 75% of our long-term compensation in the form of Performance-Based Long-Term Incentives.	We do not allow hedging or pledging of Company stock.
Target the market median for all elements of compensation.	No "single-trigger" change in control cash payments.
Apply robust minimum stock ownership guidelines.	No excessive perquisites.
Maintain a clawback policy.	

Use and review compensation tally sheets.

Evaluate the risk of our compensation programs.

Use an independent compensation consultant.

Seek to optimize deductibility of performance-based compensation.

Compensation Objectives

We design our executive compensation program to further our corporate goal of paying for performance. Our compensation plan and pay strategy focus on and are intended to influence the profit margins of our businesses, cash flow generation, returns to stockholders and efficient management of our operations.

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Our specific objectives and related plan features include:

Objectives	How We Meet Our Objectives
Attract and retain effective leadership	We provide a competitive total pay package, taking into account base salary, incentives, benefits, and perquisites for each executive.
	We regularly benchmark our pay programs against the competitive market, comparing both fixed and variable, at-risk compensation that is tied to short- and long-term performance; we use the results of this analysis as context in making pay adjustments.
	Our plans include three-year performance cycles on long-term incentive awards, three-year vesting schedules on equity incentives, and career-weighted vesting on our supplemental retirement plan to motivate long-term retention.
	We compete effectively for the highest caliber people who will determine our long-term success.
Motivate and reward executives for achieving specific financial goals	We offer a compensation program that focuses on variable, performance-based compensation (through Annual and Long-Term Incentive Awards).
	Specific financial performance measures used in the incentive programs include:
	Fiscal 2018 Annual Incentive Awards (AIA) used a corporate scorecard based on 100% Modified Free Cash Flow, provided the Company achieves the initial performance hurdle of positive operating income (excluding any amounts attributable to corporate). Fiscal 2019 AIA will be based on EBITDA growth and revenue growth, with a modifier based on working capital as a percentage of sales.
	In Fiscal 2018, stock options were replaced with performance restricted stock units ("PRSUs"), which are based 100% on Absolute Total Shareholder Return (TSR) performance. In addition, the fiscal 2018 performance share awards used compounded Earnings Per Share (EPS) Growth to motivate long-term focus on bottom-line performance, Relative Total Shareholder Return (TSR) to reward executives for performance compared to the market, and Return on Invested Capital (ROIC) to encourage effective capital deployment. In fiscal 2019, the performance share awards will be based on corporate Return on Net Assets (RONA).

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Objectives	How We Meet Our Objectives
Create a strong financial incentive to meet or exceed long-term financial goals and build long-term value	We link a significant part of total compensation to Quanex's financial and stock price performance over 70% of our compensation mix is performance-based.
	We deliver 75% of long-term incentives in the form of performance-based compensation.
	For SVPs and above, long-term compensation opportunities are weighted to deliver more than two times the target short-term incentive opportunity, resulting in a significant portion of our total compensation delivered in the form of long-term incentives.
Align executive and shareholder interests	In order to emphasize long-term shareholder returns, we require significant Quanex stock ownership among executives through the use of stock ownership guidelines.
	The ultimate value of our annual equity grants is driven by stock price performance over the grant date value.

Competitive Positioning

Fiscal 2018

The Compensation Committee annually examines the level of competitiveness and continued appropriateness of our executive compensation program. For fiscal 2018, Quanex used comparative compensation data from a group of seventeen direct industry companies, referred to in this CD&A as the "Peer Group," as a point of reference in designing and setting its compensation levels. The Peer Group consists of companies selected on criteria including size, complexity, revenue, market capitalization, risk profile, asset intensity, margins, and industrial application of the primary business. The Compensation Committee reviewed and approved the following companies to be included in the Company's fiscal 2018 peer group:

AAON Inc.	Insteel Industries Inc.	PGT, Inc.
American Woodmark Corp.	LCI Industries	Ply Gem Holdings Inc.
Apogee Enterprises Inc.	Louisiana-Pacific Corp.	Simpson Manufacturing Inc.
Continental Building Products	Masonite International	Trex Company, Inc.
Gibraltar Industries Inc.	NCI Building Systems Inc.	Universal Forest Products Inc.
Griffon Corporation	Patrick Industries Inc.	

All the companies above, except for Insteel Industries, were included in the fiscal 2017 peer group.

Frederic W. Cook & Co., Inc. ("FW Cook"), an independent compensation consultant to the Compensation Committee, used the Peer Group pay information, along with manufacturing and general industry survey data, to develop the appropriate range of compensation for each executive position. FW Cook also prepared an independent analysis of our key performance indicators such as profitability, growth, capital efficiency, balance sheet strength, and total return to stockholders compared to our sixteen industry peers. These results were then reported to the Compensation Committee in order to provide a thorough picture of the competitiveness of pay in the context of our performance as compared with that of our peers. While the Compensation Committee uses this analysis to help frame its decisions on compensation, it uses its collective judgment in determining executive pay. The Compensation Committee exercises discretion in making compensation decisions based on the following inputs: its understanding of market conditions, its understanding of competitive pay analysis, recommendations from the CEO regarding his direct reports, the Committee's overall evaluation of the executive's performance, and our overall compensation strategy.

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Changes for Fiscal 2019

For fiscal 2019, the Company made the following changes to the peer group: added two companies (Armstrong Flooring and CSW Industrials) and removed four companies (LCI Industries, Louisiana-Pacific Corp., Ply Gem Holdings Inc., and Universal Forest Products Inc.). The fifteen companies below comprise the fiscal 2019 peer group:

AAON Inc.	CSW Industrials Inc.	NCI Buildings Systems Inc.
American Woodmark Corp.	Gibraltar Industries Inc.	Patrick Industries Inc.
Apogee Enterprises Inc.	Griffon Corporation	PGT, Inc.
Armstrong Flooring Inc.	Insteel Industries Inc.	Simpson Manufacturing Inc.
Continental Building Products	Masonite International	Trex Company, Inc.

Program Description

Our executive compensation program is a traditional design structure that has been customized to suit the business and organizational objectives of the Company. It includes base salary, annual cash incentive compensation, long-term incentives and executive benefits. Our fiscal 2018 long-term incentive program consisted of restricted stock grants, performance restricted stock units, and performance share awards. The amount of pay that is performance-based for an executive is directly related to the level of responsibility held by the position; accordingly, our highest ranked executive has the most performance-based pay as a percentage of total compensation. We set realistic but challenging goals in our annual incentive and long-term performance plans. In each case, if we fail to meet the pre-determined standards, no plan-based compensation is earned by executives.

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

Base Salary

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

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

While the Compensation Committee applies general compensation concepts when determining the competitiveness of our executives' salaries, the Compensation Committee generally considers base salaries as being competitive when they are within a reasonable range of the stated market target (in this case, the market 50^{th} percentile). In the most recent analysis using both our comparator group and general industry data, the salaries for our named executive officers were within 10% of the market 50^{th} percentile.

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Fiscal 2018 Review: In December 2017, the Compensation Committee decided to maintain current base salaries for the executives based on the Company's relative position to the market and overall stockholder return. The table below provides base salaries for fiscals 2017 and 2018:

Name and Principal Position	Fiscal 2017 Base Salary	Fiscal 2018 Base Salary	Base Salary Increase
William C. Griffiths Chairman, President and CEO	$ 815,000	$ 815,000	0%
George L. Wilson Vice President and COO	$ 450,000	$ 450,000	0%
Brent L. Korb Senior Vice President Finance and CFO	$ 418,000	$ 418,000	0%
Kevin P. Delaney Senior Vice President General Counsel and Secretary	$ 375,000	$ 375,000	0%
Scott M. Zuehlke Vice President Investor Relations and Treasurer	$ 250,000	$ 250,000	0%

Changes for Fiscal 2019: In October 2018, the Compensation Committee decided to maintain current base salaries for the executives, except for Mr. Wilson. Mr. Wilson will receive a 10% increase, from $450,000 to $495,000,

Annual Incentive Awards (AIA)

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

Competitive Positioning: The Company's strategy is to target the market median for annual incentives for performance that meets expected levels. We have established the range of possible payouts under the plan so that our competitive position could be above or below our stated strategy based on performance outcomes. Our most recent analysis showed our named executive officers to be in a range of 104% to 115% of the market median on target total cash compensation.

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

Fiscal 2018: The AIA emphasizes earnings and informed decision making with regard to the Company's operational and strategic goals. To integrate the goals of the AIA throughout the Company, the annual incentive program participation includes the top leaders of all of our domestic business divisions. We believe this is necessary in order to align managers throughout the organization with this incentive structure. The plan design requires the Company (excluding any amounts attributable to corporate) to have positive operating income in order for any Annual Incentive Awards to be paid out. If the performance hurdle is met, then the bonus pool for all Annual Incentive Awards is funded at the maximum bonus opportunity level.

Rigorous Goals: If funded, the Compensation Committee will assess performance against the fiscal 2018 corporate scorecard weighted 100% on Modified Free Cash Flow. Modified Free Cash Flow is defined as Adjusted EBITDA minus changes in accounts receivable, inventory, and accounts payable,

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minus capital expenditures. The Company set rigorous performance expectations based on the forecasted results of the operating divisions and the projected markets for building products. The Committee established performance goals for fiscal 2018 that require the Company to at least perform at last year's levels to earn a payout.

Target Award Levels: Based on competitive market practices for annual incentives, and our compensation strategy, we set a target award opportunity for each of our executives. This is the amount of incentive compensation the executive can earn when performance meets expected results, or "target." The table below reflects the payout percentage of a named executive's base salary at the threshold, target and maximum levels of performance for fiscal 2018.

Potential AIA Payout
Expressed as a % of Salary

Participant	**Threshold**	**Target**	**Maximum**
CEO	50%	100%	200%
COO	37.5%	75%	150%
CFO	32.5%	65%	130%
GC	30%	60%	120%
VP IR & Treasurer	25%	50%	100%

Fiscal 2018 Results: For fiscal 2018, the performance hurdle of positive operating income (excluding corporate) was met, with the Company having earned operating income of $47 million. Once the hurdle was met and the plan was funded, the Compensation Committee determined the incentive payouts. The primary metric for the AIA scorecard considered by the Compensation Committee was the Modified Free Cash Flow target of $69.9 million. In calculating Modified Free Cash Flow, the Committee adjusted the EBITDA component by factoring in the effect of foreign exchange rates, LIFO, stock-based compensation, restructuring related costs, loss on sale, and transaction related costs. The Company achieved Modified Free Cash Flow of $76.6 million, which resulted in an AIA achievement of 171% of target payment for the officers. The AIA achievement resulted in payments to participants as follows:

Participant	**Target %** **(as a % of salary)**	**Achieved %** **(as a % of salary)**
CEO	100%	170.7%
COO	60%	128.0%
CFO	65%	111.0%
GC	60%	102.4%
VP IR & Treasurer	50%	85.4%

Fiscal 2019 Changes: For fiscal 2019, the Compensation Committee took careful consideration of the Company's performance throughout the year. Despite our record performance on free cash flow generation, the Company fell short on our EBITDA growth targets for the year. In line the Company's commitment to be responsive to our shareholders, for fiscal 2019, modified free cash flow will be replaced with a scorecard based on 50% EBITDA growth and 50% revenue growth, with a modifier based on working capital as a percentage of sales. The Compensation Committee believes the combination of EBITDA and revenue growth metrics with a modifier based on working capital % of sales will balance the management team's focus and position the Company strategically for healthy growth and profitability for fiscal 2019. The plan will no longer use positive operating income (excluding any amounts attributable to corporate) as the initial performance hurdle.

AIA participant target payout percentages will remain the same for fiscal 2019.

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Long-Term Incentive Compensation

Purpose: We have a long-term incentive program designed to help align the interests of executive management with shareholders and reward executives for the achievement of long-term goals. Long-term incentives are also critical to the retention of key employees and provide executives an opportunity for personal capital accumulation. For these reasons we have placed more value on the long-term incentive element of compensation than on other elements. The result is that this element of compensation represents at least half of the named executive officers' total direct compensation.

Competitive Positioning: Our long-term incentive philosophy targets the 50th percentile of the market. In our most recent analysis versus the market, we found that the named executive officers' competitive positioning is within approximately 15% of the market 50^{th} percentile. The individual performance of each named executive officer is not considered in the value of the long-term incentive awards granted. Since the goals are set prospectively, the Company's financial performance determines the ultimate value of the award.

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

Target Award Levels: In order to align with our market strategy of targeting the 50^{th} percentile, we have maintained the dollar value of target awards for our executives. This has been the practice for the CEO, CFO, and GC since fiscal 2016 and is new for the VPs in fiscal 2018. The following LTI targets were established for the executives for fiscal 2018:

Participant	**LTI Target**
CEO	$ 2,145,000
COO	$ 900,000
CFO	$ 700,000
GC	$ 594,000
VP IR & Treasurer	$ 175,000

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Fiscal Year 2018 Long Term Incentive Program Design

Vehicles and Goals

At the Compensation Committee's December 2017 meeting, the Compensation Committee elected to change the Company's long-term incentive plan design to consist of a combination of restricted stock, performance restricted stock units (PRSUs), and performance shares. Beginning in fiscal 2018, the PRSUs replaced stock options, resulting in a long-term incentive mix that is 75% performance-based. The allocation between the long-term incentive vehicles is determined by the Compensation Committee based on market information provided by its compensation consultant, as well as input from senior management regarding the key business drivers that allow for the continuation of a results-oriented culture. The Omnibus Plan does not provide for any specific subjective individual performance component in determining the ultimate value of the award. The following chart illustrates the fiscal 2018 allocation of long-term incentives by vehicle type.

Fiscal 2018 LTI Mix