

AZZ INC
Form DEF 14A
June 04, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

AZZ INCORPORATED
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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No fee required.

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- 1) Amount Previously Paid:
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 - 3) Filing Party:
 - 4) Date Filed:
-

AZZ incorporated
One Museum Place, Suite 500
3100 West 7th Street
Fort Worth, Texas 76107

June 1, 2013

Dear Shareholder:

The Board of Directors and Management cordially invite you to attend our Annual Meeting of Shareholders to be held at 10:00 a.m., local time, on Tuesday, July 9, 2013, at AZZ incorporated, One Museum Place, 4th Floor, 3100 West 7th Street, Fort Worth, Texas 76107. The formal Notice of the Annual Meeting of Shareholders and Proxy Statement are attached. Please read them carefully.

It is important that your shares be voted at the meeting in accordance with your preference. Please complete the proxy card located in the envelope's address window by indicating your vote on the issues presented and sign, date and return the proxy card in the prepaid envelope provided. You may also vote your shares over the Internet or by telephone per the instructions printed on the proxy card. If you are able to attend the meeting and wish to vote in person, you may withdraw your proxy at that time.

Sincerely,

/s/ David H. Dingus
David H. Dingus
President and Chief Executive Officer

AZZ incorporated
One Museum Place, Suite 500
3100 West 7th Street
Fort Worth, Texas 76107

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held July 9, 2013

Our Annual Meeting of Shareholders (the “Annual Meeting”) will be held on Tuesday, July 9, 2013, at 10:00 a.m., local time, at AZZ incorporated, One Museum Place, 4th Floor, 3100 West 7th Street, Fort Worth, Texas for the following purposes:

- (1) to elect nine directors to hold office, each for a term of one year;
- (2) to approve an amendment to our Articles of Incorporation increasing the number of shares of common stock we are authorized to issue to 100 million, as described in the accompanying proxy statement;
- (3) to hold an advisory vote on executive compensation (“Say-on-Pay”);
- (4) to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for our fiscal year ending February 28, 2014; and
- (5) to transact any other business as may properly come before the Annual Meeting or any adjournment.

Only shareholders of record at the close of business on May 15, 2013, will be entitled to vote at the Annual Meeting. A copy of our Annual Report to Shareholders for the year ended February 28, 2013, is enclosed with this Notice and Proxy Statement, but it does not form a part of our soliciting material.

To ensure that your vote will be counted, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed prepaid envelope, whether or not you plan to attend the Annual Meeting. You may also vote your shares over the Internet or by telephone per the instructions printed on the proxy card. You may revoke your proxy in the manner described in the accompanying Proxy Statement at any time before it has been voted at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders' Meeting to be Held on July 9, 2013

The Proxy Statement and Annual Report to security holders for the year ended February 28, 2013, are available at www.edocumentview.com/azz.

By Order of the Board of Directors,

/s/ Dana L. Perry
Dana L. Perry,
Secretary

June 1, 2013
Fort Worth, Texas

PLEASE PROMPTLY SUBMIT YOUR PROXY BY MAIL
WHETHER OR NOT YOU INTEND
TO BE PRESENT AT THE ANNUAL MEETING.

AZZ incorporated
One Museum Place, Suite 500
3100 West 7th Street
Fort Worth, Texas 76107

PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS

To Be Held July 9, 2013

The board of directors of AZZ incorporated (the “Company” or “AZZ”) is soliciting proxies for the 2013 Annual Meeting of Shareholders (the “Annual Meeting”). You are receiving this proxy statement because you own shares of AZZ common stock that entitle you to vote at the Annual Meeting. By use of a proxy, you can vote on the matters to be decided at the Annual Meeting without actually attending the Annual Meeting in person. Simply complete, sign, date and return the enclosed proxy card in the envelope provided, and your shares will be voted at the Annual Meeting in accordance with your instructions. If no instructions are given on your proxy card with respect to a matter on which shares are to be voted, your shares will be voted in accordance with the recommendation of the board of directors contained in this proxy statement. Submitting your proxy by mail will not affect your right to attend the Annual Meeting and vote in person. Brokers may no longer use discretionary authority to vote shares on the election of directors if they have not received instructions from their clients. Please vote your proxy so your vote can be counted.

If you submit your proxy but later decide to change or revoke the instructions you provided, you may do so at any time before the proxies are voted at the Annual Meeting by notifying our corporate secretary in writing at One Museum Place, Suite 500, 3100 West 7th Street, Fort Worth, Texas 76107 that you wish to revoke your proxy, by delivering a subsequent proxy relating to the same shares, or by attending the Annual Meeting and voting in person. Please note, however, that attendance at the Annual Meeting will not, in and of itself, result in your proxy being revoked.

AZZ will begin sending this proxy statement and the enclosed proxy card to our shareholders on or about June 1, 2013.

PROPOSAL 1

ELECTION OF DIRECTORS

Our by-laws, as amended to date, provide that the board of directors will consist of twelve members, each serving a one-year term. Our by-laws previously provided for the board of directors to be classified into three staggered classes, the members of which served three-year staggered terms, but the board of directors determined that it is in the best interests of the Company and its shareholders to eliminate this staggered board structure and amended the Company's by-laws accordingly. We currently have nine directors, all of whom are standing for re-election. Our Nominating and Corporate Governance Committee has determined that our board's composition of nine directors, rather than twelve, is sufficient from a governance perspective. Proxies cannot be voted for a greater number of nominees than the number of nominees named herein.

The board of directors has nominated the nine directors who currently serve as members of the board of directors, each of whose term expires at this year's Annual Meeting, for election to a one-year term expiring at the 2014 Annual

Meeting of Shareholders. In order to be elected, a nominee for director must receive a plurality of the votes properly cast at the meeting in person or by proxy. Therefore, the nine nominees who receive the most votes will be elected, provided that a quorum is present at the meeting. The proxies solicited by the board of directors cannot be voted for a greater number of persons for election to the board of directors than the number of nominees described above.

Each of the nominees has consented to serve if elected. If for any unforeseen reason a nominee would be unable to serve if elected, the persons named in the accompanying proxy may exercise their discretion to vote for a substitute nominee selected by the board of directors. However, the board has no reason to anticipate that any of the nominees will not be able to serve, if elected.

Nominees:

Dr. H. Kirk Downey, 70, has been a director of AZZ since 1992. Dr. Downey currently is an independent business consultant and investor. Dr. Downey served as professor of management, dean and associate provost for academic affairs at Texas Christian University from 1983 to 2000. Dr. Downey is also chairman and a member of the board of trustees of LKCM Funds and LKCM Aquinas Funds, a publicly held family of mutual funds. We believe Dr. Downey's qualifications to sit on the board of directors include his considerable business and leadership experience and his extensive academic background, specifically his experience serving as professor of management, dean and provost for academic affairs at a major university and experience as a director of multiple publicly traded companies, including our Company for over 19 years.

Daniel R. Feehan, 62, has been a director of the Company since 2000. Mr. Feehan has served as president and chief executive officer of Cash America International, Inc., since 2000 and prior to that served as president and chief operating officer since 1990. Mr. Feehan is a director of Cash America International, Inc., a publicly held provider of specialty financial services, and the non-executive chairman of RadioShack Corporation, a publicly held company in the retail consumer electronic goods and services business. We believe Mr. Feehan's qualifications to sit on the board of directors include his executive level leadership experience and ability to provide direction and oversight to the Company's financial reporting and business controls, specifically his experience as a Chief Executive Officer of a publicly traded company, experience in finance and accounting and experience as a director of multiple publicly traded companies.

Peter A. Hegedus, 72, has been a director of AZZ since September 2006. Mr. Hegedus was the Country Manager-ABB Hungary and President of ABB Kft., a specialty electrical equipment manufacturer, from 1994 to 2006, where he was responsible for all activities of the global ABB organization in Hungary. We believe Mr. Hegedus's qualifications to sit on the board of directors include his considerable global business and leadership experience, specifically his experience and knowledge in the global electrical power equipment industry, where he served as Country Manager and President of a segment of a publicly traded global electrical equipment manufacturer.

David H. Dingus, 65, has been a director of AZZ since 1999. Mr. Dingus has served as AZZ's president and chief executive officer since 2001, and served as AZZ's president and chief operating officer from 1998 to 2001. We believe Mr. Dingus's qualifications to sit on the board of directors include his considerable global executive level leadership, merger and acquisition experience, and his ability to identify and implement business strategy obtained through his various leadership roles, which include chief executive roles of privately-held and publicly traded companies, specifically his experience as the Chief Executive Officer of our Company for over 10 years and experience as a director of our Company for over 12 years.

Dana L. Perry, 64, has been a director of AZZ since 1992. Mr. Perry has served as AZZ's senior vice president of finance, chief financial officer and secretary since January 2005, and, prior to that, served as AZZ's vice president of finance, chief financial officer and assistant secretary. We believe Mr. Perry's qualifications to sit on the board of directors include his executive level leadership and management experience, experience in finance and accounting and experience in mergers, acquisitions and corporate strategic development, specifically his experience as the Chief Financial Officer of our Company for over 26 years and experience as a director of our Company for over 19 years.

Daniel E. Berce, 59, has been a director of AZZ since 2000. Mr. Berce has been president and chief executive officer of General Motors Financial Company, Inc. (formerly Americredit Corp.) since its acquisition by General Motors Company in October 2010. Mr. Berce served as AmeriCredit Corp.'s chief executive officer from August 2005 to October 2010, president from April 2003 to October 2010 and as vice chairman and chief financial officer from November 1996 until April 2003. He served as director of Americredit Corp. from November 1990 to October 2010. Before joining Americredit Corp., Mr. Berce was a partner with Coopers & Lybrand, an accounting firm. Mr. Berce currently serves as a director of Cash America International, Inc., and Arlington Asset Investment Corp. We believe Mr. Berce's qualifications to sit on the board of directors include his executive level leadership experience and knowledge of corporate governance, specifically his experience as a Chief Executive Officer of a publicly traded company, experience in finance and accounting and experience as a director of multiple publicly traded companies.

Martin C. Bowen, 69, has been a director of AZZ since 1993. Mr. Bowen was president and chief financial officer of Fine Line, L. P. a privately held investment holding company, for over five years. We believe Mr. Bowen's qualifications to sit on the board of directors include his considerable business and leadership experience, specifically his experience and knowledge in the banking industry where he served as an director and executive officer of a national bank, his knowledge and experience in finance and accounting, and his experience as a director of multiple publicly traded companies, including our Company for over 18 years.

Sam Rosen, 77, has been a director of AZZ since 1996. Mr. Rosen has been a partner in the law firm of Shannon, Gracey, Ratliff & Miller, L.L.P. since 1966. We believe Mr. Rosen's qualifications to sit on the board of directors include his considerable legal expertise in the area of securities, business and merger and acquisitions law representing both public and private companies as a partner in a major law firm, and his experience as a director of multiple publicly traded companies, including our Company for over 15 years.

Kevern R. Joyce, 66, has been a director of AZZ since 1997. Mr. Joyce was senior advisor to ZTEK Corporation, a energy technology company, from 2003 to 2006. Mr. Joyce was president, chief executive officer and chairman of Texas New Mexico Power Company, an electric service company, from 1994 to 2001, and senior advisor to that company until 2003. Mr. Joyce currently acts as a consultant to and investor in various companies. We believe Mr. Joyce's qualifications to sit on the board of directors include his considerable business and leadership experience, specifically his experience and knowledge in the electrical power generation industry, where he served as the Chief Executive Officer of a publicly traded electrical utility company and his knowledge and experience in finance and accounting.

The Board of Directors Recommends That You Vote "FOR" Each of the Nominees Listed Above.

PROPOSAL 2

AMENDMENT OF ARTICLES OF INCORPORATION

General

The board of directors of AZZ is requesting shareholder approval of an amendment to AZZ's Articles of Incorporation (the "Proposed Amendment") to increase the number of shares of AZZ common stock authorized for issuance from 50,000,000 to 100,000,000. The board of directors approved the Proposed Amendment and has directed that it be submitted to a vote of AZZ's shareholders at the Annual Meeting. If approved by the shareholders of AZZ, the Proposed Amendment will become effective upon the filing of Articles of Amendment with the Secretary of State of the State of Texas.

Background and Reason for the Proposed Amendment

The purpose of the Proposed Amendment is to increase the total number of authorized shares of AZZ common stock from 50,000,000 shares to 100,000,000 shares. AZZ could use the additional shares of common stock for potential strategic transactions including, among other things, acquisitions, spin-offs, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and investments, although AZZ has no present plans to do so. In addition, AZZ could use the additional shares of common stock to fund compensation plans and to effect a stock split through a stock dividend. In the event that the shareholders do not authorize the additional shares as discussed in this proxy statement, AZZ would not be able to undertake transactions such as AZZ's previous two-for-one stock split, effected in the form of a stock dividend on July 30, 2012. As of April 5, 2013, AZZ had 50,000,000 authorized shares of common stock. The additional authorized shares would enable AZZ to act quickly in response to opportunities that may arise for these types of transactions, in most cases without the necessity of obtaining further shareholder approval and holding a special shareholders' meeting before such issuance(s) could proceed. AZZ has not entered into any binding or non-binding plans, arrangements or understandings regarding the additional shares that would be authorized pursuant to this proposal. However, AZZ reviews and evaluates potential capital raising activities, transactions and other corporate actions on an on-going basis to determine if such actions would be in the best interests of AZZ and its shareholders.

Effect of Proposed Amendment on Existing Shareholders

The Proposed Amendment would increase the number of AZZ's authorized shares of common stock to 100,000,000, thus permitting AZZ to issue an additional 50,000,000 shares of common stock not currently authorized. Each additional share of AZZ common stock authorized by the Proposed Amendment would have the same rights and privileges as each share of common stock currently authorized or outstanding. The holders of AZZ's existing outstanding shares of common stock will have no preemptive or similar right to purchase any additional shares authorized by the Proposed Amendment. The issuance of a large number of additional shares of AZZ common stock (including any shares comprising a part of the additional shares authorized by the Proposed Amendment) would substantially reduce the proportionate interest that each presently outstanding share of common stock has with respect to dividends, voting and the distribution of assets upon liquidation. However, the increase in the authorized shares of our common stock will not have any immediate dilutive effect on the rights of existing shareholders.

The board of directors believes that it is in the best interests of AZZ and its shareholders to adopt the Proposed Amendment so as to have additional authorized but unissued shares of common stock in an amount adequate to provide for the future needs of AZZ.

The board of directors believes that an additional 50,000,000 authorized shares of AZZ common stock would be adequate to meet AZZ's needs for the foreseeable future. The additional shares authorized by the Proposed Amendment will be available for issuance from time to time by AZZ at the discretion of the board of directors, without further shareholder action or notification (except as may be required for a particular transaction by applicable law, requirements of regulatory agencies or by New York Stock Exchange ("NYSE") rules). The board of directors does not anticipate seeking authorization from AZZ's shareholders for the issuance of any of the shares of common stock authorized by the Proposed Amendment. However, AZZ may ask shareholders to approve future equity compensation plans, and the Proposed Amendment may be necessary for such future equity compensation plans. The availability of 50,000,000 additional shares for issuance in the future will give AZZ greater flexibility and permit such shares to be issued without the expense and delay of holding a special shareholders' meeting. However, there can be no assurance that shareholders would approve of all or even any of the stock issuances undertaken with the additional shares authorized by the Proposed Amendment.

The additional shares authorized by the Proposed Amendment may serve as an anti-takeover device. The board of directors could issue shares of common stock in a manner that makes more difficult or discourages an attempt to obtain control of AZZ by means of a merger, tender offer, proxy contest or other means, including by making shares available for issuance pursuant to a shareholders rights plan or "poison pill." AZZ is not aware of any present efforts by any person to obtain control of AZZ.

AZZ could also use the additional shares of common stock for potential strategic transactions including, among other things, acquisitions, spin-offs, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and investments, although AZZ has no present plans to do so. AZZ cannot provide assurances that any such transactions will be consummated on favorable terms or at all, that they will enhance shareholder value or that they will not adversely affect AZZ's business or the trading price of the common stock. Any such transactions may require AZZ to incur non-recurring or other charges and may pose significant integration challenges and management and business disruptions, any of which could materially and adversely affect AZZ's business and financial results.

Financial and Other Information

The financial statements and other information required by Item 13(a)(1)-(5) of Schedule 14A to be provided herein are incorporated by reference to AZZ's Annual Report on Form 10-K filed with the SEC on April 29, 2013.

Board Recommendation and Required Approval

The board of directors believes that the Proposed Amendment is in the best interests of AZZ and its shareholders and recommends that the shareholders approve the Proposed Amendment. The affirmative vote of the holders of a majority of the outstanding shares of common stock is required for approval of the Proposed Amendment.

The board of directors recommends you vote "FOR" the approval of the proposed amendment to AZZ's Articles of Incorporation, as previously amended, to increase Company's authorized shares of common stock from 50,000,000 shares to 100,000,000 shares of common stock.

PROPOSAL 3

APPROVAL OF THE SAY-ON-PAY PROPOSAL

Federal legislation (Section 14A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) requires AZZ to seek (i) a non-binding advisory shareholder vote (commonly referred to as “Say-on-Pay”) on its executive compensation program as it is described below in the “Compensation Discussion and Analysis” section of this proxy statement and (ii) a non-binding advisory shareholder vote on whether the Say-on-Pay vote should occur every one, two or three years. At the Company's 2012 Annual Meeting, approximately 96% of the votes cast on the desired frequency of the Say-on-Pay vote were in favor of such vote being held annually. Based on these results, the Company has elected to hold the Say-on-Pay vote annually and, following the 2013 Annual Meeting, will hold the next such vote at its 2014 Annual Meeting. Because your vote is advisory, it will not be binding on AZZ or the board of directors, and neither AZZ nor the board will be required to take any action as a result of the voting outcome. However, the vote will provide valuable information regarding investor sentiment about AZZ's executive compensation program. The board will review these voting results and take them into consideration when making decisions regarding AZZ's future executive compensation philosophy, policies and practices.

AZZ requests that you support the compensation program for its named executive officers. AZZ believes the information concerning executive compensation set forth in this proxy statement demonstrates that its executive compensation program was designed in an appropriate manner, consistent with sound corporate governance principles, to support AZZ's strategy and business objectives. The executive compensation program of AZZ is also closely monitored by its board of directors to ensure that the compensation program is within the range of market practices for companies of similar size and complexity. AZZ believes its compensation program strikes the appropriate balance between utilizing responsible, measured pay practices and providing appropriate incentives to the named executive officers, and aligning their interests with those of AZZ's shareholders with respect to the creation of long-term value for AZZ's shareholders. Consequently, the board strongly endorses AZZ's executive compensation program and recommends that the shareholders vote in favor of such program by approving the following non-binding advisory resolution:

“RESOLVED, that AZZ's shareholders approve the compensation of AZZ's named executive officers as described in the narrative and tables under “Compensation Discussion and Analysis” contained in the proxy statement for the Company's 2013 Annual Meeting.”

The board of directors unanimously recommends a vote FOR the approval, on a non-binding advisory basis, of AZZ's executive compensation.

PROPOSAL 4

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the board of directors has selected BDO USA LLP (“BDO”) as our independent registered public accounting firm for the fiscal year ending February 28, 2014 subject to your ratification.

The board of directors is asking you to ratify the selection of BDO. Although our by-laws do not require this ratification, the board of directors believes that the selection of the independent registered public accounting firm is an important matter of shareholder concern and that a proposal that shareholders ratify this selection is an important opportunity for you to provide direct feedback to the Board of Directors on an important issue of corporate governance. If our shareholders do not ratify the selection, we will consider that action as a direction to the Audit Committee and the board of directors to consider the selection of a different firm. Even if you do ratify this selection, the Audit Committee can select a different independent registered public accounting firm, subject to ratification by the full board of directors, whenever it determines that such a change would be in the best interests of the Company and its shareholders.

Representatives of BDO will be present at the Annual Meeting to respond to questions and will have the opportunity to make a statement.

The board of directors unanimously recommends a vote "FOR" for the ratification of BDO as the Company's independent registered public accounting firm for fiscal 2014.

MATTERS RELATING TO CORPORATE GOVERNANCE, BOARD STRUCTURE, DIRECTOR COMPENSATION AND STOCK OWNERSHIP

Corporate Governance

The board of directors believes very strongly that good corporate governance is a prerequisite to achieving business success. The board of directors has adopted formal, written Corporate Governance Guidelines designed to strengthen our corporate governance. In 2003, the board amended those guidelines to meet new requirements of the U.S. Securities and Exchange Commission (“SEC”) and the NYSE. Among other things, the enhanced guidelines contain standards for determining whether a director is independent. The board also adopted a Code of Ethics applicable to all of our directors, officers and employees, and charters for each of the board's committees. The nominating and corporate governance committee is responsible for overseeing and reviewing the Corporate Governance Guidelines and Code of Ethics at least annually, and recommending any proposed changes to the full board for its approval. The AZZ incorporated Corporate Governance Guidelines, Code of Ethics and charters for the audit, compensation and nominating and corporate governance committees are available on our web site at www.azz.com, under the heading “Investor Relations - Corporate Governance”.

You may also obtain a copy of these documents by mailing a request to:

AZZ incorporated
Investor Relations

One Museum Place, Suite 500
3100 West Seventh Street
Fort Worth, TX 76107

Director Independence

It is our policy that the board of directors will at all times consist of a majority of independent directors. In addition, all members of the audit committee, compensation committee and nominating and corporate governance committee must be independent. To be considered independent, a director must satisfy the independence requirements established by the NYSE and the SEC. The board will consider and apply all facts and circumstances relating to a director in determining whether that director is independent. The board has determined that all of the current members of the board of directors are independent except for directors David H. Dingus and Dana L. Perry.

Directors' Attendance at Board and Committee Meetings and at the Annual Meeting of Shareholders

Our board of directors met seven times during fiscal year 2013. Each director attended at least 75% of the total number of board meetings and meetings of the board committee or committees on which he served during fiscal 2013. Although we have no formal policy on the matter, all directors are encouraged to attend, and typically have attended, our Annual Meeting of Shareholders. All of our directors except Mr. Joyce attended the 2012 Annual Meeting of Shareholders.

Board Committees

There are three standing committees of the board of directors. They are the nominating and corporate governance committee, the audit committee and the compensation committee. A brief description of each committee's function, the number of meetings held during the last fiscal year and the names of the directors who are members of the committees follows.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee is responsible for considering and making recommendations to the board regarding nominees for election to the board and the membership of the various board committees. The committee is also responsible for recommendations to the board regarding compensation of our directors and is responsible for establishing and overseeing the AZZ incorporated Corporate Governance Guidelines, the AZZ incorporated Code of Ethics described earlier in this proxy statement and the Director Nomination Process which is set forth below. The nominating and corporate governance committee met on four occasions during the last fiscal year. Committee members are Directors Berce (chairman), Rosen, Downey, Bowen and Joyce.

Audit Committee. The audit committee provides assistance to the board in overseeing AZZ's accounting, auditing, financial reporting and systems of internal controls regarding finance and accounting. As part of its duties, the audit committee is directly responsible for the appointment, compensation, retention and oversight of our independent auditors. The committee also reviews our quarterly and year-end financial statements. The audit committee held five meetings during the last fiscal year. During the last fiscal year, audit committee members were Directors Feehan (chairman), Berce, and Joyce. The board of directors has determined that each member of the audit committee is an audit committee financial expert, as defined by the SEC, and has accounting or related financial management expertise within the meaning of NYSE listing standards.

Compensation Committee. The compensation committee establishes, amends and oversees AZZ's incentive-based compensation plans and sets compensation for our chief executive officer, and approves compensation for our other executive officers and other senior management. It also oversees the administration of other compensation and benefit plans and recommends to the board changes in or the establishment of compensation and benefit plans for our employees. The committee held four meetings during the last fiscal year. Compensation committee members are Directors Joyce (chairman), Berce, Hegedus and Downey.

Meetings of Independent Directors without Management Present

To empower our independent directors to serve as a more effective check on management, our independent directors meet at regularly scheduled executive sessions without members of AZZ's management present. The independent directors met without management present four times during the last fiscal year. Executive sessions ordinarily are held in conjunction with quarterly scheduled board meetings. Dr. Downey, as our independent chairman of the board, presides over these meetings.

Board Leadership Structure

The board of directors has flexibility under its governance guidelines to select an appropriate leadership structure. At present, the board believes that it is preferable for one of its independent, non-employee members to serve as chairman. The board further believes this structure is appropriate given that the board views the Chief Executive Officer as having the day-to-day responsibility to run the Company, while the board chairman has the responsibility to coordinate the board. The non-employee directors appoint the non-executive chairman of the board. This chairman/Chief Executive Officer separation is believed to help ensure, and strengthen, the overall independent role of the non-employee directors. The duties of the chairman are to:

- Preside at board meetings;
- Preside at executive sessions or other meetings of the non-management directors;
- Recommend the retention of consultants, legal, financial, or other professional advisors who are to report directly to the board;
- Consult with management as to the agenda items for board and committee meetings; and
- Coordinate with committee chairs in the development and recommendations regarding board and committee meeting schedules.

The board of directors believes its leadership structure not only provides for strong independent leadership, but also is in the best interest of the Company's shareholders given that it effectively positions the Chief Executive Officer as the Company's leader and permits him to focus his entire energies on daily managing the overall business operations. The board understands that its approach to leadership structure may evolve over time. Consequently, the board intends to periodically re-examine its corporate governance policies and leadership structure to ensure that they continue to meet the Company's needs and objectives.

Board's Role in Risk Oversight

The Company's board of directors has overall responsibility for the effective oversight of risk, whether financial, operational or strategic. This oversight function necessarily focuses on the most significant risks facing the Company and is deemed an important priority by the board. The board does not attempt to view in isolation the risks facing the Company, but tries to consider risk holistically and as a proper component of the Company's strategy. The board does not believe it is possible, nor even desirable, to eliminate all business risk. Rather, reasonable and fully-considered risk-taking is deemed appropriate and necessary for the Company to remain competitive in its industries.

While the board of directors generally oversees risk management, the responsibility for daily managing these risks resides with the Company's management team. The Company has established numerous internal processes for identifying and managing risk including comprehensive internal and external audit processes. These processes have been designed to allow management to effectively identify and manage risks and to timely communicate the results of such activities to the board. Management routinely communicates with the board, its committees and individual directors, as appropriate, regarding various risks. All directors have direct and open access to the Company's executive officers and various other members of the management team. As a result, throughout the year, the board and its committees communicate with each other and with management. Periodically, the Company's strategic and

operational risk are presented and thoroughly discussed with the board during the Chief Executive Officer's operational report. The Company's financial risks are specifically addressed during the formal presentation of its financial results at each board meeting. The board further considers risks when considering specific proposed actions. Though the board has not adopted a formal policy regarding the review and approval of related party transactions, as defined under Item 404 of Regulation S-K of the SEC's regulations, the board's practice is to review any proposed transactions involving amounts exceeding \$120,000 between the Company and related persons (directors, executive officers, or shareholders owning at least 5% of the Company's outstanding stock and the immediate family members of such persons), including the risks that could result therefrom.

In addition to the presentation of information to the full board of directors, the board has delegated responsibility for the oversight of certain risks to the proper board committee. These committees regularly meet and report to the full board of directors at each board meeting. In particular:

The audit committee oversees the risks relating to the Company's financial statements, its financial reporting processes, accounting and legal/ethical compliance matters. The committee also oversees the internal audit function. Further, it broadly reviews the Company's credit, liquidity and, legal risks. The committee also oversees the guidelines, policies and processes by which the Company manages, and mitigates as appropriate, the various financial risks.

The compensation committee oversees the risks relating to the compensation philosophy and programs of the Company and generally evaluates the effect the Company's compensation structure may have on management risk taking. The committee also monitors risks relating to overall management and organizational structure, as well as succession planning at the executive officer and key employee levels.

The corporate governance and nominating committee provides oversight on risks relating to the governance structure and processes of the Company.

As indicated above, the board of director's proper role is risk oversight as opposed to the day-to-day management of risks, which is the focus of the Company's management team. The board believes this division of responsibility provides an effective means for addressing the full spectrum of risks facing the Company. Furthermore, the board believes that its leadership structure, with an independent, non-management chairman of the board and of each committee, supports its risk oversight function.

DIRECTOR COMPENSATION

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the board. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company and the skill-level required by the Company of members of the board.

Fees Paid to Directors (Cash and Equity Compensation paid to Board Members)

Each director who was not an AZZ employee received the following cash compensation for services to the board during fiscal year 2013:

- a fee of \$27,500 annually;
- \$2,500 for each quarterly meeting of the board of directors he attended;
- \$1,000 for each nominating and corporate governance committee or compensation committee meeting he attended as a member and \$1,500 for each audit committee meeting he attended as a member.

Director Joyce, who served as the chairman of the compensation committee, received additional cash compensation of \$1,500 during fiscal 2013 for serving as chairman of this committee. Directors Downey and Berce, each of whom served as chairman of the nominating and corporate governance committee of the board of directors for a portion of fiscal 2013, received additional cash compensation of \$1500 and \$0, respectively, during fiscal 2013 for serving as chairman of this committee. The chairman of the audit committee, Director Feehan, received additional cash compensation of \$3,000 during fiscal 2013 for serving as chairman of this committee. Director Downey received additional cash compensation of \$49,200 for serving as independent chairman of our board of directors.

In addition to the cash compensation described above, each independent director also received shares of our common stock and stock appreciation rights (“SARs”) as compensation for services to the board during fiscal year 2013. Since our 2004 Annual Meeting, we have granted 1,000 shares to each independent director for such services performed during our fiscal year, and each independent director received 1,000 shares for such services during fiscal 2013 (which shares were granted under the AZZ incorporated Amended and Restated 2005 Long Term Incentive Plan (the “Plan”). The Company also granted 2,724 SARs to each independent director for such services during fiscal 2013 (which SARs were also granted under the Plan).

Director Summary Compensation Table

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended February 28, 2013.

Name (1)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(2)	Option/ SARs Awards (\$)(3)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred
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