

# SCHULMAN A INC

## **FORM DEF 14A** (Proxy Statement (definitive))

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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

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

**A. Schulman Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:



**3637 Ridgewood Road  
Fairlawn, Ohio 44333**

October 28, 2016

To Our Stockholders:

You are cordially invited to attend our 2016 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Friday, December 9, 2016, at 10:00 a.m. local time, at The Hilton Inn West, 3180 West Market Street, Akron, Ohio 44333.

Details of the business to be conducted at the Annual Meeting are provided in the attached notice of Annual Meeting of Stockholders and proxy statement. As an owner of our common stock, you are being asked to vote on a number of important matters. First, we are asking you to elect eight directors whose terms will expire at the annual meeting in 2017. Information regarding the proposed director nominees, seven of whom are currently serving as a director and one of whom is a first time director nominee, is located in the proxy statement. Second, we are asking you to ratify our selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2017. Third, we are asking you to consider and approve, on an advisory basis, the compensation of certain of our executive officers.

Your vote on these matters is important, regardless of the number of shares you own, and all stockholders are cordially invited to attend the Annual Meeting in person. Whether or not you plan to attend in person, it is important that your shares of common stock be represented and voted. In order to ensure your shares are represented, we urge you to complete, execute and return the enclosed form of proxy, or to submit your proxy electronically through the Internet or by telephone promptly.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph M. Gingo", is written over a horizontal line.

Joseph M. Gingo  
Chairman, President and Chief Executive Officer



3637 Ridgewood Road  
Fairlawn, Ohio 44333

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Notice is hereby given that the Annual Meeting of Stockholders of A. Schulman, Inc. (“A. Schulman” or the “Company”) will be held at The Hilton Inn West, 3180 West Market Street, Akron, Ohio 44333, on Friday, December 9, 2016, at 10:00 a.m. local time, for the purpose of considering and acting upon the following matters, all of which are more completely set forth in the accompanying proxy statement:

1. election of eight directors to our Board;
2. ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for the fiscal year ending August 31, 2017;
3. approval, on an advisory basis, of the compensation of the Company’s named executive officers; and
4. transaction of any other business as may properly come before the stockholders at the Annual Meeting and any adjournments thereof.

The Board established October 14, 2016 as the record date for the Annual Meeting, so owners of record of shares of our common stock at the close of business on that date are entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments thereof. Your Board of Directors recommends that you vote: (i) **“FOR”** the election of each of the director nominees; (ii) **“FOR”** the ratification of PricewaterhouseCoopers LLP; and (iii) **“FOR”** the approval of the compensation of our named executive officers.

By order of the Board of Directors,

Andrean R. Horton  
*Executive Vice President,  
Chief Legal Officer and Secretary*

Fairlawn, Ohio  
October 28, 2016

**Your vote is important. Stockholders are requested to complete, date, sign and return the enclosed WHITE PROXY CARD in the envelope provided, which requires no postage if mailed in the United States, or to submit their votes electronically through the Internet or by telephone.**

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**IMPORTANT NOTICE REGARDING DELIVERY OF SECURITY HOLDER DOCUMENTS**

The Securities and Exchange Commission (the “Commission”) permits companies to send a single set of annual disclosure documents to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the company provides advance notice and follows certain procedures. In such cases, stockholders continue to receive a separate notice of the meeting and proxy card. This “householding” process reduces the volume of duplicate information and reduces printing and mailing expenses. A. Schulman, Inc. has not instituted householding for stockholders of record; however, a limited number of brokerage firms may have instituted householding for beneficial owners of A. Schulman, Inc. common stock held through such brokerage firms. If your family has multiple accounts holding shares of A. Schulman, Inc. common stock, you may have already received householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of the annual disclosure documents. The broker will arrange for delivery of a separate copy of the accompanying proxy statement or A. Schulman, Inc.’s annual report promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
STOCKHOLDERS MEETING TO BE HELD ON DECEMBER 9, 2016**

**Our proxy statement, our Annual Report on Form 10-K for the year ended August 31, 2016, and our 2016 Annual Report to Stockholders are available at [www.proxyvote.com](http://www.proxyvote.com) .**



3637 Ridgewood Road  
Fairlawn, Ohio 44333

## PROXY STATEMENT

October 28, 2016

### GENERAL INFORMATION

The accompanying proxy is being solicited by the Board of Directors (the “Board” or “Board of Directors”) of A. Schulman, Inc. (“A. Schulman” or the “Company,” although references to we, our and us also refer to A. Schulman) for use at the 2016 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on December 9, 2016, at 10:00 a.m., local time, and any adjournments thereof. The mailing address of the Company’s principal executive offices is 3637 Ridgewood Road, Fairlawn, Ohio 44333. To obtain directions to the location of the Annual Meeting to attend and vote in person, please contact us at (330) 666-3751. We plan to commence mailing a Notice Regarding the Availability of Proxy Materials to our shareholders on or about October 28, 2016. Shareholders who have previously requested the continued receipt of printed proxy materials will receive this proxy statement, together with the related proxy and A. Schulman’s 2016 Annual Report to Shareholders (the “Annual Report”) by mail.

### QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

#### When and Where Will the Annual Meeting Be Held?

Our Annual Meeting will be held on Friday, December 9, 2016, at 10:00 a.m., local time, at The Hilton Inn West, 3180 West Market Street, Akron, Ohio 44333.

#### Why Did I Receive These Proxy Materials?

You have received these proxy materials because the Board of Directors is soliciting a proxy to vote your shares at the Annual Meeting. This proxy statement contains information that the Company is required to provide to you under the rules of the Commission and is intended to assist you in voting your shares.

#### Who May Vote at the Annual Meeting?

The Board of Directors has set October 14, 2016 as the “record date” for the Annual Meeting. This means that only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof. At the close of business on October 14, 2016, there were 29,441,860 shares of our common stock, \$1.00 par value, outstanding. Each share of common stock entitles the holder to one vote on each item to be voted upon at the Annual Meeting and there is no cumulative voting.

#### What Is the Difference Between Holding Shares as a “Stockholder Of Record” and as a “Beneficial Owner”?

If your shares are registered directly in your name, you are considered the “stockholder of record” of those shares. We have sent these proxy materials directly to all “stockholders of record.” Alternatively, if your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, which is sometimes called “street name,” then you are the “beneficial owner” of those shares, and these proxy materials were forwarded to you by that organization. The organization holding your shares is the stockholder of record for purposes of voting such shares at the Annual Meeting. As the beneficial owner you have the right to direct that organization how to vote the common stock held in your account by following the voting instructions the organization provides to you.

#### How Do I Vote?

Stockholders of record may vote on matters that are properly presented at the Annual Meeting in four ways:

- by completing the accompanying proxy and returning it in the envelope provided (if you received physical copies of our proxy materials),
- by voting telephonically,
- by voting electronically via the Internet, or
- by attending the Annual Meeting and voting in person.

For the Annual Meeting, we are offering stockholders of record the opportunity to vote their shares electronically through the Internet or by telephone. Instead of submitting the enclosed proxy by mail, stockholders of record may vote by telephone or via the Internet by following the procedures described on the enclosed proxy. In order to vote via telephone or the Internet, please have the enclosed proxy in hand, and call the number or go to the website listed on the proxy and follow the instructions. The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions, and to confirm that stockholders' instructions have been recorded properly. Stockholders voting through the Internet should understand that they may bear certain costs associated with Internet access, such as usage charges from their Internet service providers. The deadline for voting through the Internet or by telephone is 11:59 p.m., Eastern Time, on December 8, 2016.

If you hold your shares in street name, you should follow the voting instructions provided to you by the organization that holds your shares. If you plan to attend the Annual Meeting and vote in person, ballots will be available. If your shares are held in the name of your broker, bank or other stockholder of record, you must bring a legal proxy from the stockholder of record indicating that you were the beneficial owner of the shares on October 14, 2016 in order to vote in person.

### **How Will My Shares be Voted?**

If you vote by mail, through the Internet, by telephone or in person, your shares will be voted as you direct. If you submit a valid proxy prior to the Annual Meeting, but do not complete the voting instructions, your shares will be voted:

- **“FOR”** the election of each of the director nominees listed under **“PROPOSAL ONE — ELECTION OF DIRECTORS,”**
- **“FOR”** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending August 31, 2017 under **“PROPOSAL TWO — RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM,”** and
- **“FOR”** the approval of the compensation of our named executive officers under **“PROPOSAL THREE — ADVISORY VOTE ON EXECUTIVE COMPENSATION.”**

Your Board of Directors recommends that you vote **“FOR”** the election of each of the director nominees and **“FOR”** Proposals Two, and Three.

### **Can Other Matters be Decided at The Annual Meeting?**

On the date that this proxy statement was printed, we did not know of any matters to be raised at the Annual Meeting other than those included in this proxy statement. If you submit a valid proxy and other matters are properly presented for consideration at the Annual Meeting, then the persons appointed as proxies will have the discretion to vote on those matters for you.

### **May I Revoke or Change My Vote?**

Yes, proxies may be revoked at any time before a vote is taken or the authority granted is otherwise exercised. Revocation may be accomplished by:

- the execution of a later dated proxy with respect to the same shares,
- the execution of a later casted Internet or telephone vote with respect to the same shares,
- giving notice in writing to the Corporate Secretary at A. Schulman, Inc., 3637 Ridgewood Road, Fairlawn, Ohio 44333, or
- notifying the Corporate Secretary in person at the Annual Meeting.

If your shares are held in street name and you wish to revoke your proxy, you should follow the instructions provided to you by the record holder of your shares. If you wish to revoke your proxy in person at the Annual Meeting, you must bring a legal proxy from the stockholder of record indicating that you were the beneficial owner of the shares on October 14, 2016. Attending the Annual Meeting will not, by itself, revoke your proxy.

### **Who Pays the Cost of Proxy Solicitation?**

The accompanying proxy is solicited by and on behalf of the Board of Directors, whose notice of annual meeting is attached to this proxy statement, and the entire cost of such solicitation will be borne by the Company. In addition to the use of the mail, proxies may be solicited by personal interview, telephone, facsimile and electronic mail by our directors, officers and employees.



Proposal

• **PROPOSAL THREE — ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Vote Required

- The proposal to approve the resolution regarding the compensation of our named executive officers requires the affirmative vote of the holders of a majority of the common stock present, represented and entitled to vote at the Annual Meeting. Stockholders may vote “**FOR**,” “**AGAINST**” or “**ABSTAIN**” from voting on Proposal Three. Broker non-votes will not be counted for the purpose of determining whether Proposal Three has been approved and will have no effect other than to be counted for quorum purposes. Abstentions will be counted as present and entitled to vote for purposes of Proposal Three and, thus, will have the same effect as a vote against Proposal Three. As this is an advisory vote, the outcome of the vote is not binding on the Compensation Committee or the Board of Directors with respect to future executive compensation decisions, including those relating to the Company’s named executive officers, or otherwise. However, the Compensation Committee and the Board of Directors expect to take into account the outcome of the vote when considering future executive compensation decisions.

**When Must Stockholder Proposals for the 2017 Annual Meeting of Stockholders Be Submitted?**

Any stockholder who intends to present a proposal at the annual meeting of stockholders in fiscal 2017 must deliver such proposal to our Corporate Secretary at A. Schulman, Inc., 3637 Ridgewood Road, Fairlawn, Ohio 44333:

- not later than July 1, 2017, if the proposal is submitted for inclusion in our proxy materials for the meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or
- not earlier than August 11, 2017 and not later than September 10, 2017, if the proposal is submitted pursuant to our Amended and Restated By-Laws (the “By-Laws”). We reserve the right to exercise discretionary voting authority on such proposals if a stockholder has failed to submit their proposal within the designated time period.

**CORPORATE GOVERNANCE**

The Board of Directors has long followed, both formally and informally, corporate governance principles designed to assure that the Board, through its membership, composition and committee structure, is able to provide informed, competent and independent Company oversight.

**Director Independence**

Under the corporate governance listing standards of the NASDAQ Global Select Market (“NASDAQ”) and the Corporate Governance Guidelines for the Board of Directors (the “Corporate Governance Guidelines”), a majority of the members of the Board of Directors must satisfy NASDAQ’s criteria for “independence.” The NASDAQ independence standards include a series of objective tests, such as that the director is not an employee of the Company and has not engaged in various types of business dealings with the Company, to determine whether there are any relationships which would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. To be considered independent, the Board of Directors affirmatively determines that the director has no material relationship with the Company, and each independent director individually affirms, respectively, his independence under the NASDAQ standards. The Board has determined that each of the directors and nominees named below, who are all the directors and nominees other than Mr. Gingo, are independent under applicable NASDAQ standards:

Eugene R. Allspach  
Gregory T. Barmore  
David G. Birney  
Lee D. Meyer

James A. Mitarotonda  
Ernest J. Novak, Jr.  
Kathleen M. Oswald

## Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines, which are available on the Company website at [www.aschulman.com](http://www.aschulman.com). The Corporate Governance Guidelines are intended to assure that director qualifications, committee structure and overall Board processes provide good corporate governance and independent oversight of our management.

### Board Committees

The standing committees currently established by the Board of Directors consist of the following: (i) Executive Committee; (ii) Audit Committee; (iii) Compensation Committee; (iv) Nominating and Corporate Governance Committee; and (v) Finance Committee.

#### *Executive Committee*

The Executive Committee is authorized to act on behalf of the Board of Directors on all corporate actions for which applicable law does not require participation by the full Board. In practice, the Executive Committee acts in place of the full Board of Directors only when emergency issues or scheduling makes it difficult or impracticable to assemble the full Board. All actions taken by the Executive Committee must be reported at the next meeting of the Board of Directors. The Executive Committee currently consists of Messrs. Barmore, Birney, Gingo, and Novak. The Executive Committee held no meetings during the 2016 fiscal year.

#### *Audit Committee*

The Audit Committee operates under a written charter that reflects the corporate governance principles advocated by the Commission and the rules and listing standards of NASDAQ. The Audit Committee currently consists of Messrs. Novak (Chair), Allspach, Barmore, and Meyer. The primary purposes of the Audit Committee are: (i) to assist the Board of Directors in fulfilling its responsibility to oversee our accounting and financial reporting processes, including the quality and integrity of our financial statements and other financial information we provide to any governmental or regulatory body, the public or certain other users thereof; (ii) to assist the Company in fulfilling our compliance with legal and regulatory requirements; (iii) to analyze and review the qualifications, independence and performance of, and our relationship with, our independent registered public accounting firm; (iv) to analyze and review the performance of Company systems of internal accounting and financial controls; (v) to analyze and review the effectiveness of Company processes of internal auditing; and (vi) to assist the Board in monitoring our independent registered public accounting firm in the annual independent audit of our financial statements and the effectiveness of our internal control over financial reporting. The functions performed by the Audit Committee include: (1) reviewing the financial statements with management and our independent registered public accounting firm before publication; (2) reviewing with management and our independent registered public accounting firm significant financial reporting issues and judgments made in connection with the preparation of our financial statements; (3) reviewing with the Chief Executive Officer and Chief Financial Officer any issues pertaining to the certifications required to accompany the filing of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and any other information required to be disclosed in connection therewith; (4) overseeing our internal accounting and financial controls; (5) reviewing legal matters that may have a material impact on our financial statements or compliance policies; (6) establishing procedures for the proper handling of complaints concerning accounting or auditing matters; (7) considering the scope of non-audit services to be performed by our independent registered public accounting firm; (8) reviewing and approving in advance the annual audit plan and scope of work to be performed by the independent registered public accounting firm; (9) overseeing the appointment, compensation, retention and independence of the Company's independent registered public accounting firm; (10) pre-approving all auditing services and permitted non-audit services to be performed by our independent registered public accounting firm; and (11) reviewing all related party transactions that are required to be reported under Item 404(a) of Regulation S-K. Additionally, the Audit Committee oversees our compliance with Section 404 of the Sarbanes-Oxley Act of 2002, as amended, which requires that we establish, maintain and assess adequate internal control structures and procedures for financial reporting.

NASDAQ rules require each member of the Audit Committee to be able to read and understand financial statements. We believe that each member of the Audit Committee, as constituted, satisfies this requirement. Members of the Audit Committee rely, without independent verification, on the information provided to them and on the representations made by management and our independent registered public accounting firm, although each member of the Audit Committee has the authority to engage and determine funding for independent advisors as deemed necessary. Furthermore, the Audit Committee's considerations and discussions do not assure: (i) that the audit of our financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States); (ii) that our financial statements are presented in accordance with the accounting principles generally accepted in the United States ("GAAP"); or (iii) that our independent registered public accounting firm is in fact "independent." A more complete description of these and other Audit Committee functions is contained in the Audit Committee's Charter, a copy of which is available on our website at [www.aschulman.com](http://www.aschulman.com).

The Audit Committee held a total of seven meetings during the 2016 fiscal year. The Audit Committee reviewed with PricewaterhouseCoopers LLP and management our interim financial results prior to the filing of each of our Quarterly Reports on Form 10-Q. The Board has determined that each of the members of the Audit Committee is "independent" as defined under

Rule 5605(a)(2) and Rule 5605(c)(2)(A) of the NASDAQ listing standards. The Board has also determined that the Chair of the Audit Committee, Ernest J. Novak, Jr., is an “audit committee financial expert” as defined in regulations adopted by the Commission.

#### *Compensation Committee*

The primary purpose of the Compensation Committee is to supervise and, to the extent consistent with the Corporate Governance Guidelines, exercise the powers of the Board of Directors with respect to overseeing the use of corporate assets in compensating our executive officers. The Compensation Committee consists of Messrs. Barmore (Chair), Birney, Meyer, Mitarotonda, and Novak. The Compensation Committee has overall responsibility for executive succession planning, management development and approving and evaluating the incentive compensation plans, policies and programs of the Company. As set forth in the Compensation Committee’s Charter, the functions to be performed by the Compensation Committee include: (i) setting the salary and other compensation of the Chief Executive Officer and our other executive officers; (ii) reviewing Company incentive compensation pools prior to the annual determination of individual cash and equity-based incentive awards; (iii) approving all employment, change-in-control and severance agreements, as well as all annuity contracts and benefit or perquisite plans or programs (other than broad-based employee plans or programs), which are proposed for executive officers and certain managers; (iv) periodically reviewing our compensation programs and policies to confirm their alignment with our annual and long-term goals and the interests of the stockholders; and (v) administering, implementing and interpreting our long-term incentive plans, which includes the ability to grant stock options, restricted stock, stock appreciation rights, performance incentives, and similar plans and arrangements. The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to one or more members of the Committee; provided, however, that such members must conduct business in accordance with the Compensation Committee Charter. In addition, the Compensation Committee may delegate to the Chief Executive Officer, or another executive designee, the authority to approve salary and other compensation for employees below the executive officer level in accordance with overall pools, policy guidelines and limits approved by the Committee. Pursuant to its Charter, the Compensation Committee has the authority to retain special counsel, compensation consultants and other experts, as it deems appropriate, to carry out its functions and to approve the retention terms for any such counsel, consultants or experts. A more complete description of these and other Compensation Committee functions is contained in the Compensation Committee’s Charter, a copy of which is available on our website at [www.aschulman.com](http://www.aschulman.com) and in the **Compensation Discussion and Analysis** section of this proxy statement beginning on page 17. The Compensation Committee held five meetings during the 2016 fiscal year. The Board has determined that each of the members of the Compensation Committee is “independent” as defined under Rule 5605(a)(2) of the NASDAQ listing standards.

#### *Compensation Committee Interlocks and Insider Participation*

None of the members of the Compensation Committee is, or has been, an employee or officer of the Company, and there are no interlocking relationships between the Company and other entities that might affect the determination of the compensation of our executive officers.

#### *Relationship with Executive Compensation Advisers*

As permitted by the Compensation Committee Charter, the Compensation Committee retained the services of Pay Governance, LLC (“Pay Governance”) as its primary outside compensation adviser for fiscal 2016 to provide consulting services with respect to the Company’s compensation practices. Pursuant to the terms of its engagement by the Compensation Committee, Pay Governance generally reviewed, analyzed and provided advice regarding our executive compensation programs in relation to the objectives of those programs, including comparisons to designated peer group companies and comparisons to “best practices,” and provided information and advice on competitive compensation practices and trends, along with specific views on our executive compensation programs. In its role as compensation consultant, representatives of Pay Governance engaged in discussions with the Compensation Committee and responded on a regular basis to questions from the Committee and the Committee’s other advisors, providing them with their opinions with respect to the design and implementation of current or proposed compensation programs. Pay Governance did not provide the Company with any consulting services other than those required in the scope of its support of the Compensation Committee. During fiscal 2016, Pay Governance reported directly to the Compensation Committee and the Committee retained the sole authority to retain or terminate Pay Governance.

During fiscal 2016, the Compensation Committee also engaged the law firm of Vorys, Sater, Seymour and Pease LLP (“Vorys”) to provide certain legal advisory services to the Compensation Committee from time to time. In that role, Vorys reported directly to the Compensation Committee and the Committee retained the sole authority to retain or terminate Vorys for such services.

The Compensation Committee must consider certain independence factors before selecting compensation consultants and other compensation advisers. In connection with the foregoing, the Compensation Committee reviewed, considered and discussed the relevant factors established by NASDAQ to determine such independence, both through surveying Pay Governance and Vorys, and by soliciting input from the members of the Compensation Committee through our annual director and officer questionnaires. Based on this review, consideration and discussion, the Compensation Committee determined that the work performed and to be performed by Pay Governance as the Committee’s primary compensation adviser for fiscal 2016, and the work performed and to be performed by

Vorys on behalf of the Committee, has not raised and does not raise any conflict of interest. The Compensation Committee also determined that Pay Governance and Vorys qualify as independent for purposes of the Exchange Act and the NASDAQ Corporate Governance Requirements.

#### *Nominating and Corporate Governance Committee*

The primary purposes of the Nominating and Corporate Governance Committee are: (i) to identify individuals qualified to become directors; (ii) to recommend to the Board of Directors the candidates for election by stockholders or appointment by the Board to fill a vacancy; (iii) to recommend to the Board of Directors the composition and chairs of Board committees; (iv) to develop and recommend to the Board of Directors guidelines for effective corporate governance; and (v) to lead an annual review of the performance of the Board of Directors and each of its committees. The Nominating and Corporate Governance Committee currently consists of Messrs. Reid (Chair), Allspach, and Birney. A more complete description of these and other Nominating and Corporate Governance Committee functions is contained in the Nominating and Corporate Governance Committee's Charter, a copy of which is available on our website at [www.aschulman.com](http://www.aschulman.com). The Nominating and Corporate Governance Committee held four meetings during the 2016 fiscal year. The Board has determined that each of the members of the Nominating and Corporate Governance Committee is "independent" as defined under Rule 5605(a)(2) of the NASDAQ listing standards.

#### *Director Recommendations and Nominations*

In its role as the nominating body for the Board of Directors, the Nominating and Corporate Governance Committee reviews the credentials of potential director candidates (including potential candidates recommended by stockholders), conducts interviews and makes formal recommendations to the Board for the annual election or interim appointment of directors. In making its recommendations, the Nominating and Corporate Governance Committee considers a variety of factors, including, but not limited to:

- whether the prospective candidate has demonstrated achievements in business, education or public service or otherwise possesses the requisite intelligence, education and experience to make a significant contribution to the membership of the Board of Directors;
- whether the prospective candidate will contribute a range of skills and a diversity of perspectives to the Board;
- whether the prospective candidate possesses the highest ethical standards, a strong sense of professionalism and is prepared to serve the interests of all stockholders; and
- whether the prospective candidate has the ability and willingness to commit adequate time to Board and committee matters.

As listed above, diversity of viewpoints, background, experience and other demographics are a few of several criteria on which the Nominating and Corporate Governance Committee bases its evaluation of potential candidates for director positions. Although we do not have a specific diversity policy for director candidates, the inclusion of diversity in the listed criteria reflects the Board of Director's belief that diversity is an important component of an effective Board, and the Nominating and Corporate Governance Committee considers diversity aspects when it evaluates director candidates and their specific skills, expertise and background.

For those director candidates who are also Company employees, the Nominating and Corporate Governance Committee considers members of the executive management of the Company who have or are in the position to have a broad base of information about the Company and our business. The Board of Directors Candidate Guidelines are attached as Exhibit A to the Corporate Governance Guidelines, a copy of which is available on our website at [www.aschulman.com](http://www.aschulman.com). The Nominating and Corporate Governance Committee has in the past engaged a professional search firm (to which it paid a fee) to assist in identifying and evaluating potential nominees, and may do so again in the future.

It is our policy that a director shall not stand for election to serve as a director after the month of such director's 75th birthday, although our Board of Directors, in consultation with management and the retiring member, may waive this retirement policy under special circumstances.

#### *Recommendations*

Any stockholder may recommend a person to be considered by the Nominating and Corporate Governance Committee to be a nominee for election as a director. To be considered, all such recommendations must be in writing and must comply with the Procedures for Stockholders to Recommend Candidates for Directors (which are available on our website at [www.aschulman.com](http://www.aschulman.com) under the investor relations tab and the corporate governance link, <http://ir.aschulman.com/index.cfm>). Any stockholder wishing to make such a recommendation should send a signed letter of recommendation to the following address: A. Schulman, Inc., 3637 Ridgewood Road, Fairlawn, Ohio 44333, Attention: Chair of the Nominating and Corporate Governance Committee, c/o Corporate Secretary. Recommendation letters must state the reasons for the recommendation and contain the full name and address of each proposed nominee, as well as a brief biographical history setting forth past and present directorships, employments, occupations and civic activities. Each recommendation must be accompanied by a written statement from the proposed nominee consenting to be named as a candidate and, if nominated and elected, consenting to serve as a director. We may also require a candidate to furnish

additional information regarding his or her eligibility and qualifications. It is the policy of the Nominating and Corporate Governance Committee to review and evaluate candidates proposed by stockholders on the same basis as candidates that are suggested by Board members, executive officers or other sources.

The Nominating and Corporate Governance Committee received one recommendation from a stockholder proposing four candidates for consideration before the 2016 Annual Meeting. The recommendation, however, was not received until October 10, 2016, which did not allow for review and evaluation of the candidates on the same basis as other candidates and therefore such candidates were not nominated for election at the 2016 Annual Meeting.

### *Nominations*

Only persons who have been nominated in accordance with our Amended and Restated By-Laws are eligible for election as directors. Nominations for election may be made at a stockholder meeting by the Board of Directors (or any nominating committee or person appointed by the Board of Directors), or by a stockholder entitled to vote for the election of directors at that meeting and who has complied with the notice provisions set forth in Section 3 of our Amended and Restated By-Laws. The notice provisions require any stockholder who intends to nominate a director for election to deliver written notice to our Corporate Secretary not less than 90 days and no earlier than 120 days prior to the one year anniversary date of our preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within the 30 days before or after such anniversary date, the notice by the stockholder must be received not later than the close of business on the 10th day following the day on which (i) notice of the date of the annual meeting was mailed or (ii) public disclosure of the date of the annual meeting was made, whichever first occurs. This period is intended to give the Nominating Committee sufficient time to consider candidates on the same basis as all other candidates. In order for a stockholder to nominate a director for election at our 2017 annual meeting of stockholders, a nomination must be received by the Corporate Secretary no earlier than August 11, 2017 and not later than September 10, 2017. The stockholder's notice to the Corporate Secretary must set forth the following as to each person whom the stockholder proposes to nominate for election or reelection as a Director:

- that person's consent to such nomination,
- the name, age, business address and residence address of the person,
- the principal occupation or employment of the person,
- the class and number of shares of capital stock of the corporation which are beneficially owned by the person and
- any other information relating to the person that is required to be disclosed in solicitations for proxies for election of Directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder.

The stockholder's notice must also provide the following information as to the stockholder making the nomination:

- the name and record address of such stockholder,
- the class and number of shares of capital stock of the Company which are beneficially owned by the stockholder,
- a description of all arrangements and understandings between such stockholder and each proposed nominee and any other person (including his name and address) pursuant to which the nomination(s) are to be made by such stockholder,
- a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and
- any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as Director of the Company. No person shall be eligible for election as a Director of the corporation unless nominated in accordance with the procedures set forth in our Amended and Restated Bylaws. The presiding officer of the annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with those procedures, and if he should so determine and the defective nomination will be disregarded.

### *Finance Committee*

The primary functions conducted by the Finance Committee include oversight of the processes that the Company's executives use to manage, and review of the information and recommendations provided by management with respect to the Company's capital structure including issuances of debt and equity securities, credit agreements and material changes thereto, short-term investment policy, foreign currency financial exposures and hedging programs, risk management and insurance programs, financial impact of

employee plans, dividend and other capital policies and programs, and global treasury and liquidity management strategies. In connection with the foregoing, the Finance Committee is responsible for reviewing and approving decisions and policies to enter into swaps, forwards, futures, options, caps, floors, collars, spot contracts, other derivative transactions, to manage commercial risk in connection with the business activities of the Company and the agreements, documents and other confirming evidence of the same, including any form of master agreement, and to review and provide for compliance with any regulatory requirements which may be applicable in connection with the entering into of swaps, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any requirements for the clearing and/or execution of swaps or the determination not to clear swaps and the election of exceptions from the clearing and execution requirements thereunder. The Finance Committee is also responsible for oversight of the Company's due diligence processes used to assess financial risks related to mergers and acquisitions.

A more complete description of these and other Finance Committee functions is contained in the Finance Committee Charter, which is available on our website at [www.aschulman.com](http://www.aschulman.com). The Finance Committee consists of Messrs. Meyer (Chair), Mitarotonda, and Reid. The Finance Committee held two meetings during fiscal 2016.

### **Attendance at Meetings**

There were 12 meetings of the Board of Directors during fiscal 2016. Each director attended at least 75% of the aggregate of all meetings of the Board of Directors and any committees thereof on which such director served during the year. In accordance with our Corporate Governance Guidelines, directors are expected to attend all meetings of the Board of Directors (although it is understood that, on occasion, a director may not be able to attend a meeting). Directors are also encouraged to attend the Annual Meeting of Stockholders. All current members of the Board of Directors attended the annual meeting of stockholders held on December 11, 2015.

### **Board Leadership, Non-Executive Chairman, and Lead Independent Director**

Joseph M. Gingo has served as Chairman of the Board of Directors since 2008 when he then was serving as President and Chief Executive Officer. The Board of Directors continued the appointment of Mr. Gingo as Chairman after his service as President and Chief Executive Officer initially ended on December 31, 2014, and also continued the appointment upon his reappointment as President and Chief Executive Officer on August 18, 2016. While each of our non-employee directors brings unique experience, oversight and expertise from outside the Company and its industry, the Board of Directors believes that Mr. Gingo's Company-specific experiences and expertise uniquely allow him to continue to effectively direct Board discussions and focus Board decision-making on those items most important to the Company's overall success.

While the Board of Directors believes that the continued role of Mr. Gingo as Board Chairman provides a continuity of leadership and expertise at the Board level, the Board also recognizes the importance of its responsibility to provide independent oversight of Company management generally, and to make independent performance, risk, and compensation related decisions regarding management. Therefore, to help maintain an appropriate balance between the Board's focus on strategic development and its independent management oversight responsibilities, the Board has continued the position of Lead Independent Director, which it first created in 2005. David G. Birney currently serves as our Lead Independent Director. In that role, he is responsible for presiding at all executive sessions of the Board of Directors, acting as an active liaison among our independent non-employee directors, maintaining frequent contact with Mr. Gingo as Chairman and President and Chief Executive Officer, and being advised generally on the progress of Board and committee meetings. Through this long-served role of an active, engaged Lead Independent Director, the Board of Directors continues to believe that it appropriately balances its leadership structure between promoting strategic development and actively overseeing management through independent Board leadership. The Board of Directors also believes that this leadership structure continues to further an environment of independent, open and efficient communication with management, which is consistent with the Company's four guiding principles: Open, Honest, Listen and Accountable.

### **Board's Role in Risk Oversight**

Our Board of Directors has oversight responsibility of our enterprise risk management ("ERM"), while management is primarily responsible for the day-to-day risk management processes. We face risks in a variety of areas including, but not limited to, strategy, operations, finance, legal, marketing, information technology, human resources, communications and procurement. In order to effectively identify, evaluate and manage our potential risks, the Board of Directors and management have jointly developed an extensive ERM program under which management, with Board oversight, has identified the primary risks facing our business, operations and strategy. As part of the risk identification process, management annually conducts interviews with our key business and functional leaders to help develop and identify risk action items. Thereafter, for each action item, the Board of Directors and management: (i) assign a specific prioritization level; (ii) identify ways to mitigate and manage such action item; and (iii) delegate responsibility to a particular unit or group for addressing each action item. As part of the ERM process, management regularly reports and discusses identified risk action items with the Board or a designated Board committee to which the Board has allocated responsibility to examine identified items arising in a specific committee's area of responsibility. For example, the Compensation Committee is given responsibility for overseeing risk management with respect to our executive and non-executive compensation programs and practices, including incentive compensation, to help ensure that our compensation policies and practices do not

encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on our Company. In addition, while the Board of Directors remains ultimately responsible for ERM oversight, the Board has delegated to the Strategic Committee the responsibility to assist in the Board's review of management's ERM process and to help ensure that risk responses are effectively implemented.

### **Code of Conduct**

The Board of Directors has adopted a Global Code of Conduct applicable to our officers and employees and a Director Code of Conduct, each of which is available on our website at [www.aschulman.com](http://www.aschulman.com). To further assure compliance, we maintain a worldwide hotline that allows our employees to report confidentially any suspected violation of our Global Code of Conduct. We intend to satisfy the disclosure requirements regarding an amendment to or a waiver from a provision of our Global Code of Conduct that apply to our executive officers by posting such information on our website at [www.aschulman.com](http://www.aschulman.com).

### **Executive Sessions**

Executive sessions of non-employee directors are held at each meeting of the Board of Directors, including the meetings held during the 2016 fiscal year, unless the circumstances are determined by the Board of Directors to not require an executive session (such as certain special meetings held via teleconference).

### **Stockholder Communications with the Board of Directors**

Stockholders may send communications to the Board of Directors by mail or courier delivery addressed as follows: A. Schulman, Inc., c/o Corporate Secretary, 3637 Ridgewood Road, Fairlawn, Ohio 44333. In general, the Corporate Secretary will forward all such communications to the Chair of the Nominating and Corporate Governance Committee. The Chair of the Nominating and Corporate Governance Committee will in turn determine whether the communication should be forwarded to other members of the Board of Directors and, if so, forward them accordingly. However, for communications addressed to a particular member of the Board of Directors or the Chair of a particular committee, our Corporate Secretary will forward such communications directly to the Board member so addressed.

### **Certain Relationships and Related Transactions**

Pursuant to the provisions of its Charter, the Audit Committee is charged with evaluating any transaction or series of transactions which involve the Company and a "related person" and the amount involved exceeds \$120,000. According to the rules of the Commission, a "related person" is defined as a director, officer, nominee for director, or five percent stockholder of the Company since the beginning of the last fiscal year and their immediate family members. Pursuant to the Audit Committee Charter, all related person transactions must be referred to the Audit Committee for approval, ratification, revision or termination. No director may participate in the consideration of a related person transaction in which he or she or an immediate family member is involved. During fiscal 2016, there were no related person transactions to be brought before the Audit Committee for approval.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our officers and directors and persons who own more than ten percent of the common stock to file reports of ownership and changes in ownership with the Commission. To our knowledge, based solely on a review of the copies of such forms received by the Company, the following transaction was not timely filed with respect to fiscal 2016: a disposition of 1,500 shares of common stock on July 6, 2016 by Patricia M. Mishic, former Executive Vice President, Chief Marketing Officer.

### **PROPOSAL ONE — ELECTION OF DIRECTORS**

In accordance with the provisions of our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and our By-Laws, the Board of Directors currently consists of eight directors (reduced from nine upon the resignation of Bernard Rzepka as a director effective August 18, 2016), all of which have a term expiring at the Annual Meeting. Our directors each serve for a one-year term and until a successor is duly elected and qualified, subject to the director's earlier death, retirement or resignation. In accordance with the Certificate of Incorporation and By-Laws, the Board of Directors has fixed the number of directors at eight for terms commencing at the 2016 Annual Meeting, to allow for the nomination of Kathleen M. Oswald as a director and retirement of Dr. Irvin D. Reid from the Board of Directors. Accordingly, upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has re-nominated seven directors for re-election, and nominated for the first time Ms. Oswald for election, to serve as directors for a term expiring at the 2017 annual meeting.

Proxies cannot be voted for a greater number of persons than the number of nominees named in this proxy statement. Unless a stockholder requests that voting of that stockholder's proxy be withheld for any one or more of the nominees for director in accordance with the instructions set forth on their proxy, it is presently intended that shares represented by proxies in the enclosed

form will be voted for the election of each of the eight director nominees. All nominees appearing below have consented to being named in this proxy statement and to serve if elected. Should any nominee subsequently decline or be unable to accept such nomination to serve as a director, an event that the Board of Directors does not now expect, the persons voting the shares represented by proxies solicited hereby may vote such shares for a reduced number of nominees.

We have adopted a majority voting policy for the election of directors in uncontested elections. In an uncontested election, director nominees must receive the affirmative vote of the holders of a majority of the common stock present, represented and entitled to vote at the Annual Meeting. Broker non-votes will not be counted for purposes of determining the election of individual nominees specified on the proxy and, thus, will have no effect other than that they will be counted for establishing a quorum. Stockholders may vote “FOR,” “AGAINST” or “ABSTAIN” from voting on each director nominee.

The following sets forth information regarding each nominee for election as a director, including each individual’s age, principal occupation, other affiliations, and business experience during the past five years. In addition, the following information provides the Nominating and Corporate Governance Committee’s evaluation regarding re-nomination of each of the director nominees and the key attributes, skills, and qualifications presented by each director nominee. Information concerning each nominee is based in part on information received from the respective directors and in part from our Company records.

### **NOMINEES FOR ELECTION AS DIRECTORS (Term Expiring in 2017)**

#### **Eugene R. Allspach, Age 69**

Mr. Allspach has served as a director of A. Schulman since May 2010 and is a member of the Audit and Nominating and Corporate Governance Committees. Mr. Allspach served as Senior Vice President, Corporate Development, for TPC Group, Inc. (“TPC”), a producer of specialty chemicals, from September 2011 to December 2015. Mr. Allspach has also served as the President of E. R. Allspach & Associates, LLC, a company providing consulting services to new business development activities in the petrochemical industry, from 2003 to 2016. Mr. Allspach previously served as President and Chief Operating Officer for Equistar Chemicals, L.P., a petrochemical company. Mr. Allspach served as a director of TPC from 2011 until 2013, and as a director of ICO, Inc. (“ICO”) from 2008 until its acquisition by A. Schulman in May 2010. Mr. Allspach also serves on the advisory board of The Plaza Group, a privately held petrochemical company, a role he has served since 2005. Mr. Allspach was initially appointed and first re-nominated to the Board of Directors pursuant to the terms and conditions of the 2010 merger agreement between A. Schulman and ICO. The Nominating and Corporate Governance Committee believes that the attributes, skills and qualifications Mr. Allspach developed through his more than 35 years of experience in executive management, business development, manufacturing, operations, marketing and process engineering in the petrochemicals industry, as well as his experiences as a director of TPC and ICO, allow him to provide continued financial and industry expertise to the Board of Directors and therefore has nominated him for re-election.

#### **Gregory T. Barmore, Age 74**

Mr. Barmore has served as a director of A. Schulman since May 2010 and is the Chair of the Compensation Committee and a member of the Audit Committee. Mr. Barmore is currently retired and served as a director of Novation Companies, Inc., a specialty finance company, until December 2015, a position he had held since 1996. Previously, Mr. Barmore served as Chairman and Chief Executive Officer of General Electric Capital Mortgage Corporation, a subsidiary of General Electric Capital Corporation, and held numerous executive level positions within the General Electric family of companies from 1966 to 1997. In addition, Mr. Barmore served as a director of ICO from 2004 until its acquisition by A. Schulman in May 2010; Mr. Barmore served as Chairman of the ICO Board of Directors from 2005 until 2010. Mr. Barmore was initially appointed and first re-nominated to the A. Schulman Board of Directors pursuant to the terms and conditions of the 2010 merger agreement between A. Schulman and ICO. The Nominating and Corporate Governance Committee believes that the attributes, skills and qualifications Mr. Barmore has developed through his financial and corporate governance expertise, experiences as a chief executive officer, public-company director experience, as well as his prior experience as a director of ICO and Novation Companies, allow him to provide continued financial and business expertise to the Board of Directors and therefore has nominated him for re-election.

#### **David G. Birney, Age 73**

Mr. Birney has served as a director of A. Schulman since 2006, and currently serves as the Company’s Lead Independent Director. Mr. Birney also serves as a member of the Compensation, Nominating and Corporate Governance and Executive Committees. Mr. Birney is currently retired. Previously, Mr. Birney served as President and Chief Executive Officer of Solvay America, Inc., a subsidiary of Solvay S.A., an international industrial chemical group, and held numerous executive level positions within the Solvay Group from 1978 to 2006. Mr. Birney also served as a director of Tronox Incorporated, a specialty chemical company, from 2006 to 2011. The Nominating and Corporate Governance Committee believes that the attributes, skills and qualifications Mr. Birney has developed through his experiences as a chief executive officer in the chemicals and plastics industry,

public-company director experience, as well his prior service as a director of A. Schulman, including his exemplary service as Chair of the Nominating and Corporate Governance Committee, allow him to provide continued industry and corporate governance expertise to the Board of Directors and therefore has nominated him for re-election.

**Joseph M. Gingo, Age 71**

Mr. Gingo first served as a director of A. Schulman in 2000. He is currently the Chairman of the Board of Directors. Mr. Gingo served as President and Chief Executive Officer of A. Schulman from January 2008 through December 2014, and was reappointed as President and Chief Executive Officer on August 18, 2016. Mr. Gingo has served as a director and a member of the Audit Committee of Omnova Solutions, Inc. since 2015. Mr. Gingo served as a director of OM Group, Inc. in 2015 prior to its acquisition by certain funds managed by affiliates of Apollo Global Management, LLC. Mr. Gingo currently serves as a trustee of the University of Akron. Prior to 2008, Mr. Gingo was employed at The Goodyear Tire & Rubber Company for more than 40 years, where he last served as Executive Vice President, Quality Systems and Chief Technical Officer at the Goodyear Tire & Rubber Company. The Nominating and Corporate Governance Committee believes that the attributes, skills and qualifications Mr. Gingo has developed through his extensive business and leadership experiences in the tire and rubber industry, as well as his significant leadership accomplishments with A. Schulman, allow him to continue to provide business and leadership insight to the Board of Directors and therefore has nominated him for re-election.

**Lee D. Meyer, Age 67**

Mr. Meyer has served as a director of A. Schulman since 2008 and is the Chair of the Finance Committee and a member of the Audit Committee. Since 2006, Mr. Meyer has acted as a consultant to Ply Gem Industries, Inc., a building product manufacturer, and to various investment firms involved in manufacturing companies with processes similar to A. Schulman. Previously, Mr. Meyer served as President and Chief Executive Officer of Ply Gem Industries, Inc. from 2002 through 2006. Mr. Meyer currently serves as a director of Building Material Distributors, Inc., a private company, and previously served as a director of PW Eagle, Inc., formerly a public company manufacturer of plastic pipe. The Nominating and Corporate Governance Committee believes that the attributes, skills and qualifications Mr. Meyer has developed through his experiences as a chief executive officer, as a director of companies in similar industries, and through his extensive consulting roles providing manufacturing experience in companies with processes similar to A. Schulman, allow him to provide continued business expertise to the Board of Directors and therefore has nominated him for re-election.

**James A. Mitarotonda, Age 62**

Mr. Mitarotonda has served as a director of A. Schulman since 2005 and is a member of the Compensation and Finance Committees. Mr. Mitarotonda has served as the Chairman, President and Chief Executive Officer of Barington Capital Group, L.P., an investment firm, since 1991. Mr. Mitarotonda has also been the Chairman, President and Chief Executive Officer of Barington Companies Investors, LLC, the general partner of Barington Companies Equity Partners, L.P., a value-added, activist investment fund, since 1999. Mr. Mitarotonda has served as a director of Omnova Solutions, Inc., a global provider of emulsion polymers and specialty chemicals, since 2015, and as a director of The Eastern Company, a manufacturer of industrial hardware, security and metal products, since 2015, serving as Chairman since 2016. Mr. Mitarotonda has also served as Chairman of Barington/Hilco Acquisition Corp., a special purpose acquisition company, since 2015, and as its Chief Executive Officer during 2015. During the past five years, Mr. Mitarotonda served as a director of (i) The Pep Boys — Manny, Moe and Jack, an automotive aftermarket service and retail chain, from 2006 to 2016 (Chairman from 2008 to 2009), (ii) Ebix, Inc., a supplier of software and e-commerce services to the insurance, financial and healthcare industries, during 2015, (iii) The Jones Group Inc., a designer, marketer and wholesaler of branded clothing, shoes and accessories, from 2007 to 2012, (iv) Ameron International Corporation, a multinational manufacturer of products and materials for the chemical, industrial, energy, transportation and infrastructure markets, during 2011, and Gerber Scientific, Inc., an international supplier of automated manufacturing systems, from 2010 to 2011. Our Nominating and Corporate Governance Committee believes that the attributes, skills and qualifications Mr. Mitarotonda has developed through his experiences as a chief executive officer of investment and investment banking firms, leadership of a hedge fund which has successfully assisted a variety of public companies in improving shareholder value, his multiple current and previous public-company directorships, his prior service as a director of A. Schulman, and his status as a significant stockholder of the Company, allow him to provide continued business and corporate governance expertise to the Board of Directors and therefore has nominated him for re-election.

**Ernest J. Novak, Jr., Age 71**

Mr. Novak has served as a director of A. Schulman since 2003, is the Chair of the Audit Committee and a member of the Compensation Committee. Mr. Novak is currently retired. Prior to his retirement, Mr. Novak served in various positions at Ernst & Young LLP, an international public accounting firm, including as Coordinating Partner for large multinational clients, as a member of the firm's International Service Delivery and Quality Committee, as Area Industry Leader for manufacturing and, for 17 years, as the

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Managing Partner of various international offices until his retirement in 2003. Mr. Novak has been a director of BorgWarner, Inc. since 2003, and a director of FirstEnergy Corp. since 2004. Mr. Novak is the chair of the audit committee for Borg Warner, Inc. The Nominating and Corporate Governance Committee believes that the attributes, skills and qualifications Mr. Novak has developed through his educational background in accounting and his professional experiences in performing, reviewing, and overseeing the audits of financial statements of a wide range of public companies, his other public company directorships, as well as his experience as a director of A. Schulman, including his exemplary service as Chairman of the Audit Committee, allow him to provide continued financial and regional business expertise to the Board of Directors and therefore has nominated him for re-election.

**Kathleen M. Oswald, Age 67**

Ms. Oswald is a first-time nominee, standing for election at the 2016 Annual Meeting, whose nomination was recommended by our Nominating and Corporate Governance Committee and approved by our Board of Directors. Ms. Oswald currently serves as Senior Vice President and Chief Human Resources Officer for Henry Ford Health System, one of the nation's leading health care providers, a position she has held since 2007. Since 2008, Ms. Oswald has served as a director and as Chief Administrative Officer for H2O Energy, Ltd., a conservation and renewable energy company. Ms. Oswald also serves as a director and a member of the executive committee for the Great Lakes Center for the Arts, a nonprofit organization focused on the performing arts, a position she has held since 2016. In addition, Ms. Oswald serves on the executive committee and as co-chair of the nominating committee for Inforum, a nonprofit professional organization focused on creating strategic connections and accelerating careers for women, roles she has served since 2016. Since 2014, Ms. Oswald has served on the executive committee for the American Society of Employers, a nonprofit employer association serving human resource business communities. The Nominating and Corporate Governance Committee believes that the attributes, skills and qualifications Ms. Oswald has developed through her leadership expertise in the human resource and health care industries allow her to provide business and leadership insight to the Board of Directors and therefore has nominated her for election.

**RETIRING DIRECTOR**

**Dr. Irvin D. Reid, Age 75**

Dr. Reid has served as a director of A. Schulman since January 2009, and is currently the Chair of the Nominating and Corporate Governance Committee and a member of the Finance Committee. Since 2008, Dr. Reid has served as President Emeritus and Eugene Applebaum Professor, Community Engagement, at Wayne State University, a research university located in Detroit, Michigan. Previously, Dr. Reid served as President of Wayne State University from 1997 to 2008. In addition, Dr. Reid previously served two terms on the Board of the Federal Reserve Bank of Chicago (Detroit Branch) from 2003 to 2004 and from 2005 to 2008. Dr. Reid has served as a director of Mack-Cali Realty Corporation since 1994, and previously served as a director of The Pep Boys – Manny, Moe and Jack, from 2007 to 2016. Dr. Reid is retiring as a director at the end of his term expiring at the Annual Meeting. A. Schulman and the Board of Directors are ever grateful to Dr. Reid for providing such exemplary services during his tenure.

## SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of October 14, 2016 (except as otherwise indicated by footnote) regarding the beneficial ownership of shares of common stock by each director and nominee, by each named executive officer, by all directors and executive officers as a group, and by each person known by us to own 5% or more of our common stock. Unless otherwise indicated, each beneficial owner has sole power to vote and dispose of the number of shares set forth in the table:

Name (1)	Total Beneficial Ownership (2)	Percent of Outstanding (3)
<b>Directors, Executive Officers and Nominees</b>		
Joseph M. Gingo (4)	316,462	1.07
Joseph J. Levanduski (5)	58,957	*
Heinrich Lingnau-Schneider	12,665	*
David C. Minc	46,521	*
Gustavo Pérez	28,641	*
Bernard Rzepka	77,673	*
Eugene R. Allspach (6)	22,471	*
Gregory T. Barmore	48,335	*
David G. Birney (7)	34,657	*
Lee D. Meyer	25,657	*
James A. Mitarotonda (8)	353,104	1.20
Ernest J. Novak, Jr.	32,857	*
Kathleen M. Oswald.	0	*
Dr. Irvin D. Reid.	23,739	*
All Directors and executive officers as a group (22 persons)	1,199,901	4.08%
<b>5% or Greater Stockholders</b>		
BlackRock, Inc. (9) 40 East 52nd Street, New York, New York 10022	2,952,781	10.03%
Dimensional Fund Advisors LP (10) Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746	2,388,556	8.11%
AllianceBernstein L.P. (11) 1345 Avenue of the Americas, New York, NY 10105	2,301,601	7.82%
The Vanguard Group, Inc. (12) 100 Vanguard Blvd., Malvern, Pennsylvania 19355	2,112,098	7.17%
Daruma Capital Management, LLC (13) 80 West 40 th Street, 9 th Floor, New York, NY 10018	1,567,344	5.32%
Allianz Global Investors U.S. Holdings LLC (14) 1633 Broadway, New York, NY 10019	1,567,173	5.32%

\* Less than 1%.

- (1) Unless otherwise noted, all directors and executive officers have the Company's address: 3637 Ridgewood Road, Fairlawn, Ohio 44333. The beneficial ownership of Bernard Rzepka, the former President and Chief Executive Officer of the Company, and David C. Minc, the former Executive Vice President and Chief Legal Officer, are reported as of August 31, 2016.
- (2) Includes the following number of restricted share-based long-term incentive awards subject to service-based vesting granted under our 2006 Incentive Plan, 2010 Value Creation Rewards Plan, or 2014 Equity Incentive Plan: 125,000 by Mr. Gingo, 14,699 by Mr. Levanduski and 9,651 by other executive officers as a group. Executive officers have the power to vote, but not dispose of, these restricted shares of common stock. No shares reported as beneficially owned by directors or executive officers are pledged.
- (3) For all directors and executive officers, the percentage of class is based upon the sum of 29,441,860 shares of common stock outstanding on October 14, 2016 and the number of shares of common stock, if any, as to which the named individual or group has the right to acquire beneficial ownership upon the exercise of options within 60 days of October 14, 2016. For all entities that are listed as beneficial owners of 5% or more of the common stock, the percentage of class is based upon 29,441,860 shares of common stock outstanding on October 14, 2016.
- (4) Amount includes 17,500 shares held by the Linda L. Gingo Trust and 10,000 shares held by the Joseph M. Gingo Trust. Mr. Gingo has shared dispositive power with respect to shares held in the Linda L. Gingo Trust.

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- (5) Amount includes 44,258 shares held by a trust for the benefit of Mr. Levanduski.
  - (6) All shares are owned jointly by Mr. Allspach and his spouse, with whom he has shared voting and dispositive power with respect to such shares.
  - (7) All shares are owned jointly by Mr. Birney and his spouse, with whom he has shared voting and dispositive power with respect to such shares.
  - (8) Amount includes 322,678 shares of common stock held directly by Barington Companies Equity Partners, L.P. (“Barington”). Barington may be deemed to have sole power to vote and dispose of the shares it beneficially owns. Mr. Mitarotonda is the sole stockholder and director of LNA Capital Corp. (“LNA”), which is the general partner of Barington Capital Group L.P. (“Barington Capital”), which is the majority member of Barington Companies Investors, LLC (“Barington Investors”). Barington Investors is the general partner of Barington. Barington Investors may be deemed to have sole power to vote and dispose of the shares owned by Barington. In addition, Mr. Mitarotonda, LNA and Barington Capital each may be deemed to have sole power to vote and dispose of the shares owned by Barington. Mr. Mitarotonda disclaims beneficial ownership of any such shares except to the extent of his pecuniary interest therein.
  - (9) As reported on a Schedule 13G/A filed with the Commission on September, 9, 2016, BlackRock, Inc. is the beneficial owner, with the sole power to vote or direct the voting, of 2,884,257 shares of common stock, and with the sole power to dispose or direct the disposition of 2,952,781 shares.
  - (10) As reported in a Schedule 13G/A filed with the Commission on February 9, 2016, Dimensional Fund Advisors LP (“Dimensional”) is the beneficial owner, with the sole power to vote or direct the voting, of 2,310,282 shares of common stock, and the sole power to dispose or direct the disposition of 2,383,556 shares. According to the Schedule 13G/A, Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, as amended, which furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, as amended, and serves as investment manager to certain other commingled group trusts and separate accounts (collectively, the “Funds”). As reported in the Schedule 13G/A, Dimensional possesses investment and/or voting power over the common stock owned by the Funds, and may be deemed to be the beneficial owner of such shares. However, all such shares are owned by the Funds and Dimensional disclaims beneficial ownership of such shares in its Schedule 13G/A.
  - (11) As reported on a Schedule 13G/A filed with the Commission on February 16, 2016, AllianceBernstein L.P. (“AllianceBernstein”) is the beneficial owner, with the sole power to vote or direct the voting, of 1,992,223 shares of common stock, and with the sole power to dispose or direct the disposition of 2,301,601 shares. AllianceBernstein is a majority-owned subsidiary of AXA Financial, Inc., and an indirect majority-owned subsidiary of AXA SA. AllianceBernstein operates under independent management and makes independent decisions from AXA Financial and AXA SA and their respective subsidiaries, and AXA Financial and AXA calculate and report beneficial ownership separately from AllianceBernstein.
  - (12) As reported on a Schedule 13G/A filed with the Commission on February 10, 2016, The Vanguard Group, Inc. (“Vanguard”) is the beneficial owner of 2,173,990 shares of common stock, with the sole power to vote or direct voting of 61,192 shares, the sole power to dispose or direct the disposition of 2,112,098 shares, and the shared power to dispose or to direct the disposition of 61,892 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 59,392 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard, is the beneficial owner of 4,300 shares as a result of its serving as investment manager of Australian investment offerings.
  - (13) As reported on a Schedule 13G/A filed with the Commission on February 12, 2016, Daruma Capital Management, LLC (“Daruma”) and Mariko O. Gordon each are disclosed as the beneficial owners of 1,567,344 shares of common stock, which are held in the accounts of private investment vehicles and managed accounts advised by Daruma. Daruma and Ms. Gordon have the shared power to dispose or to direct the disposition of all of such shares. Daruma and Ms. Gordon each have the shared power to vote or to direct the vote of 802,809 shares.
  - (14) As reported on a Schedule 13G filed with the Commission on February 12, 2016, Allianz Global Investors U.S. Holdings LLC (“AGI US Holdings”) is the beneficial owner, with the sole power to vote or direct the voting, of 1,459,003, and with the sole power to dispose or direct the disposition of 1,567,173 shares. Each of Allianz Global Investors GmbH, Allianz Global Investors U.S. LLC, and NFJ Investment Group LLC (“AGI Advisers”) is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, as amended, and a direct or indirect wholly-owned subsidiary of AGI US Holdings, except that Allianz Global Investors GmbH is an affiliate (but not a subsidiary) of AGI US Holdings and is a non-U.S. institution. The securities reported are held by investment advisory clients or discretionary accounts of which an AGI Adviser is the investment adviser. When an investment management contract delegates to an AGI Adviser investment discretion or voting power over the securities held in the investment advisory accounts that are subject to that agreement, AGI US Holdings treats the AGI Adviser as having sole investment discretion or voting authority. As a result, each AGI Adviser may be deemed to beneficially own the securities held by its clients or accounts within the meaning of Rule 13d-3 under the Act. Because AGI US Holdings is the

parent holding company of the AGI Advisers that are its subsidiaries, it may be deemed to beneficially own the securities held by those AGI Advisers' clients or accounts. AGI US Holdings is a majority-owned subsidiary of AXA Financial, Inc., and an indirect majority-owned subsidiary of AXA SA.

### EQUITY COMPENSATION PLAN INFORMATION

Our 2006 Incentive Plan, 2010 Value Creation Rewards Plan and 2014 Equity Incentive Plan (collectively, the "Equity Plans") authorize the Company to issue common stock to our employees and non-employee directors in exchange for consideration in the form of goods or services. The 2014 Equity Incentive Plan authorized the issuance of up to 2,000,000 shares of common stock to participants. The 2010 Value Creation Rewards Plan authorized the issuance of up to 1,375,000 shares of common stock to participants. The 2006 Incentive Plan authorized the issuance of up to 3,472,686 shares of common stock to participants. Information, as of August 31, 2016, on awards outstanding under the Equity Plans is set forth in the table below:

<b>Plan Category</b>	<b>(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights <sup>(1)</sup></b>	<b>(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) <sup>(2)</sup></b>
Equity compensation plans approved by security holders	641,007	N/A	2,899,294
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>641,007</b>	<b>N/A</b>	<b>2,899,294</b>

(1) Amount includes 641,007 performance shares and performance units granted pursuant to the 2006 Incentive Plan, 2010 Value Creation Rewards Plan, and the 2014 Equity Incentive Plan, the vesting of which is contingent upon corporate performance, which shall be measured by evaluating either: (i) the total shareholder return of our common stock relative to a peer group during the applicable performance period; (ii) the achievement of certain absolute return on invested capital targets by the Company during the applicable performance period; or (iii) the achievement of certain absolute cumulative earnings per share targets by the Company during the applicable performance period. Amount does not include outstanding awards of service-based restricted shares and restricted stock units totaling 103,651 which are subject to vesting on the third anniversaries of their respective grant dates conditioned only upon employment of the participants on such anniversary dates.

(2) Amount includes the following shares available for issuance as of August 31, 2016: 971,627 shares under the 2006 Incentive Plan, 395,987 shares under the 2010 Value Creation Rewards Plan, and 1,531,680 shares under the 2014 Equity Incentive Plan. The Equity Plans utilize fungible reserves, based on the following ratios: (i) 1.77 for the 2006 Incentive Plan; (ii) 2.48 for the 2010 Value Creation Rewards Plan; and (iii) 1.77 for the 2014 Equity Incentive Plan.

## COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis discusses the executive compensation philosophy and objectives of the Compensation Committee and describes the executive compensation plans and programs of the Company. It also presents significant compensation determinations made in fiscal year 2016 for our named executive officers and other significant events. The Compensation Discussion and Analysis is presented in the following sections: **Executive Summary**, **Compensation Philosophy and Objectives**, **Components of Our Executive Compensation**, and **Other Elements of Our Compensation Programs**.

Our named executive officers for fiscal 2016 were:

<u>Name</u>	<u>Title</u>
Joseph M. Gingo	President, Chief Executive Officer and Chairman of the Board (1)
Bernard Rzepka	Former President and Chief Executive Officer (2)
Joseph J. Levanduski	Executive Vice President, Chief Financial Officer (3)
Heinrich Lingnau-Schneider	Senior Vice President, General Manager – EMEA
David C. Minc	Executive Vice President, Chief Legal Officer and Secretary (4)
Gustavo Pérez	Senior Vice President, General Manager – Latin America

- (1) Mr. Gingo was appointed President and Chief Executive Officer by the Board of Directors effective August 18, 2016. Mr. Gingo formerly served in those roles from December 17, 2007 through December 31, 2014. Mr. Gingo also served as Chairman of the Board of Directors throughout fiscal 2016.
- (2) Mr. Rzepka served as President and Chief Executive Officer until August 18, 2016, so he participated in the Company's executive compensation programs during fiscal year 2016 as described in this Compensation Discussion and Analysis.
- (3) Mr. Levanduski has resigned with an effective date of October 31, 2016. John W. Richardson will succeed Mr. Levanduski as Executive Vice President, Chief Financial Officer on November 1, 2016.
- (4) Mr. Minc retired on August 31, 2016. Andrean R. Horton succeeded Mr. Minc as Executive Vice President, Chief Legal Officer and Secretary on September 1, 2016.

### Executive Summary

This Executive Summary discusses the alignment of our executive compensation with our financial results, certain Compensation Committee decisions, and other significant events impacting compensation.

Our 2016 compensation results continued to reflect our pay-for-performance philosophy of aligning executive compensation with our financial performance. The Company has experienced disappointing financial results and our short-term and long-term compensation reflected those results. As is summarized in the discussion that follows and presented further in the Compensation Discussion and Analysis, the Compensation Committee and management believe the Company's executive compensation programs continue to represent shareholder interests in a responsible and reasonable manner.

At the **corporate** level of our **short-term incentive compensation program** (annual bonus plan), we failed to meet our two annual cash bonus metrics of adjusted net income and operating income in fiscal 2016. Adjusted net income decreased from \$77.1 million in 2015 to \$51.3 million in 2016, below the threshold goal of \$84.3 for million, resulting in **no payout** for this metric. Adjusted operating income of \$133.1 million also failed to achieve a threshold goal of \$169.1, so our executive officers were paid **no bonus** for this corporate metric either. Additionally, between 10% and 20% of each executive officers' annual bonus targets were dependent on individual objectives, such as working capital reduction, savings projects, safety, and other initiatives depending on the executive's specific goals in their area of control. For 2016, no NEOs received bonuses based on achievement of their individual objectives. These corporate results were well below those achieved in 2015 when adjusted net income and adjusted operating income for the Company exceeded threshold and target goals resulting in payouts equal to 81% and 116% of target bonuses, respectively, as reported in our 2015 Compensation and Discussion Analysis.

The following summarizes fiscal 2016 financial and related compensation results for our **business segments** :

- In our largest segment, EMEA, adjusted operating income of €67.0 million achieved the threshold level of €67.0 million, so bonuses were paid at 50% for this metric. We include a working capital objective for our business segments – in EMEA the threshold level for days of working capital was not achieved, resulting in no bonus payout on this metric in this segment.
- In our United States and Canada (USCAN) segment, adjusted operating income of \$36.4 million failed to attain the threshold level of \$72.0 million, so no bonuses were paid on that metric. Days of working capital also failed to attain the threshold level for USCAN, resulting in no bonus payouts at all in this segment.

- In our Latin America (LATAM) segment, adjusted operating income translated from local currency to \$23.3 million and exceeded the maximum level of \$20.0 million, resulting in a maximum payout of 200% for this metric. Days of working capital of 80 failed to achieve the threshold level of 76, resulting in no payout based on working capital for this segment.
- In our Asia Pacific (APAC) segment, our adjusted operating income translated from local currency to \$18.8 million exceeded the target level of \$18.0 million, resulting in a payout at 125% for this metric. Days of working capital of 72 failed to achieve the threshold level of 69, resulting in no payout based on working capital for this segment.
- In our Engineered Compounds (EC) segment, our adjusted operating income of \$14.6 million failed to attain the threshold level of \$26.2 million, so no bonuses were paid on that metric. However, our days of working capital of 63 bettered the target of 64, resulting in a payout at 125% of target on that metric for this segment.

Information for the USCAN, APAC and EC segments is included to help illustrate our pay for performance structure for all executive officers, even though no named executive officer's compensation reported in this proxy statement was based on financial performance in those business segments.

Our annual bonus targets for our worldwide businesses are based on foreign exchange rates prevailing at the time the targets are set. All financial results for bonus purposes are calculated using these constant foreign exchange rates so that payouts are not influenced by fluctuation in exchange rates during the fiscal year. We believe such adjustments are consistent with the general practices of other global companies and are an appropriate way to measure and reward management for results they directly control and influence.

Our **long-term incentive compensation program** utilizes awards subject to three year vesting periods. The performance-based awards granted in fiscal 2013 were based on two metrics – our total shareholder return (TSR) relative to a peer group of S&P Specialty Chemical companies, and our return on invested capital (ROIC) compared to internally established goals of the Company. Our TSR for the three-year period ending in January 2016 was 11.1%, placing us at the 27<sup>th</sup> percentile relative to the peer group, slightly above the threshold payout level of the 25<sup>th</sup> percentile resulting in a payout rate of 4%. Our ROIC of 12.7% for the three year performance period ending November 30, 2015 exceeded our target level of 11.5%, so our ROIC-based performance awards vested at 81% of maximum in 2016. As a result our executives earned overall 55.3% of their total target performance awards for the 2013-2016 performance periods, which was higher relative to the results earned for the 2012-15 cycle when only 14% of total target performance awards were earned. This reflects the relative improvement in the Company's results over the three-year terms of the awards when comparing these two performance periods.

The direct linkage between our financial results and compensation under our annual and long-term incentive compensation programs is fully illustrated in tables appearing later in this Compensation Disclosure and Analysis.

*Portions of the foregoing financial presentation and portions appearing later in this Compensation Disclosure and Analysis include the use of non-GAAP financial measures. We use these financial measures to monitor and evaluate our on-going performance and allocate resources, and we believe that these non-GAAP measures are useful for financial analyses. Reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measure can be found at Appendix A.*

### ***Relationship between Pay and Performance***

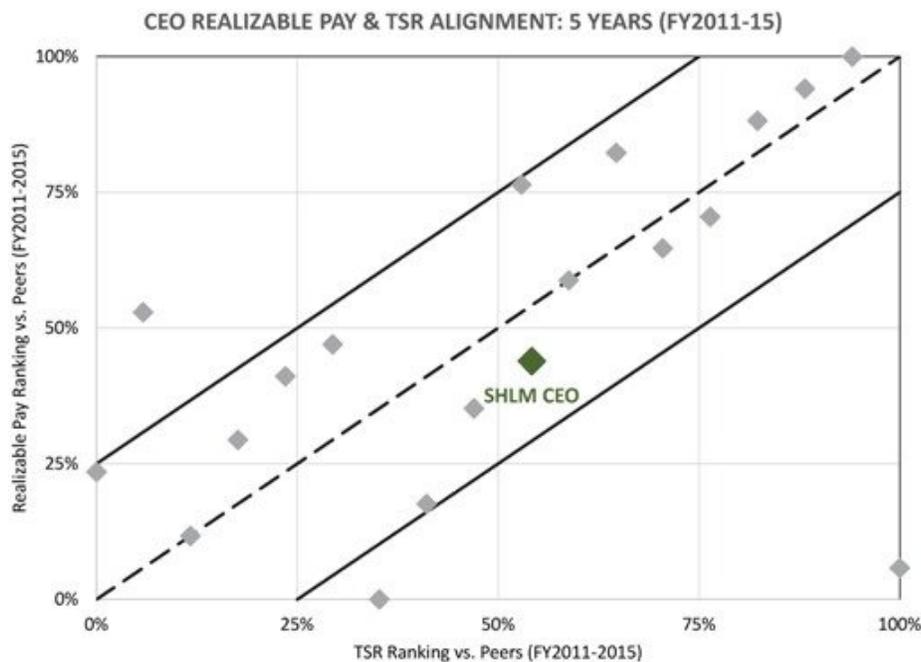
Our **executive compensation programs** coordinate the elements of our executive compensation with the overall goal that total executive compensation not be tied to any one performance measure or component of compensation. We believe this approach rewards overall performance and mitigates the risk of over-emphasizing any one metric or component. We seek to balance the nature of the performance measures in our annual cash bonus plan with the performance measures utilized in our long-term equity-based incentive awards. We strive for consistency year to year, but we also evaluate annually whether a change in any metric is appropriate to support the Company's near and long-term direction. For example, in 2016, as in 2015, we chose to base two-thirds of the long-term performance-based grants on our three-year average return on invested capital as before, and the other third on targets for three-year cumulative earnings per share. We believe these metrics will improve the motivation of management by providing measures which they can directly affect, while maintaining strong linkage to the long-term interests of shareholders by driving Company performance which delivers shareholder value. It is our philosophy that executives realize the potential value of their compensation only if value is also realized by our shareholders.

After the completion of each fiscal year, the Compensation Committee assesses our **CEO's compensation** in light of the Company's performance for the prior fiscal year. However, in August 2016, the Board of Directors and Mr. Rzepka, then President and Chief Executive Officer, mutually agreed that Mr. Rzepka would relinquish his duties, so Mr. Rzepka's performance was not evaluated in the fall of 2016. In addition, because Mr. Gingo's appointment as President and Chief Executive Officer did not occur until August 18, 2016, the Compensation Committee did not assess his performance with regard to the 2016 annual bonus plan.

During fiscal year 2016, the Compensation Committee analyzed the relationship between the realizable pay of our CEO and the Company's TSR over the five-year period ended August 31, 2015 as compared to CEO realizable pay and TSR for our peer group. TSR includes the reinvestment of dividends and is calculated as a compounded annual growth rate (CAGR). Different from the results reported in the Summary Compensation Table, here realizable pay is calculated as the:

- actual value of awards earned based on the Company's financial and stock price performance i.e. base salary, actual bonus paid, actual value of performance-based shares earned, vesting date value of service-based awards, and
- potential value of outstanding equity awards that could be earned based on the Company's stock price as of August 31, 2015 and its long-term financial performance vs. goals through that date.

The following chart, prepared by the Committee's independent compensation consultant, shows alignment between the total realizable pay of our CEO, and our TSR relative to our peer group over a five-year period 2011 to 2015 (2015 is the last year of data available for peer comparisons). Our peer group companies are indicated by the diamonds in the chart and A. Schulman is identified separately. Companies that fall within the diagonal lines are viewed as having good alignment between TSR performance and CEO pay. This peer group is the group of companies used by the Compensation Committee to assist in making compensation decisions, while the group of companies used for measurement of our TSR performance for purposes of vesting of our performance-based equity awards are all companies in the S&P Specialty Chemicals Index. The Company's annual TSR growth rate over this five-year period was at the 54<sup>th</sup> percentile relative to our peer group, while our CEO's realizable pay over this period, including all compensation realized by Mr. Gingo upon his initial retirement during fiscal year 2015, was at the 44<sup>th</sup> percentile.



***Summary of Significant Compensation Actions in Fiscal 2016***

Each year, the Compensation Committee evaluates our executive compensation programs, policies and payouts. At our 2015 Annual Meeting of Stockholders, more than 90% of the shares of common stock represented at the meeting were voted to approve the compensation of our named executive officers on an advisory basis (the approval vote was over 97% excluding broker non-votes). We believe that this strong affirmative vote supports our general conclusion that our compensation structure and programs and our pay-for-performance philosophy fully support delivery of shareholder value (and do not provide targeted compensation if value is not delivered). Based on this voting, we have made no material changes in the structure of our compensation programs or pay-for-performance philosophy going forward. We will, of course, consider the results from this year's and future advisory votes when determining the compensation of our named executive officers.

The following is a summary of **significant compensation actions** taken in fiscal 2016:

- Given the Company's unsatisfactory performance in fiscal 2016, on August 18, 2016, our Board of Directors asked Mr. Gingo to return to the Company as our President and CEO. Mr. Gingo had continued to serve as Chairman of our Board of Directors after he retired and Mr. Rzepka succeeded him in those roles effective January 1, 2015. Mr. Gingo has a deep knowledge of the Company given his prior service as President and CEO from December 2007 through 2014. Mr. Gingo's new agreement is for two years with a one-year extension at the option of the Company. Additional information about Mr. Gingo's agreement is included under **Employment and Other Employment Related Agreements** later in this proxy.
- The Company partnered with Citigroup Global Markets, Inc. to provide a comprehensive review of the Company's fiscal 2017 budget and five-year strategic business plan, as well as near- and longer-term global market trends. The goal of the review was to verify the Company's market intelligence, refine its vision and improve its execution.
- In our annual bonus plan for corporate level officers, we retained the two income-based targets previously used of consolidated adjusted net income and consolidated adjusted operating income, and reintroduced a third metric based on consolidated days of working capital in an effort to maintain focus on working capital in the Company to generate strong cash flow. A fourth metric based on quantifiable personal objectives was also retained for 10% of each named executive officer's target bonus opportunity to provide balance between the Company's financial performance and nonfinancial objectives under the direct influence of our executive officers.
- In our long-term incentive plan, we retained strong emphasis on performance-based long-term compensation, with a 75% allocation of performance-based long-term equity awards (with vesting over three-year performance periods), and 25% service-based long-term equity awards (with cliff-vesting on the third anniversary of grant). Two-thirds of our performance-based long-term equity awards retained a target objective for three-year average ROIC, and the other third utilized target levels of three-year cumulative earnings per share (EPS). Although the metrics have changed, as previously discussed, the general structure for our long-term incentive plan awards remained the same as in the fiscal 2015 cycle.

#### ***Summary of Significant Company Developments in Fiscal 2016***

Our executive management team continues to focus on financial performance while remaining committed to investing in our future through both internal and external growth initiatives. We aim to drive financial performance by optimizing pricing and sourcing, and continuous improvement in all operations.

Our **organic growth initiatives** include cross-selling new and/or existing products into new geographies, new product development, adjacent market exploration and other programs. Innovation is critical to achieving our strategic goals and is supported by our five global Innovation and Collaboration centers in Germany, Belgium, Mexico, and two in the United States, where we partner with customers for mutual benefit:

- In April 2016, the Company opened a masterbatch facility in Changshu, China. This new facility produces premium color additives for packaging, automotive, agricultural, sports, leisure & home customers in China and other growing markets as part of our APAC segment.
- During 2016, the Company continued the construction of its new manufacturing facility in Turkey. When fully operational in late fiscal 2017, this new facility will produce approximately 40 million pounds of the Company's premium additive, white and breathable masterbatches for food and industrial packaging customers in Turkey and other fast-growing countries in the Middle East and North Africa.
- The Company reduced its total debt obligations by \$111 million during fiscal 2016, utilizing its strong operating cash flow to reduce its leverage position.

During fiscal 2016, the Company approved significant additional **restructuring actions and initiatives** in connection with our continuous improvement efforts:

- In the first quarter of fiscal 2015, the Company announced a plan to close three manufacturing facilities in Evansville, Indiana and to consolidate production into other existing facilities in the area. This plan was substantially complete by the end of fiscal 2016.
- In the second quarter of fiscal 2016, the Company optimized the administrative functions in its EC segment which reduced headcount by approximately ten.
- In the third quarter of fiscal 2016, the Company created an Accounting and Shared Service Center of Excellence ("SSC") in Akron, Ohio that is responsible for back office processes for all USCAN operations. The creation of this SSC is in line with actions implemented in our EMEA segment, and is intended to enhance internal processes and productivity and to contribute

to cost savings initiatives in the USCAN segment. The Company expects the USCAN SSC initiative to result in the elimination of approximately 25 headcount throughout the United States, offset by the addition of approximately 15 headcount at the SSC.

- During the third quarter of fiscal 2016, the Company approved a plan for a global headcount reduction to further drive efficiency and cost savings in the organization, primarily in the USCAN segment and in the corporate location. The Company reduced headcount by approximately 60 as a result of this plan.
- During fiscal 2016, the Company continued its Manufacturing for Success initiative in the USCAN segment and expanded the initiative to the EMEA and APAC segments. The Manufacturing for Success initiative is designed to strengthen the Company's operational effectiveness in its manufacturing facilities.

Overall, in fiscal 2016 the Company realized savings of approximately \$20 million from the above mentioned and previously announced restructuring plans.

### **Compensation Philosophy and Objectives**

In determining the amount and composition of our executive compensation, the primary goal of the Compensation Committee is to provide a pay for performance compensation program that will enable us to: (i) attract and retain talented executives; (ii) reward outstanding individual and corporate performance; and (iii) align the interests of our executive officers to the interests of our stockholders, with the ultimate goal of improving long-term value for our stakeholders. The Compensation Committee's overall pay strategy focuses on providing a median market compensation opportunity (overall and by individual pay element) for our named executive officers at their targeted performance levels. The Compensation Committee attempts to align executive compensation with interests of stockholders through the use of short and long-term performance-based, at-risk compensation components for a significant portion of the total compensation of each named executive officer. Additionally, the Compensation Committee seeks to achieve executive retention through a balance of pay mix and long-term equity vehicles. In order to emphasize pay that is dependent on performance and aligned with stockholder interests, we have adopted the following pay strategies:

- Position base salaries at the 50th percentile of peer market levels;
- Provide a peer-market median annual incentive opportunity target, with upside and downside leverage based on actual corporate and personal performance; and
- Position long-term incentive target opportunities at the 50th percentile of peer market levels, with 75% of all long-term incentive awards subject to performance-based vesting, to enhance alignment with long-term stakeholder interests.

In determining actual compensation levels for our named executive officers, the Compensation Committee considers all elements of the compensation program in total and evaluates whether individual elements reflect current market practices and our stated compensation philosophy. The Compensation Committee believes that offering performance-based, market-comparable pay opportunities to our named executive officers, mindful of our industry, relative size and performance, allows us to maintain a stable, successful executive management team.

The Compensation Committee has full discretion to adjust our compensation program, or any element thereof, at any time. It has been the practice of the Compensation Committee to discuss compensation determinations with respect to our Chief Executive Officer with the full Board of Directors and to have the full Board (not including the CEO) approve such decisions. The Board of Directors has the discretion to consider adjustments to certain elements of our executive compensation program outside of the Compensation Committee's recommendations, although it did not exercise such discretion during fiscal year 2016.

### **Compensation Committee Governance**

The compensation program for our named executive officers is overseen by our Compensation Committee, the members of which are appointed by the Board of Directors and all of whom meet the independence and other governance requirements of NASDAQ and other applicable laws and regulations. As described on page 6 of this proxy statement and as prescribed by the Compensation Committee Charter, the duties of the Compensation Committee include, among other things: (i) determining base salary levels and bonuses for our named executive officers; (ii) approving the design and award of all other elements of our executive compensation program; (iii) evaluating the performance of our named executive officers; and (iv) addressing certain other aspects of executive compensation. The Compensation Committee meets as necessary and from time to time utilizes independent compensation consultants to assist in the fulfillment of its responsibilities. The Chair of the Compensation Committee is responsible for the leadership of the Committee, presiding over Committee meetings, making Committee assignments, reporting the Committee's actions to our Board of Directors from time to time and, with the assistance of management, setting the agenda for Committee meetings. The members of the Compensation Committee and the Committee's specific functions are described in further detail on page 6 of this proxy statement; the Compensation Committee Charter is posted at [www.aschulman.com](http://www.aschulman.com).

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## **Role of Compensation Advisers**

As permitted by the Compensation Committee Charter, the Compensation Committee retained Pay Governance as its primary outside independent compensation adviser for fiscal 2016 to provide consulting services with respect to the Company's compensation practices. Pursuant to the terms of its engagement by the Compensation Committee, Pay Governance generally reviewed, analyzed and provided advice regarding compensation programs for the Company's executive officers and directors in relation to the objectives of those programs, including comparisons to designated peer group companies and comparisons to "best practices," and provided information and advice on competitive compensation practices and trends, along with specific views on the Company's compensation programs. In this role, representatives of Pay Governance engaged in discussions with the Compensation Committee and responded on a regular basis to questions from the Committee and the Committee's other advisers, providing their opinions with respect to the design and implementation of current or proposed compensation elements and programs. Pay Governance did not provide the Company with any consulting services other than those required in the scope of its support of the Compensation Committee. Pay Governance reported directly to the Compensation Committee and the Committee retained the sole authority to retain or terminate Pay Governance. The Compensation Committee also utilized the law firm of Vorys, Sater, Seymour and Pease LLP ("Vorys") to provide certain legal advisory services to the Compensation Committee from time to time. In that role, Vorys reported directly to the Compensation Committee and the Committee retained the sole authority to retain or terminate Vorys for such services. Vorys also provides certain other legal advisory services to the Company.

### ***Compensation Adviser Independence***

The Compensation Committee must consider certain independence factors before selecting compensation consultants and other compensation advisers. In connection with the foregoing, the Compensation Committee annually reviews, considers and discusses the relevant factors established by NASDAQ to determine such independence, both through surveying Pay Governance and Vorys, and by soliciting input from the members of the Compensation Committee through our annual director and officer questionnaires. Based on this review, consideration and discussion, the Compensation Committee determined that the work performed and to be performed by Pay Governance as the Committee's primary compensation adviser, and the work performed and to be performed by Vorys on behalf of the Committee, has not raised and does not raise any conflict of interest. The Compensation Committee also determined that Pay Governance and Vorys qualify as independent for purposes of the Exchange Act and NASDAQ Corporate Governance Requirements.

### **Compensation Committee Delegation**

Pursuant to the Compensation Committee Charter, the Compensation Committee may delegate its authority to subcommittees or to the Chair of the Compensation Committee when it deems such delegation appropriate and in our best interests. During fiscal 2016, the Compensation Committee made no subcommittee delegations. Additionally, pursuant to its charter, the Compensation Committee may delegate to the Chief Executive Officer or other executive designee the authority to approve salary and other compensation for employees below the executive officer level in accordance with and subject to overall pools, policy guidelines and limits approved by the Committee. The Compensation Committee has delegated this authority to the Chief Executive Officer for employees below the executive officer level.

### **Setting Executive Compensation**

At its last regularly scheduled meeting occurring in the fourth quarter of the prior fiscal year, and its first two regularly scheduled meetings occurring in the first quarter of each current fiscal year, the Compensation Committee customarily: (i) evaluates the performance of the Chief Executive Officer for the prior fiscal year; (ii) reviews the Chief Executive Officer's evaluation of the performance of the other named executive officers for the prior fiscal year; (iii) determines whether our named executive officers will receive bonuses for the prior fiscal year based on the Company's financial performance relative to the objective targets and their respective individual performance relative to individual goals; (iv) establishes the components and levels of named executive officer compensation for the upcoming fiscal year (including annual bonus plan metrics, objectives and allocations); and (v) reviews and approves the structure, performance criteria and percentage allocations for annual grants to named executive officers under our long-term equity incentive plan. However, because the reappointment of Mr. Gingo as President and Chief Executive Officer occurred on August 18, 2016, very near the end of our 2016 fiscal year, the Compensation Committee did not perform a formal evaluation of the performance of the Chief Executive Officer for the 2016 fiscal year. In the course of its deliberations, the Compensation Committee from time to time solicits the recommendations of our Chief Executive Officer, our Executive Vice President of Global Human Resources, and other executive officers on matters relevant to these aspects of executive compensation. However, the Compensation Committee makes all final determinations regarding compensation programs for the named executive officers and, with respect to the Chief Executive Officer, seeks ratification of its decisions by the full Board of Directors.

## Say-on-Pay Consideration

At the Company's 2015 Annual Meeting of Shareholders, our shareholders approved the compensation of our named executive officers as disclosed in the proxy statement for that Annual Meeting, with 90% of the shares of common stock represented by those shareholders present in person or represented by proxy at the 2015 Annual Meeting voting for approval (the vote for approval was 98% excluding broker non-votes). The Compensation Committee believes the result of this advisory vote indicates strong shareholder support of its compensation philosophy, structure and results. During fiscal year 2016, the Compensation Committee considered this advisory vote, together with the other factors and data discussed in this Compensation Discussion and Analysis, in determining executive compensation policies, making executive compensation decisions, and continuing implementation of its compensation philosophy and objectives.

## Peer Group Analysis

### 2016 Peer Group Comparisons

To assist the Compensation Committee in making compensation decisions during fiscal year 2016, Pay Governance provided the Compensation Committee with compensation surveys and with competitive market data comparing our executive compensation practices to those of a specific group of comparison companies. The peer group used for our compensation comparison purposes is comprised generally of specialty chemical companies, but it also includes similarly-sized companies with common industries and/or common primary end use markets, companies within our geographic footprint, and companies with a similar international presence. The Compensation Committee annually reviews the selection of the peer group companies used for compensation comparisons and undertakes a thorough re-evaluation of the peer group composition periodically to remain diligent in determining the composition of the peer group while promoting consistency in data used for comparative compensation analyses. The Compensation Committee undertook a new extensive analysis during fiscal 2015 in preparation for the 2016 fiscal year, in part in recognition of the consummation during fiscal 2015 of the Company's most significant acquisition, of HGGC Citadel Plastics Holdings, Inc., which affected certain size factors considered in establishing the peer group. This undertaking resulted in a modified peer group first utilized for compensation related decisions in fiscal 2016. For purposes of this analysis, the Committee used multiple factors to evaluate then current peer companies and to identify and select potential new peer companies, including the following: (i) industry and business fit; (ii) size factors (e.g., revenues, assets, capital, employees and market capitalization); (iii) profitability factors (e.g., product margins and returns on assets, equity and capital); (iv) growth factors (e.g., revenue and operating profit); and (v) similarity of international presence. As a result of this analysis, the Compensation Committee reviewed and confirmed, prior to commencement of the 2016 fiscal year, that the following group of companies would be used a peer group pay benchmarking purposes (the "2016 Peer Group"):

Albemarle Corporation	H.B. Fuller Co.	The Scott's Miracle-Gro Company
Axalta Coating Systems Ltd.	Hexcel Corporation	Sensient Technologies Corporation
Axiall Corporation	Minerals Technologies Inc.	Stepan Company
Berry Plastics Group Inc.	New Market Corporation	Trinseo S.A.
Cabot Corporation	Kraton Performance Polymers Inc.	Tronox Limited
Chemtura Corp.	Koppers Holdings Inc.	The Valspar Corporation
Cytec Industries, Inc.	PolyOne Company	W.R. Grace and Company
Ferro Corporation	RPM International Inc.	

In addition to using peer group data, the Compensation Committee reviewed general compensation survey data to help ensure that our executive compensation programs, as a whole, are competitive. For fiscal 2016, the compensation survey data consisted of U.S.-based manufacturing companies of a comparable size to our business, and the Compensation Committee's general approach was to target executive officer pay opportunities at the median of the 2016 Peer Group and the compensation survey data.

## Components of Our Executive Compensation

The key components of our executive compensation program, each of which is addressed separately below, are:

- Base Salaries,
- Annual Bonuses,
- Long-term Incentives, and
- Retirement and other Benefits

In determining an executive officer's total compensation package, the Compensation Committee considers each of these key components and seeks to achieve an appropriate balance between base and incentive compensation, cash and non-cash compensation, and short-term and long-term compensation. The Compensation Committee does not have a target mix of salaries, annual bonuses and long-term incentive compensation levels by specific percentages, but it does have a target to provide each executive officer with a competitive compensation opportunity in order to attract and retain top tier talent while properly focusing them on both our near-term and long-term success. In addition, the Compensation Committee annually reviews the upcoming total compensation opportunity for our executive officers as well as the compensation actually realized for the prior year, taking into account bonus payouts and vesting or forfeiture of long-term incentive awards. The Compensation Committee attempts to position each executive officer's total compensation opportunity near our peer market median in order to provide each executive with a competitive compensation opportunity and properly focus him or her on both our near-term and long-term success. As part of this process, the Compensation Committee maintains an updated tally sheet for each executive officer reflecting the sum of all elements of each officer's compensation. Each year, the Compensation Committee also requests Pay Governance to compare each executive officer's total direct compensation opportunity ( *i.e.* , base salary + annual cash bonus target + estimated value of our long-term equity incentive grants) to the respective total compensation opportunities provided by our peer group, and to provide a similar comparison of realizable compensation, in order to help the Compensation Committee evaluate its compensation determinations for the upcoming fiscal year. It is the opinion of the Compensation Committee that evaluating our executive compensation program with our peers in this manner is important to assess potential modifications consistent with our compensation philosophy.

### **Base Salaries**

Base salaries are intended to reward executive officers based upon their roles with us and for their performance in those roles. The Compensation Committee annually reviews and approves each named executive officer's base salary. Base salaries for executive officers are determined initially by evaluating the officers' respective levels of responsibility, prior experience and breadth of knowledge, and by considering internal equity issues and external pay practices. Determinations of base salary adjustments are driven primarily by competitive positioning and profitability, as well as time in the executive role and personal performance, with the stated goal of aligning executive officer salaries at or near the 50<sup>th</sup> percentile of market levels. For fiscal 2016, the base salary for each of our named executive officers is provided in the **Salary** column of the **Summary Compensation Table** located on page 35 of this proxy statement.

In fiscal 2016, the Compensation Committee continued to implement our base salary compensation philosophy of attempting to position our executive's base salaries at or near the 50<sup>th</sup> percentile of our peers. This is also our target for all of our employees. Based on data presented to the Compensation Committee by Pay Governance, the Compensation Committee determined that collectively the base salaries of our named executive officers were within approximately 10% of peer market median levels for fiscal 2016, although the base salaries of several other recently promoted executive officers were determined to be below this target level. At the beginning of our 2016 fiscal year, we awarded moderate base salary increases to certain of our executive officers generally consistent with the same 3.0% merit increase pool approved for all U.S. employees except where further adjustments were warranted based on (i) outstanding or poor personal performance evaluations, (ii) significant misalignment with peer market median, or (iii) local laws applicable to certain international executives. In early fiscal 2016, Mr. Rzepka received a base salary adjustment of approximately 16% to \$853,000, and Mr. Lingnau-Schneider received a base salary adjustment of 4.7% to \$436,500, each of which were intended to improve their alignment toward at least 90% of the market median for a similarly-positioned executive officer in our 2016 Peer Group. None of our other named executive officers received any base salary increases for fiscal 2016.

In targeting our base salaries generally at or near the 50th percentile of our 2016 Peer Group, the Compensation Committee believes that we are able to properly motivate our executive officers and fulfill our goals of rewarding outstanding performance and achieving executive retention of top tier talent. It is the opinion of the Compensation Committee that by setting base salary levels at competitive rates, our executive officers are rewarded for undertaking positions of leadership with us and are provided with an incentive to continue working for us. However, as base salary compensation is not typically subject to reduction or forfeiture based on corporate performance, the Compensation Committee believes that it should comprise only one component of our overall pay philosophy and that a majority of overall executive compensation should be comprised of at-risk components.

### **Annual Cash Bonuses**

Our annual incentive compensation plan, also referred to as our annual bonus program, promotes our pay-for-performance philosophy by providing our executive officers with direct financial incentives in the form of annual cash bonuses based on our current financial performance. Annual bonus opportunities allow us to communicate specific goals that are of primary importance during the coming fiscal year and to motivate our management team to achieve these goals. The annual bonus program is designed to reward our executive officers for achieving specified objective corporate performance targets that the Compensation Committee has determined to be strategically important for the upcoming year. The Compensation Committee seeks to provide each named executive officer with an annual bonus opportunity within +/- 15% of our peer market median. For fiscal 2016, the target bonus opportunities for our named executive officers generally were within this range except with respect to Mr. Perez, whose target bonus opportunity was increased from 50% to 55% of his base salary for fiscal 2016.

## 2016 Bonus Targets

For fiscal 2016, the Compensation Committee established the target bonus levels (expressed as a percentage of base salary) for each of the named executive officers and established that each executive's total bonus opportunity would be based upon the achievement of certain objective performance metrics. For fiscal 2016, the following target bonus opportunities were approved for each named executive officer:

Named Executive Officer	2016 Initial Target Bonus Opportunity (as a % of base salary)
Bernard Rzepka	100%
Joseph J. Levanduski	70%
Heinrich Lingnau-Schneider	65%
David C. Minc	60%
Gustavo Pérez	55%

In conjunction with establishing the target bonus opportunity for each named executive officer, the Compensation Committee selected performance metrics for evaluating corporate performance, the respective weighting for each metric, and the threshold, target, stretch, and maximum performance goal levels. In selecting performance metrics for fiscal 2016, the Compensation Committee sought to use corporate performance metrics that focused the named executive officers on key drivers of stockholder value and emphasized both our short- and long-term financial and strategic goals. Under these objectives, the Compensation Committee established the following corporate performance metrics for fiscal 2016: (i) consolidated adjusted net income, (ii) consolidated adjusted operating income, and (iii) days of working capital (excluding in each case if it were to occur, certain unusual items as prescribed by the Compensation Committee). We reintroduced the third corporate level performance metric, days of working capital, that we had eliminated in fiscal year 2015, to continue to emphasize the importance of cash flows from operations. We also retained the working capital element at most of our segment and business unit levels and for certain personal objectives, to continue to sustain our improvements in working capital at those levels. An element of quantifiable personal objectives was also added for each executive officer, including the CEO, to provide greater balance between the Company's financial performance and nonfinancial results in key areas under the direct influence of our executive officers. Named executive officers had 10% of their fiscal 2016 annual bonus target associated with individual goals based on various objective metrics, such as working capital reduction, in-house bank savings achievement, safety, and other initiatives depending on the executive's specific duties and goals, although for 2016, no named executive officer received a bonus based on achievement of their individual objectives. We retained our clawback policy with regard to payouts for named executive officers under the annual bonus plan, as described in "Clawback Policy" on page 27 of this proxy statement. For Messrs. Rzepka, Levanduski and Minc, the Compensation Committee determined that each of their respective annual bonus opportunities would be measured by the Company's consolidated adjusted operations. For Messrs. Lingnau-Schneider and Pérez, the Compensation Committee established that their annual bonus opportunities would include an element based on the Company's consolidated adjusted operating income as well as the adjusted operating income performance and working capital within their respective operating segments. For each performance metric, the Compensation Committee established the following weighting for the named executive officers at the outset of fiscal year 2016:

Named Executive Officer	Consolidated Net Income	Consolidated Operating Income	Days of Working Capital	Personal Objectives
Bernard Rzepka	45%	25%	20%	10%
Joseph J. Levanduski	45%	25%	20%	10%
David C. Minc	45%	25%	20%	10%
Named Executive Officer	Consolidated Operating Income	Segment Operating Income	Segment Days of Working Capital	Personal Objectives
Heinrich Lingnau-Schneider	25%	45%	20%	10%
Gustavo Pérez	25%	45%	20%	10%

As described further under **2016 Performance** immediately below, the Company's Chief Executive Officer has the authority at the end of the fiscal year to adjust award payouts for all directly reporting executive officers based on assessment of individual annual performance relative to performance objectives established at the beginning of each fiscal year, up to 200% of the target bonus amount for extraordinary individual contributions, or down to \$0 if the individual's performance significantly falls below expectations. The total amount of all bonus payments, including discretionary adjustments, cannot exceed the total amount otherwise objectively determined by financial results under the annual bonus plan. Mr. Gingo made no such adjustments with respect to fiscal 2016 bonus payments. Potential bonus awards for each named executive officer in fiscal year 2016, as measured by reference to threshold, target and maximum percentages of salary, are disclosed in greater detail in the **Grants of Plan-Based Awards** table located on page 37.

## 2016 Performance

The Compensation Committee primarily utilizes our budgeting model to set the performance levels for each of the annual bonus program performance metrics for the upcoming fiscal year. The Compensation Committee believes that achieving budgeted levels of performance requires solid management performance and is deserving of a bonus at the targeted award level. Achieving the threshold performance levels yields a payout of 50% of target. The consolidated adjusted net income and consolidated adjusted operating income targets were based on the amounts included in the Company's fiscal 2016 budget. The maximum bonus level for consolidated performance was established at approximately 120% of the budget target amount, and would have yielded a payout of 200% of target. The threshold bonus level for consolidated performance was established at approximately 90% of the budget target amount, to yield a payout of 50% of target. The performance targets for the respective business segments were established using a similar methodology, based on our fiscal 2016 budget for each of the business segments. The Compensation Committee believes that its annual objective targets are challenging but achievable with successful management performance. With respect to the actual results reported below, the exchange rates of all foreign currencies are fixed at the time the budget is adopted for each fiscal year and are held constant throughout the year, and bonus expense is normalized to the budget level in the calculation of the payout percentages. The following tables show fiscal 2016 objective targets, actual adjusted results, and percentage payouts at the consolidated level and each business segment, as well as a comparison of our consolidated adjusted operating results and payouts previously disclosed for fiscal 2015.

### 2016 Performance Goals — Consolidated (In Millions of U.S. Dollars)

<u>Performance Target</u>	<u>Threshold (.5x)</u>	<u>Target (1x)</u>	<u>Maximum (2x)</u>	<u>2015 Actual</u>	<u>2015 Payout</u>	<u>2016 Actual</u>	<u>2016 Payout</u>
Net Income	\$ 84.3	\$ 93.6	\$ 112.3	\$ 77.1	81%	\$ 51.3	0%
Operating Income	\$ 169.1	\$ 187.8	\$ 225.4	\$ 121.7	116%	\$ 133.1	0%

### 2016 Performance Goals — EMEA Business Segment (In Millions of Euros)

<u>Performance Target</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>2016 Actual</u>	<u>Payout</u>
Segment Operating Income	€ 67.0	€ 74.4	€ 89.3	€ 67.0	50%
Days of Working Capital	52	51	47	59	0%

### 2016 Performance Goals — USCAN Business Segment (In Millions of U.S. Dollars) (1)

<u>Performance Target</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>2016 Actual</u>	<u>Payout</u>
Segment Operating Income	\$ 72.0	\$ 80.0	\$ 96.0	\$ 36.4	0%
Days of Working Capital	63	61	57	68	0%

### 2016 Performance Goals — LATAM Business Segment (In Millions of U.S. Dollars)

<u>Performance Target</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>2016 Actual</u>	<u>Payout</u>
Segment Operating Income	\$ 15.0	\$ 16.6	\$ 20.0	\$ 23.3	200%
Days of Working Capital	76	74	69	80	0%

### 2016 Performance Goals — APAC Business Segment (In Millions of U.S. Dollars) (1)

<u>Performance Target</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>2016 Actual</u>	<u>Payout</u>
Segment Operating Income	\$ 16.2	\$ 18.0	\$ 21.5	\$ 18.8	125%
Days of Working Capital	69	67	62	72	0%

### 2016 Performance Goals — EC Business Segment (In Millions of U.S. Dollars) (1)

<u>Performance Target</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>2016 Actual</u>	<u>Payout</u>
Segment Operating Income	\$ 26.2	\$ 29.1	\$ 34.9	\$ 14.6	0%
Days of Working Capital	66	64	60	63	125%

(1) Information for the USCAN, APAC and EC business segments is included to help illustrate our pay for performance alignment for all executive officers, even though no named executive officer's 2016 bonus reported in this proxy statement was based on financial performance in those business segments.

The foregoing financial presentation includes the use of non-GAAP financial measures. We use these financial measures to monitor and evaluate our on-going performance and allocate resources, and we believe that these additional non-GAAP measures are useful for financial analysis. Reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measure can be found at Appendix A.

Although financial results in fiscal 2016 were disappointing, the lack of annual bonus payouts at the consolidated operations level and certain business segments confirm the strong alignment of our incentive compensation program with actual performance. Also, sustaining positive results in certain of our other business segments supported annual bonuses to the executive personnel responsible for those results.

In addition to the above-described formulaic metrics, our Chief Executive Officer is granted the discretion by the Compensation Committee to recommend increases or decreases in annual bonus awards for all directly reporting executive officers based on the executives' individual performances during the prior fiscal year. Specifically, Mr. Gingo had the authority, as our Chief Executive Officer for fiscal year 2017, to adjust fiscal 2016 bonus payouts for each directly reporting executive officers down to \$0 or up to 200% of their objectively-determined award, based on individual performance relative to personal objectives established at the beginning of the fiscal year and desired behaviors, provided that the total amount of all bonus payments to executive officers, including all discretionary adjustments, may not exceed the total amount determined by application of our objective performance metrics. It is the Compensation Committee's opinion that this limited discretionary flexibility in administering the annual bonus plan is critical to help reward exceptional individual efforts that are not otherwise captured by formulaic application of the bonus plan, and thereby help retain the continued commitment of key performers, or to reduce payments to executive officers who individually (or whose area of responsibility) underperformed, regardless of the formulaic bonus plan projected payouts. In making any such recommendations, Mr. Gingo objectively and subjectively evaluates each executive officer based on a number of factors, including, but not limited to, individual performance in the executive's specific areas of responsibility and strengths in management and leadership. For fiscal 2016, Mr. Gingo did not recommend any individually-based adjustments for our named executive officers. A comparison of the percentages of annual bonuses attained and approved to be paid to our named executive officers for fiscal year 2016 and fiscal 2015 is presented immediately below. The annual bonus payments made to our named executive officers for fiscal year 2016 are reported in the in the **Non-Equity Incentive Plan Compensation** column (g) of the **Summary Compensation Table** located on page 35 of this proxy statement.

<u>Named Executive Officer</u> <sup>(1)</sup>	<u>2016 Bonus Payout % (Objective Performance Metrics and Individual Goals)</u>	<u>2015 Bonus Payout % (Objective Performance Metrics and Individual Goals)</u>	<u>2015 Bonus Payout % After Voluntary Commitment</u> <sup>(2)</sup>
Joseph M. Gingo	0%	0%	0%
Bernard Rzepka	0%	94%	82%
Joseph J. Levanduski	0%	94%	74%
David C. Minc	0%	95%	83%
Heinrich Lingnau-Schneider	23%	104%	92%
Gustavo Pérez	100%	114%	102%

- (1) Mr. Rzepka served as President and Chief Executive Officer through August 18, 2016, when Mr. Gingo was reappointed President and Chief Executive Officer. Mr. Gingo did not participate in the fiscal 2016 annual bonus plan.
- (2) As described in our 2015 proxy statement, our executive management team voluntarily forewent a portion of each of their objectively determined annual bonuses for fiscal 2015 as an indication of their dedication to deliver financial performance and shareholder value at levels committed to through our fiscal budgeting process at the commencement of the fiscal year. Mr. Levanduski forfeited an additional portion of his bonus for fiscal 2015 to provide a source of funding for bonuses to various finance associates, and as a result the amount reported above for Mr. Levanduski is less than the 82% that was reported for Mr. Levanduski in our 2015 proxy statement.

#### ***Circuit Breaker***

The Compensation Committee determined to continue to utilize a partial circuit breaker in the annual bonus program for fiscal 2016. The circuit breaker requires consolidated adjusted operating income to attain the threshold level before participants are eligible for full payments under any applicable working capital metric for a business segment. If consolidated adjusted operating income is less than the threshold level, participants are eligible to receive only 50% of payments which otherwise would be provided with respect to their working capital metric. The Compensation Committee believes that application of this circuit breaker reinforces the connection between financial performance and incentive compensation by requiring a minimum level of corporate level financial performance to be attained reached before rendering full bonus payouts, regardless of attainment of the objective annual bonus program targets.

#### ***Clawback Policy***

Our Board of Directors, on the recommendation of the Compensation Committee, has adopted a clawback policy in regard to payouts under our annual bonus program. If the Company restates all or a significant portion of its financial statements, the Board may, in its discretion, cancel any unpaid portion or require reimbursement of any paid portion of compensation awarded to any participant if: (i) the amount of the bonus was calculated based on the achievement of financial results that were subsequently the subject of a material restatement of our financial statements, and (ii) the amount of the bonus that would have been awarded to the participant, had the financial results been properly reported, would have been lower than the amount actually awarded. Additionally, if any participant engages in misconduct related to the bonus program, the Board may take such actions as it deems appropriate to address the misconduct, including cancellation of any unpaid portion or requiring reimbursement of any paid portion of compensation awarded to that participant, as well as other disciplinary actions.

## Prohibition on Hedging or Pledging

Our insider trading policy and procedures strictly prohibit executive officers and directors from pledging our stock, purchasing our stock on margin, engaging in short sales, or engaging in any hedging transactions whatsoever.

## Long-Term Incentives

As part of our executive compensation program, the Compensation Committee has historically made annual grants of long-term stock-based incentive awards to our named executive officers (and other members of management), including grants of restricted stock, restricted stock units and performance shares. Long-term incentives are used by the Compensation Committee to: (i) balance the short-term focus of base salaries and the annual bonus program by tying equity-based rewards to performance achieved over multi-year periods; (ii) ensure that each named executive officer's total compensation package includes a longer-term at-risk component of pay; (iii) align compensation incentives with long-term stockholder interests; and (iv) provide our named executive officers with long-term retention incentives. When making our annual equity-based awards to our named executive officers, the Compensation Committee considers, but does not exclusively rely on any one of, the following: (i) our financial performance in the prior fiscal year; (ii) historical award data; (iii) compensation practices at peer group companies; and (iv) each named executive officer's respective individual performance, prior experience and levels of responsibility with, and contributions to, the Company.

For fiscal 2016, the Compensation Committee continued to emphasize performance-based equity awards: 75% of all long-term equity awards were comprised of awards with performance-based vesting, while only 25% of our long-term equity awards were service-based. All fiscal 2016 service-based awards were subject to three-year cliff vesting. Outstanding long-term incentive grants to our named executive officers are shown in the **Outstanding Equity Awards at 2016 Fiscal Year-End** table on page 40 of this proxy statement.

Our compensation philosophy seeks to provide target benefits of long-term incentive awards for each named executive officer at the 50<sup>th</sup> percentile of our peer group, with the maximum vesting potential at 200% of each grant, subject to vesting and/or forfeiture depending on attainment of the performance levels indicated in the tables below. The number of award shares or units granted to each named executive officer at their respective target value levels was determined using the average trading value of our common stock for the 30-day period preceding the grant date of January 13, 2016, which was \$29.24, rounded to the nearest ten shares or units. For fiscal 2016, the Compensation Committee established long-term incentive compensation target levels (expressed as a percentage of base salary) for each of the named executive officers as follows:

<u>Named Executive Officer</u>	<u>2016 Long-Term Incentive Target Total Opportunity (as a % of base salary)</u>
Joseph M. Gingo (1)	—
Bernard Rzepka	177%
Joseph J. Levanduski	160%
Heinrich Lingnau-Schneider	60%
David C. Minc	147%
Gustavo Pérez	55%

(1) Mr. Gingo was not an executive officer at the time of the grants under our annual bonus plan, so he did not participate in our long-term incentive plan for fiscal 2016. However, on September 22, 2016, Mr. Gingo was awarded 25,000 full value shares and 125,000 restricted stock units in connection with the entry into his employment agreement dated September 22, 2016.

In fiscal 2016, we maintained the weighting of performance-based equity awards at 50% of all equity-based grants based on target levels of our three-year average ROIC, and 25% based on target levels of three-year cumulative EPS. The determination to use target levels of EPS for this long-term incentive performance metric was based in part on the desire to focus management on driving consistent, sustained earnings improvement as another measure of delivering shareholder value.

For historical perspective regarding the consistency of our long-term incentive compensation program, we have included the following table to indicate the percentage allocations and performance metrics utilized for fiscal years 2011 through 2016:

<u>Nature of Grant</u>	<u>Percentage Allocation in Fiscal Year</u>					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Service-based	25%	25%	25%	25%	25%	25%
Performance (TSR)	50%	37.5%	25%	25%	0%	0%
Performance (ROIC)	25%	37.5%	50%	50%	50%	50%
Performance (EPS)	0%	0%	0%	0%	25%	25%

### ***Restricted Shares and Restricted Stock Units***

On January 13, 2016, the Compensation Committee awarded the following number of service-based restricted shares or restricted stock units under the 2006 Incentive Plan to our named executive officers (which represented 25% of total targeted value of long-term incentive awards granted in fiscal 2016):

<u>Named Executive Officer</u> <sup>(1)</sup>	<u>Number of Shares or Units</u>	<u>Target Value at Grant</u>
Bernard Rzepka 5,934 units	21,370 shares	\$ 625,000
Joseph J. Levanduski	6,280 shares	\$ 183,750
Heinrich Lingnau-Schneider	2,560 units	\$ 75,000
David C. Minc	4,830 shares	\$ 141,250
Gustavo Pérez	2,520 units	\$ 73,750

(1) Mr. Gingo was not serving as an executive officer at the time of the long-term incentive awards, but he received in calendar year 2016 an award of 2,736 unrestricted shares as part of his director compensation, as described further under **Compensation of Directors** in this Compensation Discussion and Analysis, and in the **Director Compensation** table located on page 51 of this proxy statement.

For fiscal 2016, the Compensation Committee awarded our non-U.S. named executive officers awards of share-settled restricted stock units based upon certain tax treatment considerations. Upon vesting, awards of restricted stock units will be settled in shares of our common stock on a 1-for-1 basis. All service-based long-term incentive awards granted in fiscal 2016 are subject to cliff vesting, based on continued employment through the third anniversary of the grant date of January 13, 2016. The Compensation Committee believes that this long-term, non-pro rata vesting methodology enhances the retention focus of this portion of our long-term incentive awards and helps align our long-term equity program with industry standards. During the restriction period, named executive officers may exercise full voting rights associated with their shares of restricted stock, although named executive officers receiving restricted stock units have no voting rights during the restriction period. In addition, during the restriction period, all dividends paid with respect to shares of restricted stock represented by such grant are held by the Company until all restrictions on the underlying restricted stock have lapsed by vesting. With regard to awards of restricted stock units, such units provide for dividend equivalent rights entitling executives to a payment equal to the amount of any cash dividends that are declared and paid during the restriction period upon the vesting of such units.

### ***Performance Shares and Performance Units***

During fiscal 2016 the Compensation Committee also awarded performance shares and performance units under the 2014 Equity Incentive Plan to our named executive officers in the following amounts (granted at the maximum potential vesting of 200% of the target value of the grants, and representing 75% of total target value of long-term incentive awards granted in fiscal 2016):

<u>Named Executive Officer</u> <sup>(1)</sup>	<u>Number of Shares or Units</u>	<u>Number with Dividend Rights</u>	<u>Target Value at Grant</u>
Bernard Rzepka	128,220 performance shares	64,110	\$ 1,875,000
Joseph J. Levanduski	37,680 performance shares	18,840	\$ 551,250
Heinrich Lingnau-Schneider	15,360 performance units	7,680	\$ 225,000
David C. Minc	28,980 performance shares	14,490	\$ 423,750
Gustavo Pérez	15,120 performance units	7,560	\$ 221,250

These performance shares and performance units were awarded in amounts representing 200% of the target value of the grant, or the maximum potential settlement level, subject to the vesting on the third anniversary of the grant date at percentages based on achievement of internally-projected levels of ROIC or cumulative EPS at the end of a three-year fiscal performance period (“Performance Period”). Our non-U.S. named executive officers were awarded performance units, as compared to performance shares, based upon certain tax treatment considerations. Performance shares and performance units give the recipient the right to receive a specified number of shares of our common stock only if certain terms and conditions are met. Specifically, performance shares/units awarded in fiscal 2016 are subject to settlement on January 13, 2019 based on the following performance criteria: (i) two-thirds of each executive’s performance shares/units granted (comprising 50% of the total target value of each executive’s equity-based awards) were based on achievement of certain levels of ROIC over the Performance Period; and (ii) one-third of each executive’s performance shares/units (comprising 25% of the target value of each executive’s equity-based awards), was based on achievement of certain levels of cumulative EPS levels over the Performance Period. The percentage of each of the ROIC- and EPS-based grants that may vest will correspond to the level of achievement of the Company’s ROIC or cumulative EPS, as may be the case, at the end of the Performance Period, with 25% vesting at the “threshold” level, 50% at the “target” level, or 100% at the “maximum” level. If the Company’s performance with respect to either metric is between two percentages, the percentage of performance-based shares that vest will be mathematically interpolated by the Company. With respect to the performance-based stock awards, all shares/units which vest at the

end of the Performance Period will be settled in shares of our common stock. Any performance shares/units that do not vest at the end of the Performance Period will be forfeited.

We do not disclose the specific forward-looking adjusted ROIC or EPS goals that we established for the performance awards granted in fiscal 2016 in this proxy statement because those goals relate to executive compensation to be earned in future years and we believe are unnecessary to provide a fair understanding of our named executive officers' compensation in fiscal 2016, and we believe the disclosure of those long-term internal targets would cause us competitive harm. However, we will disclose such goals in future proxy statements once the performance periods have been completed and the settlement of such awards is then determined.

With regard to dividend rights, performance shares and units are allocated 50%, or the target grant level, of any cash dividends that are declared and paid during the Performance Period with respect to target grant shares or units, although such dividends are held by the Company and vest and are settled in cash only if, when and to the extent the related performance shares or units vest and are settled, in the same proportion as such vesting and settlement. In the event a performance share or unit is forfeited, the related dividends are also forfeited.

During fiscal 2016, the performance-based long-term incentive awards granted in fiscal year 2013 were settled at the following levels based on the two performance metrics – our TSR relative to peers and our actual consolidated average ROIC results. The Compensation Committee believes that the low vesting percentage of our TSR grants, and the above target vesting of our ROIC grants, continue to show good alignment of our long-term incentive program with actual financial performance, both externally and internally.

#### ***Fiscal 2013-2016 Long-Term Performance Awards Vesting Summary***

Performance Metrics <sup>(1)</sup>	2013-2016 Performance Period				% Vested
	Threshold	Target	Maximum	Actual	
Total Shareholder Return Percentile <sup>(2)</sup>	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile	100 <sup>th</sup> Percentile	27 <sup>th</sup> Percentile	4%
Consolidated Average ROIC <sup>(3)</sup>	10.5%	11.5%	13.5%	12.7%	81%

- (1) One third of all performance-based awards granted in 2013 were based on Total Shareholder Return (25% of total long-term incentive awards) and two-thirds were based on Consolidated Average ROIC (50% of total long-term incentive awards), each measured over a three-year performance period ending in fiscal 2016.
- (2) TSR as compared to peer companies in the S&P Specialty Chemicals Index. Our TSR for the period from grant date of January 11, 2013 through the third anniversary of January 11, 2016 was 11.1% and placed us at the 27<sup>th</sup> percentile of this group.
- (3) Internally targeted levels of ROIC, determined on a non-GAAP basis for our fiscal 2013 grants.

*The foregoing financial presentation includes the use of non-GAAP financial measures. We use these financial measures to monitor and evaluate our on-going performance and allocate resources, and we believe that these additional non-GAAP measures are useful for financial analysis. Reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measure can be found at Appendix A.*

#### ***Circuit Breaker for Certain Previously Issued Awards of Performance Shares and Performance Units***

We use a secondary circuit breaker for our outstanding TSR-based performance awards issued in fiscal year 2014, based on achieving positive TSR for the Performance Period. If our TSR is negative during the Performance Period, our TSR-based performance shares and units will vest only if our TSR for that period exceeds the 50<sup>th</sup> percentile of our peer group (instead of the 25<sup>th</sup> percentile threshold vesting level for positive TSR), and the vesting rates over the 50<sup>th</sup> percentile will be reduced by 50% from what would otherwise have applied for positive TSR.

#### ***Timing of Grants***

The Compensation Committee generally determines equity grants at a meeting during the second quarter of each fiscal year that precedes our release of first quarter earnings results. The Compensation Committee has set the grant date as of the second business day after the release of the earnings information. While this introduces some level of variability in our cost incurred in making awards and the value of the awards to our named executive officers, the Compensation Committee has also adopted a policy to calculate the number of shares or units of equity grants actually awarded by using the average closing price of our stock during the 30 calendar days preceding the grant date.

#### **Retirement and Other Benefits**

The retirement and benefits program components of our executive compensation program includes: (i) payment of limited perquisites and other personal benefits; (ii) participation in a 401(k) plan in the same manner as other employees; and (iii) participation in a non-qualified retirement plan. We also maintain other post-retirement benefit plans, such as health care plans and life insurance benefits, for certain of our U.S. employees, including certain of our named executive officers, on a non-discriminatory basis.

The objectives of our retirement and benefits programs are to: (1) provide the named executive officers with reasonable and competitive levels of protection against contingencies, including retirement, death and disability, which could interrupt their employment and income received from us; and (2) reward the named executive officers for continued service with us.

Periodically, the Compensation Committee reviews how each element of our retirement and benefits program functions to achieve the Compensation Committee's goals. At the discretion of the Compensation Committee, these programs may be modified, supplemented or removed. In general, the Compensation Committee considers competitive market practices and the costs of each of these programs and weighs those costs against the stated objectives for maintaining retirement and other benefits. The components of the fiscal year 2016 retirement and benefits program for the named executive officers are discussed individually below.

#### ***Perquisites and Personal Benefits***

We provide very limited personal benefits to our named executive officers. To promote the long-term health and service of our executive team, we require that each executive officer undergo a complete physical examination at least once every other year for which we reimburse the associated costs. During fiscal 2016, we reimbursed Mr. Lingnau-Schneider for the cost of such a physical examination in the amount of \$2,186. We also provided Messrs. Lingnau-Schneider and Pérez with certain automobile, fuel and insurance costs in the amounts of \$15,840 and \$8,941, respectively, under vehicle allowance programs similarly available to all management personnel in those foreign countries.

#### ***401(k) Plan***

During fiscal 2016, we provided a matching contribution of up to 5% of each 401(k) plan account participant's base salary for contributions made to their 401(k) account. Matching contributions made to the 401(k) plan accounts for our U.S. named executive officers during fiscal year 2016 are reported in the **Summary Compensation Table** located on page 35 of this proxy statement.

#### ***Non-Qualified Retirement Plan***

We also maintain a non-qualified retirement plan for certain of our North American executives (the "Non-Qualified Plan") pursuant to which the Compensation Committee may accrue certain amounts for the benefit of 401(k) plan participants in order to provide such participants with benefits not otherwise available to them due to certain tax-law driven compensation limitations. The Non-Qualified Plan is the same as the Retirement Plan except that it is intended to address issues associated with qualified plan contribution limits for highly-compensated individuals. Benefits under the Non-Qualified Plan vest and become non-forfeitable in accordance with a specified formula that provides for partial vesting starting after two years of employment with us and full vesting after seven years of employment with us. In addition, upon a Change-in-Control (as defined in the Non-Qualified Plan), participants' benefits under the Non-Qualified Plan become fully vested and non-forfeitable. Moreover, if a participant's employment is terminated for any reason within two years of the occurrence of a Change-in-Control, payment of such participant's vested account balance shall be made in a lump sum payment within five days of such termination. Amounts accrued by us under the Non-Qualified Plan for the benefit of each participant reflect the investment performance that would have been realized had a corresponding amount been invested for the benefit of such participant during such year in the S&P 500. The amounts accrued (excluding the assumed investment based performance earnings thereon) by us pursuant to the Non-Qualified Plan for the benefit of our North American named executive officers for fiscal year 2016 are disclosed in the **Summary Compensation Table** located on page 35 of this proxy statement. The Compensation Committee believes that maintaining this plan helps to maintain the competitiveness of our retirement package.

#### ***International Retirement Plans***

We maintain defined benefit plans for certain of our foreign employees. During fiscal 2016, Messrs. Lingnau-Schneider and Pérez each participated in such plans on the same non-discriminatory basis as other international employees who are participants. The relevant termination date for the calculation of Mr. Rzepka's benefits under the European plan is December 31, 2014, based on his then relocation to the U.S. in connection with his promotion on January 1, 2015 to President and Chief Executive Officer. Additional information for these plans can be found in the **Pension Benefits Table** located on page 42 of this proxy statement and the accompanying description.

#### **Other Elements of Our Compensation Programs**

##### **Employment Agreements, Separation Agreements, and Change-In-Control Arrangements**

The Compensation Committee carefully considers the use and conditions of any employment agreements. The Compensation Committee recognizes that employment agreements containing severance and change-in-control arrangements are often appropriate to attract prospective executives who forego significant compensation and opportunities at the companies they are leaving, or who face relocation expenses in order to accept employment with us. Generally, executives are not willing to accept such risks and costs

without protection in the event that their employment with us is terminated due to unanticipated changes, including a change-in-control.

The Company has an employment agreement with Mr. Gingo, who was re-appointed as President and Chief Executive Officer on August 18, 2016. During fiscal 2016, the Company had employment agreements with (i) Mr. Rzepka, our former President and Chief Executive Officer, which terminated effective September 24, 2016 in connection with Mr. Rzepka's relinquishment on August 18, 2016 of his roles as President, Chief Executive Officer and director, and the subsequent entry into a separation agreement dated October 14, 2016; and (ii) Mr. Levanduski, our Executive Vice President, Chief Financial Officer, which ended effective October 7, 2016 in connection with Mr. Levanduski's voluntary resignation effective October 31, 2016 and entry into a separation agreement dated October 7, 2016. The Company entered into an employment agreement with John W. Richardson on September 30, 2016, under which Mr. Richardson will become our Chief Financial Officer on November 1, 2016 following a transition period working with Mr. Levanduski. Mr. Richardson's employment agreement will be described in our 2017 proxy statement. The Company also entered into a separation agreement and a consulting agreement with Mr. Minc, our former Executive Vice President and Chief Legal Officer, on August 18, 2016 in connection with his retirement effective August 31, 2016. The material provisions of the employment agreement with Mr. Gingo, the employment and separation agreements with Messrs. Rzepka and Levanduski, and the separation and consulting agreement with Minc, are discussed further under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement.

The Compensation Committee believes that these few employment agreements help protect our stockholders' interests by assuring that we will have the continued dedication, undivided loyalty and objective advice from our Chief Executive Officer and Chief Financial Officer even in the event of a proposed transaction, or the threat of a transaction, which could result in a change-in-control. Our employment agreements provide certain protections in the event of a change-in-control event, but provide payments to an executive only if their employment is terminated as a result of, or within a specified period after, a change-in-control ( *i.e.* , a double trigger). The Compensation Committee believes that these employment agreements provide adequate protection to our key executive officers to help ensure that change-in-control offers will be evaluated in the best interests of stockholders without fear of job elimination without compensation in connection with a transaction. The Compensation Committee recognizes, however, that these employment agreements may have the effect of discouraging a takeover attempt because such a transaction would constitute a change-in-control and could require increased compensation expense.

In addition to the use of these employment agreements, the Compensation Committee has authorized the use of separate change-in-control agreements with a limited number of other key officers. While the Compensation Committee believes that it is in the Company's best interests to retain most of our employees on an "at will" basis, the Committee also recognizes that we will not be able to retain key executive personnel without providing certain protections in the event of a change-in-control. Like the change-in-control provisions utilized in our employment agreements, all of our change-in-control agreements provide payments to covered employees only if employment is terminated as a result of, or within a specified period after, a change-in-control. The Compensation Committee believes that such agreements help to mitigate the fear of job loss associated with potential change-in-control transactions and allow our key executive team to perform during such offers in an appropriate fashion. We entered into such change-in-control agreements with Messrs. Lingnau-Schneider and Pérez, and formerly with Mr. Minc. The material provisions of these change-in-control agreements are discussed under **Change-in-Control Agreements** beginning on page 47 of this proxy statement.

## Equity Plans

Under the terms of our 2006 Incentive Plan, 2010 Rewards Plan, and 2014 Equity Incentive Plan, unless specified otherwise in the associated award agreement or in a separate employment or change-in-control agreement: (i) all of a participant's awards will be fully vested and exercisable upon a Business Combination or Change-in-Control (as such terms are defined in the respective plans); and (ii) all performance objectives will be deemed to have been met as of the date of the Business Combination or Change-in-Control. If we conclude that any payment or benefit due to a named executive officer would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), we will consider the feasibility of offering substitute awards that would not constitute "parachute payments" under Section 280G of the Code and that would not generate penalties under Section 409A of the Code, and to the extent that such a substitution is not feasible, or the payments and benefits due to the participant still would be subject to the excise tax imposed by Section 4999 of the Code, we will reduce the payments and benefits due to a participant to the greatest amount that would not generate an excise tax under Section 409A of the Code.

## Tax and Accounting Considerations

As a general matter, the Compensation Committee considers the various tax and accounting implications of our various compensation components and seeks to structure our executive compensation programs in a tax efficient manner, but in a manner consistent with its stated compensation philosophy.

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### ***Deductibility of Executive Compensation***

Section 162(m) of the Code prohibits the Company from taking a federal income tax deduction for compensation paid in excess of \$1.0 million in any taxable year to our Chief Executive Officer and three other most highly compensated executive officers other than our Chief Financial Officer, unless certain conditions are met. Exceptions are permitted for qualified performance-based compensation, among other things. As part of its role, the Compensation Committee annually considers the deductibility of executive compensation under Section 162(m) in structuring our executive compensation program. The Compensation Committee believes, however, that compensation and benefit decisions should be driven primarily by the needs of our business, rather than by tax considerations. Accordingly, the Compensation Committee may choose to award compensation that does not meet the requirements of Section 162(m) where, in its judgment, such payments are appropriate to achieve its compensation philosophy and objectives. Also, even if compensation is awarded that is intended to meet the requirements of Section 162(m), we cannot guarantee that such compensation will so qualify to be deductible.

### ***Nonqualified Deferred Compensation***

Section 409A of the Code and the final regulations adopted thereunder impose certain restrictions on amounts deferred under nonqualified deferred compensation plans and a 20% excise tax on amounts that are subject to, but do not comply with, Section 409A. Section 409A includes a broad definition of nonqualified deferred compensation plans, which may extend to various plans and arrangements that we maintain.

### ***Accounting Standards Codification No. 718***

When determining amounts of long-term incentive grants to the named executive officers and other employees, the Compensation Committee examines the accounting cost associated with the grants. Under Accounting Standards Codification No. 718, Share-Based Payment, grants of stock options, restricted stock, restricted stock units and other share-based payments result in an accounting charge.

### **Stock Ownership Guidelines, Holding Requirements and Other Stock Ownership Policies**

The Compensation Committee has adopted stock ownership guidelines for our executive officers and directors since 2006. These guidelines require that, within a five-year period from the date a person is appointed to their current executive office, the Chief Executive Officer will maintain stock ownership in value equal to approximately five times his base salary and the other executive officers will maintain stock ownership in value equal to approximately three times their respective base salaries. Directors are required to attain and hold stock ownership in value equal to approximately five times the cash portion of their annual retainer within a five-year period from the date of their first election or appointment to the Board of Directors. In determining compliance with these guidelines, the Compensation Committee considers the beneficial ownership of our executive officers and directors as required to be reported in a proxy statement.

The Compensation Committee has included two additional components to help further the effectiveness of our stock ownership guidelines in aligning the interests of our executive officers and directors with the long-term interests of our stockholders. First, the Compensation Committee has incorporated a mandatory holding component which requires that all common stock received from equity awards (net of taxes) be held until guideline ownership levels are met and maintained. Second, the Compensation Committee has adopted a mandatory stock purchase component which requires that any executive officer or director who does not satisfy, or who is not demonstrating sustained progress toward satisfying, their share ownership guidelines to use at least 50% of all annual incentive compensation or director fees they receive, net of personal income taxes, to purchase our common stock until that person attains compliance with the guidelines. To help facilitate this requirement, during fiscal year 2012 we adopted an Executives and Directors Stock Ownership Guidelines Compliance Program (“EDSOP”) which provides executive officers and directors with a convenient method to directly purchase our common stock at its fair market value with their annual incentive compensation payments or director retainer fees.

In addition to these requirements, our executives and directors are prohibited under our insider trading policy and procedures from pledging our stock, purchasing our stock on margin, engaging in short sales, or engaging in any hedging transactions.

As of October 14, 2016, all directors and our named executive officers were in, or on track to attain, compliance with our stock ownership guidelines.

### **Compensation of Directors**

The Compensation Committee is also responsible for determining compensation for our non-employee directors. Generally, the Compensation Committee structures director compensation in a fashion to attract and retain high quality individuals to serve on the Board of Directors, to compensate such individuals for the time and energy expended in providing us their expertise and, in part, to provide directors with compensation that is tied to the performance of our common stock. On an annual basis, the Compensation Committee requests that its compensation consultant evaluate our current director compensation levels relative to our peers. Generally,

it is the goal of the Compensation Committee to position overall director compensation at a median market level, similar to the philosophy for employee compensation.

During fiscal 2016, upon consultation and review with Pay Governance, the Compensation Committee assessed our current director compensation program to analyze whether the general compensation levels continued to be appropriate in 2016 to maintain the intended goal of positioning total director compensation at the median market level of our peer group. Although this evaluation indicated that director compensation was not attaining the median market level of our peer group, it was determined to maintain the same level of compensation for non-employee directors in light of our management's determination in early fiscal 2016 to forego a portion of their 2015 annual bonus payments, as reported in our 2015 proxy statement. Accordingly, each non-employee director continued to receive for the 2016 calendar year an annual director cash retainer of \$80,000 and an annual grant of fully vested and unrestricted shares of common stock with an approximate grant date fair value of \$80,000 (determined by using the average trading price of our common stock for the 30-day period preceding the grant date), for total targeted base annual director compensation of \$160,000. We provide non-employee director compensation on a calendar year basis to coincide with their election at our annual meeting of shareholders held each December. We do not provide additional fees per meeting unless directors attend more than 24 meetings annually, in which case directors will receive \$1,500 for each Board or Committee meeting attended. Additionally, the Compensation Committee reviews with Pay Governance comparative information regarding the appropriate level of additional compensation for directors fulfilling additional duties including lead independent director or chairs of committees. In fiscal year 2015, the Compensation Committee also reviewed with Pay Governance comparative information regarding the appropriate level of additional compensation for a non-executive Chair, the position to which Mr. Gingo was appointed in fiscal 2015, in board structures which also included a lead independent director. Based on these evaluations, the Compensation Committee approved the payment of the following cash retainers to directors with additional duties for calendar year 2016: (i) \$120,000 for the non-executive Chair, (ii) \$20,000 for the lead independent director; (iii) \$17,500 for the chairs of the Audit and Compensation Committee; and (iii) \$10,000 for chairs of all other committees. Mr. Gingo, who is currently the only employee director, will not receive additional compensation for service on our Board of Directors during fiscal year 2017. Director compensation paid for fiscal 2016 is more fully reflected in the **Director Compensation** table located on page 51 of this proxy statement.

### **Compensation Risk Assessment**

As part of its oversight of our executive compensation program, the Compensation Committee considers the impact of our executive compensation program, and the incentives created by the compensation awards that it administers, on our risk profile. In addition, as part of our ERM process, management and the Compensation Committee review all of our employee compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk taking, to determine whether they present a significant risk to us. The Compensation Committee believes that our governance and organizational structures, in conjunction with risk-mitigation elements contained within our compensation program, allows us to continue to objectively assess risk as it relates to all employee compensation programs and plans. Such risk-mitigation elements include but are not limited to the following: circuit breakers in our annual and long-term incentive plans; consistent benchmarking in establishing our overall compensation structure and elements; share ownership guidelines and holding period requirements; clawback policy for bonus payments; the total mix of our compensation programs, including significant at-risk vesting portions of our long-term incentives; consistent timing of our equity grants; use of performance metrics consistent with short-term and long-term strategic focuses; use of multiple performance metrics differentiated between our annual bonus and long-term incentive plans; consistent application of certain of our annual and long-term performance metrics across business segments and geographic regions; and availability of discretion to adjust executives' bonus compensation downward to reflect personal performance issues. Based upon the results of our ERM assessment during fiscal 2016, the Compensation Committee determined that the risks arising from our compensation policies and practices were not reasonably likely to have a material adverse effect on the Company. For more information regarding our ERM process, see the discussion provided under **Board's Role in Risk Oversight** beginning on page 9 of this proxy statement.

### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the foregoing Compensation Discussion and Analysis be included as part of this proxy statement.

#### **Compensation Committee:**

Gregory T. Barmore (Chair)  
David G. Birney  
Lee D. Meyer  
James A. Mitarotonda  
Ernest J. Novak, Jr.

**COMPENSATION TABLES**

**Summary Compensation Table**

The table below discloses information regarding the compensation of individuals serving as our principal executive officer and principal financial officer during fiscal 2016 and our three other most highly compensated executive officers serving on August 31, 2016.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) Change in Pension Value and Nonqualified Deferred Compensation Earnings	(i) All Other Compensation	(j) Total
<u>Name and Principal Position</u> <sup>(1)</sup>	<u>Fiscal Year</u>	<u>Salary</u> ( <u>\$</u> )	<u>Bonus</u> ( <u>\$</u> )	<u>Stock Awards</u> ( <u>\$</u> ) <sup>(2)</sup>	<u>Option Awards</u> ( <u>\$</u> ) <sup>(3)</sup>	<u>Non-Equity Incentive Plan Compensation</u> ( <u>\$</u> ) <sup>(4)</sup>	<u>Nonqualified Deferred Compensation Earnings</u> ( <u>\$</u> ) <sup>(5)</sup>	<u>All Other Compensation</u> ( <u>\$</u> )	<u>Total</u> ( <u>\$</u> )
Joseph M. Gingo President and Chief Executive Officer, Chairman	2016	\$ 24,769	—	—	—	—	—	\$ 501,805 <sup>(7)</sup>	\$ 526,574
	2015	\$ 318,462	—	—	—	\$ 228,327	—	\$ 8,313,147	\$ 8,859,935
	2014	\$ 920,000	—	\$ 2,599,922	—	\$ 1,085,875	—	\$ 98,012	\$ 4,703,809
Bernard Rzepka <sup>(6)</sup> Former President and Chief Executive Officer	2016	\$ 812,950	—	\$ 1,958,347	—	—	\$ 975,549	\$ 3,520,880 <sup>(8)</sup>	\$ 7,267,727
	2015	\$ 652,737	—	\$ 1,138,473	—	\$ 516,821	\$ (28,053)	\$ 47,641	\$ 2,327,619
	2014	\$ 555,000	—	\$ 888,277	—	\$ 492,511	\$ (533,234)	\$ 11,830	\$ 1,414,384
Joseph J. Levanduski Executive Vice President, Chief Financial Officer	2016	\$ 460,000	—	\$ 575,499	—	—	—	\$ 53,488 <sup>(9)</sup>	\$ 1,088,987
	2015	\$ 456,881	—	\$ 643,685	—	\$ 265,980	—	\$ 52,408	\$ 1,418,953
	2014	\$ 415,717	—	\$ 541,615	—	\$ 312,041	—	\$ 32,177	\$ 1,301,550
Heinrich Lingnau-Schneider <sup>(6)</sup> Executive Vice President, General Manager — EMEA	2016	\$ 357,927	—	\$ 234,598	—	\$ 65,257	\$ 417,612	\$ 23,268 <sup>(10)</sup>	\$ 1,098,663
	2015	\$ 354,418	—	\$ 218,953	—	\$ 210,627	\$ 173,169	\$ 27,383	\$ 984,549
David C. Minc Executive Vice President, Chief Legal Officer	2016	\$ 385,000	—	\$ 442,621	—	—	—	\$ 636,665 <sup>(11)</sup>	\$ 1,464,286
	2015	\$ 382,461	—	\$ 494,756	—	\$ 192,818	—	\$ 36,981	\$ 1,107,016
	2014	\$ 353,343	—	\$ 454,967	—	\$ 230,658	—	\$ 29,825	\$ 1,068,793
Gustavo Pérez <sup>(6)</sup> Vice President, General Manager — LATAM	2016	\$ 335,506	—	\$ 230,933	—	\$ 192,500	\$ 8,732	\$ 144,679 <sup>(12)</sup>	\$ 912,350
	2015	\$ 347,882	—	\$ 258,339	—	\$ 176,379	\$ 66,213	\$ 16,156	\$ 864,969
	2014	\$ 350,000	—	\$ 319,552	—	\$ 318,173	\$ 25,322	\$ 18,825	\$ 1,031,872

- (1) Mr. Rzepka served as President and Chief Executive Officer until August 18, 2016, and therefore participated in the Company's executive compensation programs during a portion of fiscal year 2016. Mr. Gingo served as President and Chief Executive Officer throughout fiscal year 2014, retired from those roles on December 31, 2014, and was reappointed to those roles on August 18, 2016. He therefore did not participate in the Company's executive compensation programs during any portion of fiscal year 2016. Mr. Lingnau-Schneider's compensation information is provided only for fiscal years 2016 and 2015 because he was not a named executive officer in fiscal year 2014.
- (2) Amounts shown reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for all stock-based awards granted during such fiscal year. As further shown in the **Grants of Plan-Based Awards** table located on page 37 (i) the amounts reported for time-based vesting awards granted during fiscal 2016 were determined using the closing price of a share of our common stock on the date of grant of \$22.91, and (ii) the amounts reported for performance-based vesting awards granted during fiscal 2016 were determined using the target level award for all ROIC-based and cumulative EPS-based incentive performance awards and the closing price of a share of our common stock on the date of grant of \$22.91. Assumptions used in the calculation of these amounts are also included in Note 11 "Share-Based Incentive Compensation Plans" to the Consolidated Financial Statements included in A. Schulman's Annual Report on Form 10-K for the fiscal year ended August 31, 2016. All ROIC-based and cumulative EPS-based long-term incentive awards are subject to performance-based vesting as described under **Long-Term Incentives – Performance Shares and Performance Units** on pages 29-30. The maximum value of the stock awards granted to each named executive officer in fiscal year 2016, assuming that the highest level of performance conditions will be achieved for the performance-based awards and using the closing price of a share of our common stock on the date of grant of \$22.91, is as follows: Mr. Rzepka, \$3,427,107; Mr. Levanduski, \$1,007,124; Mr. Lingnau-Schneider, \$410,547; Mr. Minc, \$774,587; and Mr. Pérez, \$404,132.
- (3) There were no grants of stock options to a named executive officer during the fiscal years 2016, 2015, or 2014.
- (4) The amounts in this column represent compensation awarded under our annual bonus plan with respect to performance during each fiscal year. At the beginning of our 2016 fiscal year, our executive management team voluntarily proposed to forego a portion of their bonuses objectively determined for fiscal 2015 to show their dedication to deliver financial performance and shareholder value at levels committed through our fiscal budgeting process. Mr. Levanduski forfeited an additional portion of his bonus for fiscal 2015 to provide a source of funding for bonuses to various finance associates, and as a result the amount reported above for Mr. Levanduski for fiscal year 2015 is \$25,000 less than what was reported for Mr. Levanduski in our 2015 proxy statement.

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- (5) Amounts reflect change in pension values for each reporting year for Messrs. Rzepka and Pérez and, for 2016 and 2015, for Mr. Lingnau-Schneider. Amounts for 2016 were translated to U.S. dollars from the Euro for Messrs. Rzepka and Lingnau-Schneider and the Mexican Peso for Mr. Pérez, using the following 12-month average rates: (i) 1.1212 Euro:USD, and (ii) 0.0541 MXCP:USD. As described further in the **Pension Benefits** table on page 42 and under **International Retirement Plans** on page 42, Mr. Rzepka participated and Mr. Lingnau-Schneider participates in a pension plan that is generally available to certain of our employees in Europe, and Mr. Pérez participates in a pension plan that is generally available to certain of our employees in Mexico. The relevant termination date for the calculation of Mr. Rzepka's benefits under the European plan is December 31, 2014, based on his then relocation to the U.S. in connection with his promotion on January 1, 2015 to President and Chief Executive Officer.
- (6) The amounts for Messrs. Rzepka, Lingnau-Schneider, and Pérez for fiscal year 2016 other than Stock Awards and Non-Equity Incentive Plan Compensation were translated to U.S. dollars from either the Euro for Messrs. Rzepka and Lingnau-Schneider or the Mexican Peso for Mr. Pérez, using the following 12-month average rates: (i) 1.1212 Euro:USD, and (ii) 0.0541 MXCP:USD.
- (7) For Mr. Gingo, amount includes (i) compensation received as a director for the portion of calendar year 2016 until his reappointment as President and Chief Executive Officer, as more fully described in the **Director Compensation** table on page 51 of this proxy statement, comprised of (a) cash in the amount of \$133,333, and (b) \$62,682 in aggregate grant date fair value of 2,736 shares of our common stock (based on a value of \$22.91 on the grant date of January 13, 2016); and (ii) \$305,790 as a withdrawal from our Non-Qualified Plan that occurred in fiscal year 2016 after Mr. Gingo's retirement in calendar year 2015.
- (8) For Mr. Rzepka, amount includes: (i) \$24,253 in matching contributions by the Company into Mr. Rzepka's 401(k) plan account; (ii) \$27,375 in Company contributions to the Non-Qualified Plan; (iii) \$35,095 in dividend equivalents paid on restricted stock units for which the restriction lapsed in fiscal 2016; (iv) \$22,157 in COBRA premiums to provide continuation of life, medical and dental insurance for 12 months; and (v) \$3,412,000 in connection with Mr. Rzepka's Severance Agreement and General Release entered into on October 14, 2016 in connection with relinquishment of his roles as President, Chief Executive Officer and director on August 18, 2016, as more fully described in under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement.
- (9) For Mr. Levanduski, amount includes: (i) \$18,606 in matching contributions by the Company into Mr. Levanduski's 401(k) plan account; (ii) \$9,740 in Company contributions to the Non-Qualified Plan; and (iii) \$25,142 of dividends paid on restricted stock for which the restrictions lapsed in fiscal 2016.
- (10) For Mr. Lingnau-Schneider, amount includes: (i) \$5,241 in dividends paid on restricted stock and performance share awards for which the restrictions lapsed in fiscal 2016; (ii) \$15,840 in reimbursement of certain vehicle-related expenses under a vehicle allowance program similarly available to all management personnel in Germany; and (iii) \$2,186 in reimbursed expenses incurred for a mandatory bi-annual physical examination.
- (11) For Mr. Minc, amount includes: (i) \$16,733 in matching contributions by the Company into Mr. Minc's 401(k) plan account; (ii) \$6,000 in Company contributions to the Non-Qualified Plan; (iii) \$20,215 in dividends paid on restricted stock and performance share awards for which the restrictions lapsed in fiscal 2016; and (iv) \$593,718 in connection with Mr. Minc's Severance Agreement and General Release entered into on August 18, 2016, as more fully described in under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement.
- (12) For Mr. Pérez, amount includes: (i) \$92,494 in matching contributions by the Company into Mr. Pérez' 401(k) plan account; (ii) \$43,244 in dividend equivalents paid on restricted stock units for which the restriction lapsed in fiscal 2016; and (iii) \$8,941 in reimbursement of certain vehicle-related expenses under a vehicle allowance program similarly available to all management personnel in Mexico.

## Grants of Plan-Based Awards

(a)	(b)	Board Approval Date	Estimated Future Payouts under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards
			(c)	(d)	(e)	(f)	(g)	(h)		
Name	Grant Date		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#) <sup>(1)</sup>	Target (#)	Maximum (#)	(i)	(j)
Joseph M. Gingo	01/13/2016	12/11/2015	—	—	—	—	—	—	2,736	\$ 62,682 <sup>(2)</sup>
Bernard Rzepka	10/15/2015	10/15/2015	\$ 426,500	\$ 853,000	\$ 1,706,000	—	—	—	—	—
	01/13/2016	12/11/2015	—	—	—	10,685	21,370	42,740	—	\$ 489,587 <sup>(3)</sup>
	01/13/2016	12/11/2015	—	—	—	21,370	42,740	85,480	—	\$ 979,173 <sup>(4)</sup>
	01/13/2016	12/11/2015	—	—	—	—	—	—	21,370	\$ 489,587 <sup>(5)</sup>
Joseph J. Levanduski	10/15/2015	10/15/2015	\$ 161,000	\$ 322,000	\$ 644,000	—	—	—	—	—
	01/13/2016	12/11/2015	—	—	—	3,140	6,280	12,560	—	\$ 143,875 <sup>(3)</sup>
	01/13/2016	12/11/2015	—	—	—	6,280	12,560	25,120	—	\$ 287,750 <sup>(4)</sup>
	01/13/2016	12/11/2015	—	—	—	—	—	—	6,280	\$ 143,875 <sup>(5)</sup>
Heinrich Lingnau-Schneider	10/15/2015	10/15/2015	\$ 141,863	\$ 283,725	\$ 567,450	—	—	—	—	—
	01/13/2016	12/11/2015	—	—	—	1,280	2,560	5,120	—	\$ 58,650 <sup>(6)</sup>
	01/13/2016	12/11/2015	—	—	—	2,560	5,120	10,240	—	\$ 117,299 <sup>(7)</sup>
	01/13/2016	12/11/2015	—	—	—	—	—	—	2,560	\$ 58,650 <sup>(5)</sup>
David C. Minc	10/15/2015	10/15/2015	\$ 115,500	\$ 231,000	\$ 462,000	—	—	—	—	—
	01/13/2016	12/11/2015	—	—	—	2,415	4,830	9,660	—	\$ 110,655 <sup>(3)</sup>
	01/13/2016	12/11/2015	—	—	—	4,830	9,660	19,320	—	\$ 221,311 <sup>(4)</sup>
	01/13/2016	12/11/2015	—	—	—	—	—	—	4,830	\$ 110,655 <sup>(5)</sup>
Gustavo Pérez	10/15/2015	10/15/2015	\$ 96,250	\$ 192,500	\$ 385,000	—	—	—	—	—
	01/13/2016	12/11/2015	—	—	—	1,260	2,520	5,040	—	\$ 57,733 <sup>(6)</sup>
	01/13/2016	12/11/2015	—	—	—	2,520	5,040	10,080	—	\$ 115,466 <sup>(7)</sup>
	01/13/2016	12/11/2015	—	—	—	—	—	—	2,520	\$ 57,733 <sup>(5)</sup>

- (1) Amounts indicated for each named executive officer represent the levels of cash-based opportunities granted to them under our annual bonus plan for fiscal 2016. For example, amounts under the “Threshold” column reflect achievement of a threshold level of performance at the lowest weighted performance level for each metric by each named executive officer under our fiscal 2016 annual bonus plan. The amounts actually earned and paid with respect to fiscal 2016 are included in the “Non-Equity Incentive Plan Compensation” column (column (g)) of the **Summary Compensation Table** of this proxy statement. Mr. Gingo was not an executive officer at the time of the grants under our annual bonus plan.
- (2) Award of shares of common stock received by Mr. Gingo as non-employee director compensation for calendar year 2016, prior to his reappointment as President and Chief Executive Officer on August 18, 2016, as more fully described in the **Director Compensation** table located on page 51 of this proxy statement. The grant date fair value of these shares was calculated using the closing price of our common stock on the date of grant of \$22.91 per share; however, the number of shares granted at the target value level of \$80,000 for this award was determined using the average trading value of our common stock for the 30-day period preceding the grant date of \$29.24.
- (3) Award of performance shares, the terms of which are described under **Long-Term Incentives – Performance Shares and Performance Units** beginning on page 29 of this proxy statement based on internal cumulative EPS targets. The grant date fair value of these performance shares was computed using the target level value in column (g) and was calculated using the closing price of our common stock on the date of grant of \$22.91 per share; however, the number of shares granted at the target value level for these annual long-term incentive plan equity awards was determined using the average trading value of our common stock for the 30-day period preceding the grant date of \$29.24.
- (4) Award of performance shares, the terms of which are described under **Long-Term Incentives – Performance Shares and Performance Units** beginning on page 29 based on internal ROIC targets. The grant date fair value of these performance shares was computed using the target level value in column (g) as the estimate of the probable outcome of the performance-vesting conditions and was calculated using the closing price of our common stock on the date of grant of \$22.91 per share; however, the number of shares granted at the target value level for these annual long-term incentive plan equity awards was determined using the average trading value of our common stock for the 30-day period preceding the grant date of \$29.24.
- (5) Award of restricted stock or restricted stock units which vests on the third anniversary of the award grant date. The grant date fair value of such awards was calculated using the closing price of our common stock on the date of grant of \$22.91 per share, although the number of shares or units granted at the respective target levels for these awards of restricted stock or restricted stock units was determined using the average trading value of our common stock for the 30-day period preceding the grant date, which was \$29.24.
- (6) Award of performance units, the terms of which are described under **Long-Term Incentives – Performance Shares and Performance Units** beginning on page 29 of this proxy statement based on internal cumulative EPS targets. The grant date fair value of these performance units was computed using the target level award in column (g) as the estimate of the probable outcome of the performance-vesting conditions and was calculated using the closing price of our common stock on the date of grant of \$22.91 per share; however, the number of units granted at

the target level for these annual long-term incentive plan equity awards was determined using the average trading value of our common stock for the 30-day period preceding the grant date of \$29.24.

- (7) Award of performance units, the terms of which are described under **Long-Term Incentives – Performance Shares and Performance Units** beginning on page 29 based on internal ROIC targets. The grant date fair value of these performance units was computed using the target level award in column (g) as the estimate of the probable outcome of the performance-vesting conditions and was calculated using the closing price of our common stock on the date of grant of \$22.91 per share; however, the number of units granted at the target level opportunity for these annual long-term incentive plan equity awards was determined using the average trading value of our common stock for the 30-day period preceding the grant date of \$29.24.

## 2016 Named Executive Officer Compensation Components

### *Base Salary*

In fiscal 2016, the Compensation Committee continued to implement its base salary positioning philosophy of attempting to position executive officer base salaries at or near the 50th percentile of our peers, whether by increasing incrementally base salaries falling below the median target or by managing toward the median any base salaries that exceeded the peer market median. Base salary increases to our named executive officers in fiscal 2016 were consistent with guidelines approved for all employees, including the same 3.0% merit increase pool approved for all U.S. employees, except where further adjustments were warranted based on (i) outstanding or poor personal performance, (ii) peer market median alignment, which is our target for all of our employees, or (iii) local laws applicable to certain international executives. In early fiscal 2016, Mr. Rzepka received a base salary adjustment of approximately 16% to \$853,000, and Mr. Lingnau-Schneider received a base salary adjustment of 4.7% to \$436,500, each of which were intended to improve their alignment toward at least 90% of the market median for a similarly-positioned executive officer in our 2016 Peer Group. During fiscal 2016, the remaining named executive officers received base salary increases of approximately 3.0% generally applicable to our associates.

In targeting our executives' base salary range at the 50th percentile, the Compensation Committee believes that the Company is able to properly motivate our executive officers and fulfill the Company's goals of rewarding outstanding performance and achieving executive retention. It is the opinion of the Compensation Committee that by setting base salary levels at competitive rates, our executive officers are rewarded for undertaking positions of leadership and provided with an incentive to continue working for us. However, as base salary compensation is not typically subject to reduction or forfeiture based on corporate performance, the Compensation Committee believes that it should comprise only one component of our overall pay philosophy, with a majority of our executive compensation structure comprised of at-risk components.

### *Annual Bonuses*

Each fiscal year, the Compensation Committee establishes the award formulas and performance goals under our annual bonus program to determine the cash performance bonuses that may be earned by our named executive officers for that year, including the maximum eligible cash bonus. The bonuses that each of the named executive officers could have earned are set forth in the "Estimated Future Payouts under Non-Equity Incentive Plan Awards" columns in the **Grants of Plan-Based Awards** table of this proxy statement, and the bonuses actually paid are set forth in the "Non-Equity Incentive Plan Compensation" column of the **Summary Compensation Table** of this proxy statement.

In early fiscal 2016, the Compensation Committee established the target bonus awards for each of the named executive officers and established that each executive's total bonus opportunity would be based on attainment of various levels of specified corporate performance metrics. Fiscal 2016 bonus targets for each named executive officer are disclosed under **Annual Cash Bonuses** of the **Compensation Discussion and Analysis** beginning on page 24 of this proxy statement.

In conjunction with establishing the target bonus opportunity for each named executive officer, the Compensation Committee selected performance metrics for evaluating corporate performance, along with the respective weighting for each metric and the threshold, target, stretch, and maximum performance goal levels. In selecting performance metrics for fiscal 2016, the Compensation Committee continued to use metrics that it believed were consistent with the Company's short- and long-term corporate financial and strategic goals, thereby maintaining consistent management focus, and that were also believed to be key drivers of stockholder value. Under these objectives, the Compensation Committee continued to use the following corporate level performance metrics for 2016: (i) consolidated adjusted net income, (ii) consolidated adjusted operating income, and (iii) days of working capital (excluding in each case, if it were to occur, certain unusual items as prescribed by the Compensation Committee). We reintroduced the third corporate level performance metric, days of working capital, that we had eliminated in fiscal year 2015, to re-emphasize the importance of cash flows from operations. We also retained the working capital element at most of our segment and business unit levels and for certain personal objectives, to continue to sustain our improvements in working capital at those levels. An element of quantifiable personal objectives was also added for each executive officer including the CEO to provide greater balance between the Company's financial performance and nonfinancial results in key areas under the direct influence of our executive officers. Our named executive officers had 10% of their fiscal 2016 annual bonus target associated with individual goals based on various objective metrics, such as working

capital reduction, in-house bank savings achievement, safety, and other initiatives depending on the executive's specific duties and goals.

For each performance metric, the Compensation Committee established the following weighting for the named executive officers at the outset of fiscal year 2016:

<u>Named Executive Officer</u>	<u>Consolidated Net Income</u>	<u>Consolidated Operating Income</u>	<u>Days of Working Capital</u>	<u>Personal Objectives</u>
Joseph M. Gingo <sup>(1)</sup>	—	—	—	—
Bernard Rzepka	45%	25%	20%	10%
Joseph J. Levanduski	45%	25%	20%	10%
David C. Minc	45%	25%	20%	10%

	<u>Consolidated Operating Income</u>	<u>Segment Operating Income</u>	<u>Segment Days of Working Capital</u>	<u>Personal Objectives</u>
Heinrich Lingnau-Schneider	25%	45%	20%	10%
Gustavo Pérez	25%	45%	20%	10%

(1) Mr. Gingo was not an executive officer at the time of the grants under our annual bonus plan, so he did not participate in our annual bonus plan.

For fiscal 2016, we utilized our budgeting model to set the performance levels for each of the performance metrics. The Compensation Committee believes that achieving the budget requires strong management performance and is deserving of a bonus at the targeted award. The maximum bonus level for consolidated worldwide corporate performance of 200% of target was set at approximately 120% of the budget. The threshold bonus level for consolidated performance was established at approximately 90% of the budget target amount, and would have yielded a payout of 50% of target. The Compensation Committee believes that its targets are challenging but achievable with successful management performance. For a description of the effects of our fiscal 2016 corporate performance on our annual bonus payments, see page 26 of the **Compensation Discussion and Analysis**.

For all directly reporting executive officers, Mr. Gingo is granted the discretion to recommend increases or decreases in annual bonus awards based on an executive's individual performance during the fiscal year. Specifically, Mr. Gingo may adjust annual bonus payouts for all directly reporting executive officers down to \$0 or up to 200% of their target award based on individual performance relative to personal objectives established at the beginning of the fiscal year and desired behaviors. However, the total amount of all bonus payments to our executive officers, including all discretionary adjustments, cannot exceed the total amount determined by application of our objective performance metrics. It is the Compensation Committee's opinion that this limited discretionary flexibility in administering the annual bonus plan is critical to either help reward exceptional individual efforts that are not otherwise captured by formulaic application of the bonus plan, and thereby help retain the continued commitment of key performers, or to reduce payments to executive officers who individually (or whose area of responsibility) underperformed, regardless of the formulaic bonus plan payouts. For fiscal 2016, Mr. Gingo did not recommend any individually-based adjustments for our named executive officers. A summary of the percentages objectively attained for fiscal year 2016 annual bonuses is presented under **Annual Cash Bonuses – 2016 Performance** of the **Compensation Discussion and Analysis** on page 27 of this proxy statement. The annual bonus payments made to our named executive officers for fiscal year 2016 are reported in the in the **Non-Equity Incentive Plan Compensation** column (g) of the **Summary Compensation Table** located on page 35 of this proxy statement.

#### **Long-Term Incentives**

In fiscal 2016, the Compensation Committee awarded shares of restricted stock and restricted stock units, as well as grants of performance shares and performance units, to our named executive officers, the amounts of which are set forth in column (i) in the **Grants of Plan-Based Awards** table of this proxy statement. For a discussion of the vesting criteria for such awards, see page 29 of the **Compensation Discussion and Analysis**.

## Outstanding Equity Awards at Fiscal Year-End

(a)	Option Awards					Stock Awards				
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Name	Number of Securities Underlying Unexercised Options (#) (Exercisable)	Number of Securities Underlying Unexercised Options (#) (Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#) (2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$) (1)	
Joseph M. Gingo (3)	—	—	—	—	—	—	—	—	—	
Bernard Rzepka	—	—	—	—	—	35,795(4)	\$912,773	128,220(5)	\$ 3,269,610	
	—	—	—	—	—	—	—	50,946(6)	\$ 1,299,123	
	—	—	—	—	—	—	—	44,492(7)	\$ 1,134,546	
Joseph J. Levanduski	—	—	—	—	—	14,699(8)	\$374,825	37,680(5)	\$ 960,840	
	—	—	—	—	—	—	—	28,804(6)	\$ 734,502	
	—	—	—	—	—	—	—	27,129(7)	\$ 691,789	
Heinrich Lingnau-Schneider	—	—	—	—	—	6,003(9)	\$153,077	15,360(5)	\$ 391,680	
	—	—	—	—	—	—	—	9,798(6)	\$ 249,849	
	—	—	—	—	—	—	—	13,562(7)	\$ 345,831	
David C. Minc	—	—	—	—	—	11,560(10)	\$294,780	28,980(5)	\$ 738,990	
	—	—	—	—	—	—	—	22,142(6)	\$ 564,621	
	—	—	—	—	—	—	—	22,787(7)	\$ 581,069	
Gustavo Pérez	—	—	—	—	—	6,582(11)	\$167,841	15,120(5)	\$ 385,560	
	—	—	—	—	—	—	—	11,561(6)	\$ 294,806	
	—	—	—	—	—	—	—	16,005(7)	\$ 408,128	

(1) Market value computed using \$25.50, the closing share price of the common stock on August 31, 2016.

(2) Awards presented based upon achievement of maximum performance goals and maximum number of shares issuable with respect to vesting thereof.

(3) Mr. Gingo was not an executive officer at the time of the fiscal year 2016 grants under our long-term incentive plan, so he had no outstanding stock awards at August 31, 2016. However, on September 22, 2016, Mr. Gingo was awarded 25,000 full value shares and 125,000 restricted stock units in connection with his employment agreement dated September 22, 2016.

(4) Awards of service-based restricted stock units or shares subject to vesting on the third anniversary of the date of grant conditioned on continued employment, the vesting of which will occur as follows: (i) 5,934 units on January 13, 2017, and (ii) 8,491 shares on January 9, 2018, and (iii) 21,370 on January 13, 2019.

(5) Awards of performance shares or performance units granted during fiscal 2016 that will vest, if at all, on January 13, 2019, based either upon internal target levels of ROIC or internal target levels of cumulative EPS, as described under **Long-Term Incentives – Performance Shares and Performance Units** beginning on page 29 of this proxy statement.

(6) Awards of performance shares or performance units granted during fiscal 2015 that will vest, if at all, on January 9, 2018, based either upon internal target levels of cumulative EPS or internal target levels of ROIC, at the end of a three-year performance period. Specifically: (1) with respect to one-third of each executive's performance awards, our achievement of certain levels of cumulative EPS for the performance period ending August 31, 2017; and (2) with respect to the remaining two-thirds of each executive's performance shares, the achievement by the Company certain internal ROIC targets for the performance period ending August 31, 2017. With respect to each type of performance shares, no shares will vest if performance is below the 25<sup>th</sup> percentile or threshold target level, respectively, 25% will vest if performance is at the 25<sup>th</sup> percentile or threshold target level, respectively, 50% will vest if performance is at the 50<sup>th</sup> percentile or target level, respectively, and 100% will vest if performance is at or above the 75<sup>th</sup> percentile or the maximum target level, respectively. Any performance shares that do not vest on January 9, 2018 will be forfeited. With regard to dividend rights, these performance shares and units are allocated 50%, or target grant level, of any cash dividends that are declared and paid during the Performance Period with respect to target grant shares or units, although such dividends are held by us, subject to the same terms and conditions as the related performance shares or units, and vest and are settled in cash only if, when and to the extent the related performance shares or units vest and are settled in the same proportion as such vesting and settlement. In the event a performance share or unit is forfeited, the related dividends are also forfeited.

(7) Awards of performance shares or units granted during fiscal 2014 that will vest, if at all, on January 13, 2017, based either upon a measurement of TSR relative to a peer group of similar companies from the award grant date, or target levels of internal target levels of ROIC. Specifically: (1) with respect to one-third of each executive's performance awards, our TSR performance relative to the average performance of the common stock of a group of peer companies in the S&P Special Chemicals Index, as measured from January 13, 2014 to January 13, 2017; and (2) with respect to the remaining two-thirds of each executive's performance shares, the achievement by the Company of certain

internal ROIC targets for the for the performance period ending at November 30, 2016. With respect to each type of performance shares, no shares will vest if performance is below the 25<sup>th</sup> percentile or threshold target level, respectively, 20% will vest if performance is at the 25<sup>th</sup> percentile or threshold target level, respectively, 40% will vest if performance is at the 50<sup>th</sup> percentile or target level, respectively, and 100% will vest if performance is at or above the 75<sup>th</sup> percentile or the maximum target level, respectively. Any performance shares that do not vest on January 13, 2017 will be forfeited. With regard to dividend rights, these performance shares and units are allocated 40%, or target grant level, of any cash dividends that are declared and paid during the Performance Period with respect to target grant shares or units, although such dividends are held by us, subject to the same terms and conditions as the related performance shares or units, and vest and are settled in cash only if, when and to the extent the related performance shares or units vest and are settled in the same proportion as such vesting and settlement. In the event a performance share or unit is forfeited, the related dividends are also forfeited.

- (8) Awards of service-based restricted stock subject to vesting on the third anniversary of the date of grant conditioned on continued employment, which will occur as follows: (i) 3,618 shares on January 13, 2017, (ii) 4,801 shares on January 9, 2018, and (iii) 6,280 shares on January 13, 2019.
- (9) Awards of service-based restricted stock units or shares subject to vesting on the third anniversary of the date of grant conditioned on continued employment, the vesting of which are scheduled to occur as follows: (i) 1,810 units on January 13, 2017, (ii) 1,633 units on January 9, 2018, and (iii) 2,560 shares on January 13, 2019.
- (10) Awards of service-based restricted stock subject to vesting on the third anniversary of the date of grant conditioned on continued employment, the vesting of which will occur as follows: (i) 3,040 shares on January 13, 2017, (ii) 3,690 shares on January 9, 2018, and (iii) 4,830 shares on January 13, 2019.
- (11) Awards of service-based restricted stock units subject to vesting on the third anniversary of the date of grant conditioned on continued employment, the vesting of which are scheduled to occur as follows: (i) 2,135 units on January 13, 2017, (ii) 1,927 units on January 9, 2018, and (iii) 2,520 units on January 13, 2019.

### Option Exercises and Stock Vested during Fiscal Year

(a) <b>Name</b>	Option Awards		Stock Awards	
	(b) Number of Shares Acquired on Exercise (#)	(c) Value Realized on Exercise (\$)	(d) Number of Shares Acquired on Vesting (#)	(e) Value Realized on Vesting (\$)
Joseph M. Gingo	—	—	2,736 <sup>(1)</sup>	\$ 62,682
Bernard Rzepka	—	—	29,954 <sup>(2)</sup>	\$ 685,908
Joseph J. Levanduski	—	—	21,975 <sup>(3)</sup>	\$ 472,243
Heinrich Lingnau-Schneider	—	—	4,174 <sup>(4)</sup>	\$ 113,533
David C. Minc	—	—	17,669 <sup>(5)</sup>	\$ 379,706
Gustavo Pérez	—	—	24,888 <sup>(6)</sup>	\$ 600,942

- (1) Award of shares of common stock received by Mr. Gingo as non-employee director compensation for calendar year 2016, prior to his reappointment as President and Chief Executive Officer on August 18, 2016, as more fully described in the **Director Compensation** table located on page 51 of this proxy statement. The fair value realized on immediate vesting these shares was calculated using the closing price of our common stock on the date of grant of \$22.91 per share.
- (2) These awards include vesting on January 11, 2016 of (i) 4,382 service-based restricted stock units from a fiscal year 2013 grant, (ii) 17,744 ROIC-based performance units from a fiscal year 2013 grant, and (iii) 438 TSR-based performance units from a fiscal year 2013 grant, each with value realized upon vesting based on the closing price of our common stock on the vesting date of \$21.49, and vesting on April 15, 2016 of (i) 5,926 ROIC-based performance units from a fiscal year 2013 grant, and (ii) 1,464 service-based restricted stock units from a fiscal year 2013 grant, each with value realized upon vesting based on the closing price of our common stock on the vesting date of \$27.20.
- (3) These awards include vesting on January 11, 2016 of (i) 4,268 shares of service-based restricted shares from a 2013 fiscal year grant, (ii) 17,281 ROIC-based performance shares from a fiscal year 2013 grant, and (iii) 426 TSR-based performance shares from a fiscal year 2013 grant, each with a value realized upon vesting based on the closing price of the common stock on the vesting date of \$21.49.
- (4) These awards include vesting on April 15, 2016 of (i) 827 service-based restricted stock units from a fiscal year 2013 grant, and (ii) 3,347 ROIC-based performance units from a fiscal year 2013 grant, each with value realized upon vesting based on the closing price of the common stock on the vesting date of \$27.20.
- (5) These awards include vesting on January 11, 2016 of (i) 3,431 shares of service-based restricted shares from a fiscal year 2013 grant, (ii) 13,895 ROIC-based performance shares from a fiscal year 2013 grant, and (iii) 343 TSR-based performance shares from a fiscal year 2013 grant, each with value realized upon vesting based on the closing price of the common stock on the vesting date of \$21.49.
- (6) These awards include vesting on January 11, 2016 of (i) 2,585 service-based restricted stock units from a fiscal year 2013 grant, (ii) 10,469 ROIC-based performance units from a fiscal year 2013 grant, and (iii) 258 TSR-based performance units from a fiscal year 2013 grant, each with value realized upon vesting based on the closing price of our common stock on the vesting date of \$21.49, and vesting on April 15, 2016 of 11,576 service-based restricted stock units from a fiscal year 2013 grant with value realized upon vesting based on the closing price of the common stock on the vesting date of \$27.20.

## Summary of Equity Awards Vesting in Fiscal 2016

During fiscal 2016, equity awards subject to normal vesting for our named executive officers included: (i) service-based restricted shares and restricted stock units granted in calendar year 2013; and (ii) performance shares and performance restricted stock units granted in calendar 2013 which were subject to performance-based vesting determined at the three-year anniversary of the grant date. The service-based restricted stock and restricted stock units vested based upon each named executive officer's continued employment through the vesting date and were settled in shares of our common stock on the applicable vesting date. With regard to the performance shares and performance-based restricted stock units granted in 2013, (i) 4% of the TSR-based awards vested in fiscal 2016 because our TSR for the three-year performance period ending on January 11, 2016 of 11.1% exceeded the 25<sup>th</sup> percentile of peer S&P Specialty Chemical companies (the threshold level for vesting purposes) and placed us at the 27<sup>th</sup> percentile of the comparative group, and (ii) 81% of the ROIC-based awards vested in 2016 because our consolidated average ROIC of 12.7% for the three-year performance period exceeded the target vesting level of 11.5% but did not attain the maximum level of 13.5%.

## Pension Benefits

(a) Name	(b) Plan Name	(c) Number of Years Credited Service (#)	(d) Present Value of Accumulated Benefit (\$)	(e) Payments During Last Fiscal Year (\$)
Bernard Rzepka	A. Schulman GmbH Kerpen Pension Plan	24	\$4,091,853 (1)	—
Joseph M. Gingo	N/A	—	—	—
Joseph J. Levanduski	N/A	—	—	—
Heinrich Lingnau-Schneider	A. Schulman GmbH Kerpen Pension Plan	17	\$1,440,771 (1)	—
David C. Minc	N/A	—	—	—
Gustavo Pérez	ASI Employment, S.A. de CV. Mexico Pension Plan	22	\$38,046 (2)	—

- (1) The values presented for Mr. Rzepka and Mr. Lingnau-Schneider were converted from Euros to U.S. dollars at a 12-month average rate of 1.1212. Assumptions include age 65 commencement, no decrements for either death or termination prior to age 65, Heubeck 2005 Generational mortality after 65 and a discount rate of 1.27% at August 31, 2016. The value presented for Mr. Lingnau-Schneider is based on his base salary at the end of the 2016 fiscal year. The relevant termination date for the calculation of Mr. Rzepka's benefits under the European plan is December 31, 2014, based on his then relocation to the U.S. in connection with his promotion on January 1, 2015 to President and Chief Executive Officer.
- (2) The value presented for Mr. Pérez is based on a valuation at the end of the 2016 fiscal year, and was converted from Mexican Pesos to U.S. dollars at a 12-month average rate of 0.0541.

## International Retirement Plans

For Messrs. Rzepka and Lingnau-Schneider, the pension benefits are calculated at a rate of 0.8% of final pensionable salary up to the applicable social security pension ceiling per year of service with a maximum of 20% and an additional 1.6% of pensionable salary for that portion exceeding the social security pension ceiling, with a maximum of 60%. Under German law, the benefits under the pension plan are fully vested and include a widow's pension of 50% of the amount payable. If employment terminates prior to Mr. Rzepka or Mr. Lingnau-Schneider reaching age 65, their benefits would be reduced based upon their total years of service divided by the number of years of service needed to reach age 65. Spouses are entitled to receive 50% of the participant's pension upon the participant's death in service or during retirement. The relevant termination date for the calculation of Mr. Rzepka's benefits under the European plan is December 31, 2014, based on his then relocation to the U.S. in connection with his promotion on January 1, 2015 to President and Chief Executive Officer.

For Mr. Pérez, the pension benefit is based on a valuation of his account each fiscal year. The Company annually contributes up to 10% of base salary for each participant, including Mr. Pérez. Upon retirement, Mr. Pérez will be entitled to receive the greater of the current value of his account balance, or an amount equal to three months of base salary plus 20 days of base salary for each year of service. Benefits under the plan vest and become non-forfeitable in accordance with a formula that provides for partial vesting starting after two years of employment and full vesting after seven years of employment. Normal retirement under the plan is age 60 with at least ten years of service, but full benefits are also payable on early retirement on or after age 55 with at least ten years of service.

## Non-Qualified Deferred Compensation

(a) Name	(b) Executive Contributions in Last FY (\$)	(c) Registrant Contributions in Last FY (\$) <sup>(1)</sup>	(d) Aggregate Earnings in Last FY (\$) <sup>(2)</sup>	(e) Aggregate Withdrawals/ Distributions (\$)	(f) Aggregate Balance at Last FYE (\$)
Joseph M. Gingo	—	—	—	\$ (305,790)	—
Bernard Rzepka	—	\$ 27,375	\$ 586	—	\$ 38,774
Joseph J. Levanduski	—	\$ 9,740	\$ 3,197	—	\$ 49,054
Heinrich Lingnau-Schneider	—	—	—	—	—
David C. Minc	—	\$ 6,000	\$ 2,635	—	\$ 37,489
Gustavo Pérez	—	—	—	—	\$ 7,493

(1) Column contains contributions by the Company in the last fiscal year under the Non-Qualified Plan. Amounts shown are included in the **All Other Compensation** column shown in the **Summary Compensation Table** located on page 35.

(2) Earnings in this column represent estimated earnings on the Non-Qualified Plan, which are based upon the performance of the S&P 500. These amounts are not included in the **Summary Compensation Table** because they do not constitute above market interest or preferential earnings.

For a narrative discussion of our non-qualified retirement plan, see page 31 of the **Compensation Discussion and Analysis**.

### Employment and Other Employment Related Agreements

We currently maintain employment agreements with certain members of our senior executive personnel. Of the named executive officers for fiscal 2016, we have current employment agreements only with Mr. Gingo, the material terms of which are outlined below. We do not currently maintain employment agreements with Messrs. Lingnau-Schneider, Minc or Pérez, although we have entered into a change-in-control agreement with each of them, the material terms of which are also described below.

The Company has an employment agreement with Mr. Gingo, who was re-appointed as President and Chief Executive Officer on August 18, 2016. During fiscal 2016, the Company had employment agreements with (i) Mr. Rzepka, our former President and Chief Executive Officer, which terminated in connection with Mr. Rzepka's relinquishment of his roles as President, Chief Executive Officer and director on August 18, 2016 and the subsequent entry into a separation agreement dated October 14, 2016; and (ii) Mr. Levanduski, our Executive Vice President, Chief Financial Officer, which ended in connection with Mr. Levanduski's voluntary resignation effective October 31, 2016 and entry into a separation agreement dated October 7, 2016. The Company entered into an employment agreement with John W. Richardson on September 30, 2016, under which Mr. Richardson will become our Chief Financial Officer on November 1, 2016 following a transition period working with Mr. Levanduski. Mr. Richardson's employment agreement will be described in our 2017 proxy statement. The Company also entered into a separation agreement and a consulting agreement with Mr. Minc, our former Executive Vice President and Chief Legal Officer, on August 18, 2016 in connection with his retirement effective August 31, 2016. The material provisions of the employment agreement with Mr. Gingo, the employment and separation agreements with Messrs. Rzepka and Levanduski, and the separation and consulting agreement with Minc, are discussed further below.

#### *Employment Agreement of Joseph Gingo*

In connection with the re-appointment of Mr. Gingo to President and Chief Executive Officer effective August 18, 2016, we entered into an Employment Agreement with Mr. Gingo effective September 22, 2016, for a term of two years from September 22, 2016 through August 31, 2018, with the option by the Company to extend the term for an additional year upon 90 days written notice (the "Gingo Agreement"). Under the terms of the Gingo Agreement, he is entitled to an initial base salary of \$920,000, which may not be decreased except as a result of Disability, as such term is defined in the Gingo Agreement, but which may be increased from time to time by the Compensation Committee. Mr. Gingo also is eligible to participate in our annual bonus program for senior executives, with a target level of 100% of base salary and leverage ranging from zero to 200% based upon performance metrics to be established by the Compensation Committee. In addition, Mr. Gingo is eligible for restricted stock and performance stock grants, stock option/grants and other discretionary awards and/or cash equivalents as approved by the Board of Directors consistent with the Company's long-term equity incentive plans, compensation philosophy and annual benchmarking, commencing with the annual grant cycle for the 2017 fiscal year, provided, however, that all such awards will be subject to performance-based vesting. The target level of the initial long-term incentive award will be 150% of Mr. Gingo's base salary, with leverage ranging from zero to 200% based upon performance metrics determined by the Compensation Committee. Furthermore, Mr. Gingo continues to be eligible to receive fringe benefits made generally available to our executives in accordance with Company policies and remains eligible to participate in all other employee compensation and benefit plans generally available to executives at a level appropriate for his position.

In connection with entering into the Gingo Agreement, Mr. Gingo received on September 22, 2016, 25,000 unrestricted full-value shares under our 2006 Incentive Plan, and 125,000 restricted stock units under our 2014 Equity Incentive Plan. These restricted stock units are subject to vesting (i) on a pro rata basis on each of the three anniversaries of the grant date, or (ii) upon retirement.

Upon termination of Mr. Gingo's employment during the term of the Gingo Agreement, Mr. Gingo may be entitled to receive certain post-termination benefits depending upon whether such termination is by the Company without Cause, a Resignation for Cause by Mr. Gingo or by reason of Mr. Gingo's death or Disability (as such terms are defined in the Gingo Agreement). In the event the Company terminates Mr. Gingo's employment without Cause or Mr. Gingo elects a Resignation for Cause prior to the expiration of the Gingo Agreement, Mr. Gingo shall receive: (i) his salary for the remaining term of his agreement; (ii) bonus(es) on each October 31 during the remaining term in an amount equal to his annual base salary in effect on the date of termination; (iii) vesting of any outstanding equity award which has time-based vesting; and (iv) pro rata vesting of any outstanding equity award which has performance-based vesting, if, and only if, at the end of the applicable performance period the performance criteria for each performance-based award is achieved. In the event Mr. Gingo is terminated by reason of death, the Company shall pay a lump sum amount equal to 60% of Mr. Gingo's salary for 24 months to a designated beneficiary. In the event that Mr. Gingo becomes Disabled, the Company shall pay Mr. Gingo 60% of his base salary, plus medical benefits if Mr. Gingo elects to be a participant in connection with such benefits, for Mr. Gingo and his family during the period of his Disability (not to exceed 24 months). After six months of Disability, the Company shall have the right to terminate Mr. Gingo, although the 60% payments shall continue for the remainder of the 24-month period. Any voluntarily termination by Mr. Gingo will be considered a retirement. Upon a termination of Mr. Gingo's employment following a Change in Control, Mr. Gingo is not be entitled to any additional payments or benefits but remains entitled to those payments and benefits payable under the applicable provisions of the Gingo Agreement during its term.

Pursuant to the confidentiality, non-competition and non-solicitation provisions of the Gingo Agreement, for a period of one year following any termination of Mr. Gingo's employment, Mr. Gingo shall not, directly or indirectly, either as an individual for his own account or as an investor, or other participant in, or as an employee, agent, or representative of, any other business enterprise: (i) solicit, employ, entice, take away or interfere with, or attempt to solicit, employ, entice, take away or interfere with, any employee of the Company; or (ii) engage, participate in, finance, aid or be connected with any enterprise that competes with the business of the Company.

Pursuant to the terms of the Gingo Agreement, Mr. Gingo is not entitled to receive any tax gross up for any excise tax imposed upon him under Sections 280G and 4999 of the Code. In the event that any payments or benefits paid or payable to Mr. Gingo pursuant to the Gingo Agreement or any other plan, program or arrangement maintained by the Company would constitute a "parachute payment" within the meaning of Section 280G of the Code, Mr. Gingo is entitled to receive the greater of: (i) one dollar less than the amount which would cause the payments and benefits to constitute a "parachute payment;" or (ii) the amount of such payments and benefits, after taking into account all federal, state and local taxes, including the excise tax imposed under Section 4999 of the Code payable by Mr. Gingo on such payments and benefits, if such amount would be greater than the cut-back amount, after taking into account all federal, state and local taxes.

#### ***Employment Agreement and Separation Agreement of Mr. Rzepka***

During fiscal 2016, Mr. Rzepka was subject to an Employment Agreement that commenced January 1, 2015 for a three-year term through December 31, 2017 (the "Rzepka Employment Agreement"). The Rzepka Employment Agreement terminated effective September 24, 2016 in connection with Mr. Rzepka's relinquishment of his roles as President, Chief Executive Officer and director on August 18, 2016, and the entry into a separation agreement dated October 14, 2016 ("Rzepka Separation Agreement").

#### ***Rzepka Employment Agreement***

Under the terms of the Rzepka Employment Agreement, Mr. Rzepka was entitled to an initial base salary of \$736,000, which could not be decreased except as a result of Disability, as such term was defined in the Rzepka Employment Agreement, but which could be increased from time to time by the Compensation Committee. Mr. Rzepka was also eligible to participate in our annual bonus program for senior executives, with a target level of 100% of base salary and leverage ranging from zero to 200% based upon performance metrics to be established by the Compensation Committee. In addition, Mr. Rzepka was eligible to receive fringe benefits made generally available to our executives in accordance with Company policies and remains eligible to participate in all other employee compensation and benefit plans generally available to executives at a level appropriate for his position.

Upon termination of Mr. Rzepka's employment during the term of the Rzepka Employment Agreement, Mr. Rzepka was entitled to receive certain post-termination benefits depending upon whether such termination was by the Company without Cause, in relation to a Change-in-Control, a Resignation for Cause by Mr. Rzepka or by reason of Mr. Rzepka's death or Disability (as such terms are defined in the Rzepka Employment Agreement). In the event the Company terminated Mr. Rzepka's employment without Cause or Mr. Rzepka elected a Resignation for Cause prior to the expiration of the Rzepka Employment Agreement and prior to a Change-in-Control, Mr. Rzepka was entitled to receive: (i) the greater of his salary for twenty-four months or the remaining term of his agreement; (ii) a bonus on each October 31 during the remaining term in an amount equal to his annual base salary in effect on the date of termination; (iii) pro rata vesting of any outstanding equity award which has time-based vesting; and (iv) pro rata vesting of any outstanding equity award which has performance-based vesting, if, and only if, at the end of the applicable performance period the performance criteria for each performance-based award is achieved; and (v) continuation of life, medical, and dental insurance benefits for a period of 12 months. In the event Mr. Rzepka's employment terminated by reason of his death, the Company was to pay a lump sum amount equal to 60% of Mr. Rzepka's salary for 24 months to a designated beneficiary. In the event that Mr. Rzepka

became Disabled, the Company was to pay Mr. Rzepka 60% of his base salary during the period of his Disability (not to exceed 24 months). After six months of Disability, the Company had the right to terminate Mr. Rzepka, although the 60% payments was to continue for the remainder of the 24-month period. In the event the agreement expired at the end of its term (prior to a Change in Control) and Mr. Rzepka's employment as Chief Executive Officer terminated, Mr. Rzepka was entitled to receive, conditioned upon his satisfaction of certain restrictive covenants, continuation of his base salary then in effect and continued life, medical, and dental insurance benefits, each for a period of 12 months. If the Rzepka Employment Agreement expired at the end of its term (prior to a Change in Control) and Mr. Rzepka's employment as Chief Executive Officer continued but he was not otherwise provided with a separation or severance benefit equal to or greater than his then current annual base salary plus continuation of medical, life and dental insurance benefits for at least 12 months, then upon his subsequent termination of employment Mr. Rzepka was entitled to receive, conditioned upon his satisfaction of certain restrictive covenants, his base salary in effect immediately prior to the date of termination of his employment as Chief Executive Officer and continuation of medical, life and dental insurance benefits each for a period of 12 months following his termination.

In the event Mr. Rzepka was terminated by the Company, or he voluntarily terminated his employment for Good Reason, following a Change-in-Control event and prior to the end of a Change-in-Control Protection Period for any reason, except (i) termination by the Company for Cause, (ii) termination by reason of death or Disability or (iii) termination by Mr. Rzepka without Good Reason (as such terms are defined in the Rzepka Employment Agreement), Mr. Rzepka was entitled to be paid a lump sum amount equal to three times: (1) the higher of Mr. Rzepka's base salary (a) in effect immediately prior to the Change-in-Control event or (b) in effect on the date of notice of his termination; and (2) the greater of (x) the annual bonus earned by Mr. Rzepka in respect of the Company's prior fiscal year, (y) the average annual bonus so earned in respect of the three fiscal years immediately preceding that in which the Change in Control occurs, or (z) \$736,000. Of the foregoing payments, one-half of such payments shall be in consideration of and allocated to certain restrictive covenants. Additionally, Mr. Rzepka shall continue to receive certain insurance benefits for a period of 18 months.

Pursuant to the confidentiality, non-competition and non-solicitation provisions of the Rzepka Employment Agreement, for a period of one year following any termination of Mr. Rzepka's employment, Mr. Rzepka agreed not to, directly or indirectly, either as an individual for his own account or as an investor, or other participant in, or as an employee, agent, or representative of, any other business enterprise: (i) solicit, employ, entice, take away or interfere with, or attempt to solicit, employ, entice, take away or interfere with, any employee of the Company; or (ii) engage, participate in, finance, aid or be connected with any enterprise that competes with the business of the Company.

Pursuant to the terms of the Rzepka Employment Agreement, Mr. Rzepka was not entitled to receive any tax gross up for any excise tax imposed upon him under Sections 280G and 4999 of the Code. In the event that any payments or benefits paid or payable to Mr. Rzepka pursuant to the Rzepka Employment Agreement or any other plan, program or arrangement maintained by the Company would constitute a "parachute payment" within the meaning of Section 280G of the Code, Mr. Rzepka was entitled to receive the greater of: (i) one dollar less than the amount which would cause the payments and benefits to constitute a "parachute payment;" or (ii) the amount of such payments and benefits, after taking into account all federal, state and local taxes, including the excise tax imposed under Section 4999 of the Code payable by Mr. Rzepka on such payments and benefits, if such amount would be greater than the cut-back amount, after taking into account all federal, state and local taxes.

#### *Rzepka Separation Agreement*

Under the Rzepka Separation Agreement, Mr. Rzepka received the following payments and benefits: (i) \$1,706,000 in cash separation payments, with a lump sum payment on the first regular payday following March 25, 2017, in an amount equal to \$426,500, and 36 equal semi-monthly installments of \$35,541.67 commencing on the first regular payday following March 25, 2017, (ii) two lump sum payments of \$853,000 in lieu of cash bonuses, with the payment on the first regular payday following March 25, 2017 and the second payment on the first regular payday following October 31, 2017, (iii) pro-rata vesting of outstanding equity awards granted January 13, 2014, January 9, 2015, and January 13, 2016 which had time-based vesting; (iv) pro rata vesting of outstanding equity awards granted January 13, 2014, January 9, 2015, and January 13, 2016 which had performance-based vesting, subject, however, to achievement of the performance criteria for each performance-based award and then only to the extent of such achievement in accordance with the terms and conditions of the applicable award agreement and the long-term incentive plan under which the grants were awarded, (v) reimbursement for loss incurred in connection with the sale of Employee's primary residence in the United States in the amount, if any, that the proceeds from such sale (less reasonable selling expenses and commissions not to exceed \$38,000), are less than \$680,000, so long as such sale occurs within 18 months, (vi) reimbursement in an aggregate amount not to exceed \$75,000 for reasonable transition-related expenses incurred by Mr. Rzepka, including, but not limited, to school tuition transition costs, attorney fees, and tax related professional fees and expenses, (vii) outplacement services as determined by mutual agreement, and (viii) engagement by the Company of Deloitte & Touche LLP for tax advisory and tax return preparation services related directly to Mr. Rzepka's employment and separation. The Rzepka Separation Agreement also provides for Mr. Rzepka to receive twelve monthly payments of Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") premiums to provide continuation of medical benefits. To assist in Mr. Rzepka's repatriation to Germany, as required by his former employment agreement, it was agreed that if Mr. Rzepka determines that employment with an A. Schulman company is required for his participation in

Germany's programs related to social security, retirement and/or health benefits, then tetra-DUR Kunststoff-Produktion GmbH ("tetra-Dur"), which is an affiliate of the Company, would offer Mr. Rzepka an employment relationship for a fixed-term of 6 months as Consultant, Engineered Composites, EMEA, with compensation of 6,000 EUR per month, less all withholding deductions under the applicable national law.

In exchange for these payments and benefits, Mr. Rzepka provided the Company with a fully effective release of all claims and agreed to continue to comply with, among other things, certain restrictive covenants related to non-solicitation and non-competition contained in the Rzepka Employment Agreement.

#### ***Employment Agreement and Separation Agreement of Mr. Levanduski***

During fiscal 2016, Mr. Levanduski was subject to an Amended and Restated Employment Agreement that commenced January 1, 2015 for a three-year term through December 31, 2017 (the "Levanduski Employment Agreement"). The Levanduski Employment Agreement amended and restated the employment agreement entered into on June 10, 2011 to initially retain Mr. Levanduski as our Vice President, Chief Financial Officer and, at that time, Treasurer. On October 7, 2016, in connection with Mr. Levanduski's voluntary resignation as Chief Financial Officer effective October 31, 2016, we entered into a separation agreement with Mr. Levanduski (the "Levanduski Agreement").

#### ***Levanduski Employment Agreement***

Under the terms of the Levanduski Employment Agreement, Mr. Levanduski was initially entitled to a base of \$460,000 which could not be decreased except as a result of Disability, as such term is defined in the Levanduski Agreement, but which could be increased from time to time by the Compensation Committee as it deemed appropriate in its reasonable judgment and based upon the recommendations of the Chief Executive Officer from evaluations of Mr. Levanduski's performance. Mr. Levanduski was eligible to participate in our annual bonus program for senior executives, with a target level of at least 70% of base salary and leverage ranging from zero to 200% based upon the achievement of various financial goals and operating metrics, as well as an assessment of Mr. Levanduski's individual performance. Mr. Levanduski was also eligible to receive fringe benefits generally made available to our executives in accordance with our Company policies and was eligible to participate in all other employee compensation and benefit plans generally available to executives at a level appropriate for his position.

Upon termination of Mr. Levanduski's employment during the term of the Levanduski Employment Agreement, Mr. Levanduski was entitled to receive certain post-termination benefits depending upon whether such termination was by the Company without Cause, in relation to a Change-in-Control, a Resignation for Cause by Mr. Levanduski or by reason of Mr. Levanduski's death or Disability (as such terms are defined in the Levanduski Employment Agreement). In the event the Company terminated Mr. Levanduski's employment without Cause or Mr. Levanduski elected a Resignation for Cause prior to the expiration of the Levanduski Employment Agreement and prior to a Change-in-Control, Mr. Levanduski was to receive: (i) the greater of his salary for the remaining term of his agreement or 12 months; (ii) a bonus on each October 31 during the remaining term in an amount equal to his target bonus in effect on the date of termination; (iii) pro rata vesting of any outstanding equity award which has time-based vesting; and (iv) pro rata vesting of any outstanding equity award which has performance-based vesting, if, and only if, at the end of the applicable performance period the performance criteria for each performance-based award is achieved. In the event Mr. Levanduski was terminated by reason of death, the Company was to pay a lump sum amount equal to 60% of Mr. Levanduski's salary for 24 months to a designated beneficiary. In the event that Mr. Levanduski became Disabled, the Company was to pay Mr. Levanduski 60% of his base salary during the period of his Disability (not to exceed 24 months). After six months of Disability, the Company had the right to terminate Mr. Levanduski, although the 60% payments was to continue for the remainder of the 24-month period. In the event the agreement expired at the end of its term (prior to a Change in Control) and Mr. Levanduski's employment as Chief Financial Officer terminated, Mr. Levanduski was entitled to receive, conditioned upon his satisfaction of certain restrictive covenants, continuation of his base salary then in effect and continued life, medical, and dental insurance benefits, each for a period of 12 months. If the Levanduski Employment Agreement expired at the end of its term (prior to a Change in Control) and Mr. Levanduski's employment as Chief Financial Officer continued but he was not otherwise provided with a separation or severance benefit equal to or greater than his then current annual base salary plus continuation of medical, life and dental insurance benefits for at least 12 months, then upon his subsequent termination of employment Mr. Levanduski was entitled to receive, conditioned upon his satisfaction of certain restrictive covenants, his base salary in effect immediately prior to the date of termination of his employment as Chief Financial Officer and continuation of medical, life and dental insurance benefits each for a period of 12 months following his termination.

In the event Mr. Levanduski was terminated by the Company, or he voluntarily terminated his employment for Good Reason, following a Change-in-Control event and prior to the end of a Change-in-Control Protection Period for any reason, except (i) termination by the Company for Cause, (ii) termination by reason of death or Disability or (iii) termination by Mr. Levanduski without Good Reason (as such terms are defined in the Agreement), Mr. Levanduski was to be paid a lump sum amount equal to two times the sum of: (1) the higher of Mr. Levanduski's base salary (a) in effect immediately prior to the Change-in-Control event or (b) in effect on the date of notice of his termination; and (2) the greater of (x) the annual bonus earned by Mr. Levanduski in respect of the Company's prior fiscal year, (y) the average annual bonus so earned in respect of the three fiscal years immediately preceding that

in which the Change in Control occurs, or (z) \$322,000. Additionally, Mr. Levanduski was to receive certain insurance benefits for 18 months from the date of termination.

Pursuant to the confidentiality, non-competition and non-solicitation provisions of the Levanduski Employment Agreement, for a period of one year following any termination of Mr. Levanduski's employment, Mr. Levanduski agreed not to, directly or indirectly, either as an individual for his own account or as an investor, or other participant in, or as an employee, agent, or representative of, any other business enterprise: (i) solicit, employ, entice, take away or interfere with, or attempt to solicit, employ, entice, take away or interfere with, any employee of the Company; or (ii) engage, participate in, finance, aid or be connected with any enterprise that competes with the business of the Company.

Under the terms of the Levanduski Employment Agreement, Mr. Levanduski was not entitled to receive any tax gross up for any excise tax imposed upon him under Sections 280G and 4999 of the Code or the Treasury Regulations promulgated thereunder. In the event that any payments or benefits paid or payable to Mr. Levanduski pursuant to the Agreement would constitute a "parachute payment" within the meaning of Section 280G of the Code, then Mr. Levanduski was to receive the greater of: (i) one dollar less than the amount which would cause the payments and benefits to constitute a "parachute payment;" or (ii) the amount of such payments and benefits, after taking into account all federal, state and local taxes, including the excise tax imposed under Section 4999 of the Code payable by the covered executive on such payments and benefits, if such amount would be greater than the cut-back amount, after taking into account all federal, state and local taxes.

#### *Levanduski Agreement*

Under the Levanduski Agreement, Mr. Levanduski will receive: (i) \$702,850 in cash separation payments, (ii) a lump sum payment of \$8,843 for unused vacation, (iii) a lump sum payment of \$33,890 to assist with the continuation of coverage of Mr. Levanduski's medical benefits pursuant to COBRA, and (iv) payment of costs related to an executive physical examination to be conducted by December 31, 2016. In exchange for these payments and benefits, Mr. Levanduski assisted with the orderly transition of the position of Chief Financial Officer to Mr. Richardson and provided the Company with a fully effective release of all claims and agreed to continue to comply with, among other things, certain restrictive covenants related to non-solicitation and non-competition contained in the Levanduski Employment Agreement.

#### *Separation and Consulting Agreements of Mr. Minc*

On August 18, 2016, we entered into a Severance Agreement and General Release in connection with Mr. Minc's retirement effective August 31, 2016 (the "Minc Agreement"). Under the Minc Agreement, Mr. Minc received: (i) \$584,541 in cash separation payments, (ii) a lump sum payment in the amount of \$9,177 to assist with the continuation of coverage of Mr. Minc's medical benefits pursuant to COBRA, and (iii) pro rata vesting of the outstanding equity awards granted January 13, 2014, January 9, 2015, and January 13, 2016, in accordance with the terms and conditions of the applicable award agreement and the long-term incentive plan under which the grants were awarded including, as applicable, achievement of the performance criteria for each performance-based award and then only to the extent of such achievement.

In addition, on August 18, 2016, we entered into a consulting project agreement with Mr. Minc effective September 1, 2016 (the "Minc Consulting Agreement"). Under the terms of the Minc Consulting Agreement, Mr. Minc makes himself available to the Company to provide consulting services as an attorney in connection with certain litigation matters, including, but not limited to, the Lucent quality litigation, and other specific projects as identified from time to time by the Company's CEO and CLO and accepted by Mr. Minc. Mr. Minc will receive a monthly retainer of \$20,000 for these services, and is entitled to reimbursement for reasonable travel and other expenses in the performance of his duties. The term of the Minc Consulting Agreement expires at the later of (i) September 1, 2018, or (ii) the substantial conclusion of the Lucent quality litigation as defined in the Minc Consulting Agreement.

#### *Change-in-Control Agreements*

On December 15, 2014, we entered into change-in-control agreements with certain of our executive officers, including Messrs. Lingnau-Schneider, Minc, and Pérez. As executed, the terms of the change-in-control agreements commenced on December 15, 2014 and ended on December 31, 2017. These change-in-control agreements were superseded by new change-in-control agreements that we entered into with our executive officers on September 22, 2016 (including Messrs. Lingnau-Schneider and Pérez), which provide for the same terms and conditions as the superseded agreements except that the terms end on December 31, 2018 (the "Change-in-Control Agreements"). The Change-in-Control Agreements remain structured as double-trigger agreements and provide that in the event (i) a covered executive is terminated by the Company during a Change-in-Control Protection Period without Cause, or (ii) a covered executive resigns from the Company during a Change-in-Control Protection Period for Good Reason (as such terms are defined in the Change-in-Control Agreements), such covered executive shall be entitled to the following: (1) continued payment of compensation and the provision of benefits through the date of termination; (2) an amount equal to any accrued, but unused vacation days; (3) a lump sum amount equal to two times the sum of (a) the covered executive's base salary for the calendar year immediately preceding the year in which the date of termination occurs, and (b) the covered executive's annual target bonus for the fiscal year in which termination occurs; and (4) the continuation of certain insurance benefits for a period of 18 months after the date of termination.

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Pursuant to the confidentiality, non-competition and non-solicitation provisions of the Change-in-Control Agreements, in the event that a covered executive becomes entitled to receive compensation under their respective Change-in-Control Agreement, then for a period of one year such covered executive shall not, directly or indirectly, either as an individual for his own account or as an investor, or other participant in, or as an employee, agent, or representative of, any other business enterprise: (i) solicit, employ, entice, take away or interfere with, or attempt to solicit, employ, entice, take away or interfere with, any employee of the Company; or (ii) engage, participate in, finance, aid or be connected with any enterprise that competes with the business of the Company.

Under the terms of the Change-in-Control Agreements, covered executives are not entitled to receive any tax gross up for any excise tax imposed upon them under Sections 280G and 4999 of the Code. In the event that any payments or benefits paid or payable to a covered executive pursuant to their Change-in-Control Agreement would constitute a "parachute payment" within the meaning of Section 280G of the Code, then such covered executive shall receive the greater of: (i) one dollar less than the amount which would cause the payments and benefits to constitute a "parachute payment;" or (ii) the amount of such payments and benefits, after taking into account all federal, state and local taxes, including the excise tax imposed under Section 4999 of the Code payable by the covered executive on such payments and benefits, if such amount would be greater than the cut-back amount, after taking into account all federal, state and local taxes.

## Potential Payments Upon Termination or Change-In-Control

The terms of each named executive officer's respective employment or change-in-control agreement provide certain benefits upon certain separations from service with the Company. The following table represents amounts or benefits that would have been payable or owed to each of the named executive officers other than Mr. Rzepka upon termination of their employment as a result of the scenarios indicated in each column, assuming the termination occurred on the last day of our fiscal year, August 31, 2016. The termination benefits described for Mr. Rzepka are determined by the terms of the Rzepka Separation Agreement, as he was not an executive officer on August 31, 2016.

Compensation Components	Retirement or Voluntary Termination (1)	Death or Disability (2)	Involuntary Termination with Cause (3)	Involuntary Termination Without Cause (4)	Termination upon Change-in-Control (5)
<b>For Joseph M. Gingo</b>					
Severance	—	\$1,104,000	—	\$ 3,680,000	\$ 3,680,000
Health/Welfare Benefits (6)	—	—	—	—	—
Incentive Plan Based Awards (7)	—	—	—	—	—
Retirement Benefits					
Non-Qualified Plan (8)	—	—	—	—	—
<b>Total</b>	<u>—</u>	<u>\$1,104,000</u>	<u>—</u>	<u>\$ 3,680,000</u>	<u>\$ 3,680,000</u>
<b>For Bernard Rzepka</b>					
Severance	—	—	—	\$ 3,412,000	—
Health/Welfare Benefits (6)	—	—	—	\$ 23,374	—
Incentive Plan Based Awards (7)	—	—	—	\$ 660,772	—
Retirement Benefits					
Pension and Non-Qualified Plans (8)(9)	—	—	—	\$ 4,130,627	—
<b>Total</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$ 8,226,773</u>	<u>—</u>
<b>For Joseph J. Levanduski (10)</b>					
Severance	—	\$ 552,000	—	\$ 1,180,667	\$ 1,564,000
Health/Welfare Benefits (6)	—	—	—	\$ 22,593	\$ 33,890
Incentive Plan Based Awards (7)	—	\$ 546,767	—	\$ 354,069	\$ 2,281,536
Retirement Benefits					
Non-Qualified Plan (8)	\$ 49,054	\$ 49,054	\$ 49,054	\$ 49,054	\$ 49,054
<b>Total</b>	<u>\$ 49,054</u>	<u>\$1,147,821</u>	<u>\$ 49,054</u>	<u>\$ 1,606,383</u>	<u>\$ 3,928,480</u>
<b>For Heinrich Lingnau-Schneider</b>					
Severance	—	—	—	—	\$ 1,440,450
Health/Welfare Benefits (6)	—	—	—	—	\$ 20,505
Incentive Plan Based Awards (7)	—	\$ 224,888	—	—	\$ 944,597
Retirement Benefits					
Pension Plan (9)	\$ 1,440,771	\$1,440,771	\$ 1,440,771	\$ 1,440,771	\$ 1,440,771
<b>Total</b>	<u>\$ 1,440,771</u>	<u>\$1,665,659</u>	<u>\$ 1,440,771</u>	<u>\$ 1,440,771</u>	<u>\$ 3,846,322</u>
<b>For David C. Minc (11)</b>					
Severance	—	—	—	—	\$ 1,232,000
Health/Welfare Benefits (6)	—	—	—	—	\$ 21,063
Incentive Plan Based Awards (7)	\$ 283,912	\$ 432,892	—	—	\$ 1,809,965
Retirement Benefits					
Non-Qualified Plan (8)	\$ 37,489	\$ 37,489	\$ 37,489	\$ 37,489	\$ 37,489
<b>Total</b>	<u>\$ 321,401</u>	<u>\$ 470,381</u>	<u>\$ 37,489</u>	<u>\$ 37,489</u>	<u>\$ 3,100,516</u>
<b>For Gustavo Pérez</b>					
Severance	—	—	—	—	\$ 1,085,000
Health/Welfare Benefits (6)	—	—	—	—	\$ 15,007
Incentive Plan Based Awards (7)	—	\$ 252,577	—	—	\$ 1,063,544
Retirement Benefits					
Pension and Non-Qualified Plans (8)(9)	\$ 45,539	\$ 45,539	\$ 45,539	\$ 45,539	\$ 45,539
<b>Total</b>	<u>\$ 45,539</u>	<u>\$ 298,116</u>	<u>\$ 45,539</u>	<u>\$ 45,539</u>	<u>\$ 2,209,100</u>

(1) The Company considers normal retirement age to be 60 years of age; therefore Mr. Gingo and Mr. Minc were the only named executive officer eligible for retirement at August 31, 2016. All of Mr. Gingo's service-based restricted stock awards are subject to vesting upon

retirement under the terms of the Gingo Agreement and Mr. Gingo's service-based award agreements. However, the Incentive Plan Based Award amount shown for Mr. Gingo does not reflect potential vesting upon retirement or other termination events of 125,000 restricted stock units Mr. Gingo received on September 22, 2016 in connection with the Gingo Agreement (as described under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement) because they were not outstanding as of August 31, 2016. For other named executive officers, a pro rata portion of service-based restricted stock awards are released as determined by the time elapsed since the date of grant. For named executive officers, the portion of any outstanding performance-based awards released is also based on the time elapsed since the date of grant; however, such awards will be settled at the end of the vesting period only if the performance criteria has been met. For purposes of this calculation, it was assumed that the pro rata amount of outstanding performance-based awards would vest based on current performance relative to the performance criteria. The value of equity awards was calculated using the closing price of the common stock on August 31, 2016 of \$25.50. For Messrs. Levanduski, Lingnau-Schneider and Pérez, information is presented based on a voluntary resignation (without "good reason" in the case of Mr. Levanduski), in which case any cash bonus or non-vested equity award is forfeited and they would be entitled only to vested retirement benefits.

- (2) The severance amount is a lump sum payment equal to 60% of the base salary for 24 months. All service-based restricted stock awards are considered fully vested upon death or disability, therefore the amount reflects the value of all time-based restricted stock outstanding for the named executive officers. The portion of any outstanding performance-based awards released is based on the time elapsed since the date of grant; however, such awards will be released only at the end of the vesting period and only if the performance criteria has been met. For purposes of this calculation, it was assumed that the pro rata amount of outstanding performance-based awards would vest based on current performance relative to the performance criteria. The value of equity awards was calculated using the closing price of the common stock on August 31, 2016 of \$25.50.
- (3) The Company does not provide for any severance when termination occurs with cause. Under the 2006 Incentive Plan, all restricted stock awards are cancelled upon termination with cause. All options, vested and unvested, are forfeited immediately upon termination with no remaining time to exercise.
- (4) The severance benefits for Messrs. Gingo and Levanduski reflect the severance compensation provided under their respective employment agreements as described under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement. With respect to treatment of outstanding equity incentive awards, under the 2006 Incentive Plan, the 2010 Value Creation Rewards Plan, and 2014 Equity Incentive Plan, all restricted stock awards generally are cancelled upon termination without cause prior to retirement. However, with respect to Mr. Gingo, all of his service-based restricted stock are vested upon any termination other than for cause as provided under his employment agreement. The portion of any outstanding performance-based awards released is based on the time elapsed since the date of grant; however, such awards will be released only at the end of the vesting period and only if the performance criteria has been met. The value of such equity awards was calculated using the closing price of the common stock on August 31, 2016 of \$25.50. In addition, all employment agreements include a "net best effects" provision which applies if any payments or benefits paid or payable upon termination would constitute a "parachute payment" within the meaning of Section 280G of the Code. If so, then they are entitled to receive the greater of: (i) one dollar (\$1.00) less than the amount which would cause the payments and benefits to constitute a "parachute payment"; or (ii) the amount of such payments and benefits, after taking into account all federal, state and local taxes, including the excise tax imposed under Section 4999 of the Code, if such amount would be greater than the foregoing amount, after taking into account all federal, state and local taxes, provided that any reduction to any payment pursuant this provision is to be made consistent with the requirements of Section 409A of the Code. The severance benefits for Mr. Rzepka reflect the actual severance compensation provided under the Rzepka Separation Agreement as described under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement.
- (5) Severance benefits determined pursuant to each named executive officer's respective employment agreement, change-in-control agreement, and equity award agreements. Upon a change-in-control, all equity awards are subject to vesting as of the date of a change-in-control regardless of whether there is a subsequent termination. Time-based restricted stock or restricted stock unit awards are considered fully vested upon a change-in-control, therefore, the amount reflects the value of all restricted stock awards outstanding for the named executive officers. Performance-based equity awards are considered vested at the target level of the performance criteria included in the equity awards. The value of equity awards was calculated using the closing price of the common stock on August 31, 2016 of \$25.50. Additional severance benefits are payable only upon certain terminations of employment in connection with the change in control event as described under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement. In addition, each employment and change-in-control agreement includes a "net best effects" provision which applies if any payments or benefits paid or payable upon termination would constitute a "parachute payment" within the meaning of Section 280G of the Code. If so, then they are entitled to receive the greater of: (i) one dollar (\$1.00) less than the amount which would cause the payments and benefits to constitute a "parachute payment"; or (ii) the amount of such payments and benefits, after taking into account all federal, state and local taxes, including the excise tax imposed under Section 4999 of the Code, if such amount would be greater than the foregoing amount, after taking into account all federal, state and local taxes, provided that any reduction to any payment pursuant this provision is to be made consistent with the requirements of Section 409A of the Code.
- (6) In the event of termination following a change-in-control, each named executive officer other than Mr. Gingo is eligible to up to 18 months of life, disability, accident and health insurance without cost under their respective employment agreement or change-in-control agreement. These amounts are estimated based on current costs for insurance and could change depending on the actual timing of such event.
- (7) Amounts for Mr. Gingo do not reflect potential vesting upon retirement or other termination events of 125,000 restricted stock units Mr. Gingo received on September 22, 2016 in connection with the Gingo Agreement (as described under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement) because they were not outstanding as of August 31, 2016. The value of equity awards for the other named executive officers was calculated based on the closing price of the common stock on August 31, 2016 of \$25.50 multiplied by (i) the pro rata number of service-based restricted stock or restricted stock unit awards subject to vesting, and (ii) such portion of the pro rata number of performance-based awards determined on the basis of current performance relative to the performance criteria.
- (8) Benefits under the Non-Qualified Plan vest and become non-forfeitable in accordance with a specified formula that provides for partial vesting starting after two years of employment and full vesting after seven years of employment. In addition, upon a change-in-control, participants' benefits under the Non-Qualified Plan become fully vested and non-forfeitable.

- (9) For Mr. Rzepka, amount includes \$4,091,853 in benefits under our European pension plan and \$38,774 in benefits under our Non-Qualified Plan. The relevant termination date for the calculation of Mr. Rzepka's benefits under the European pension plan is December 31, 2014, based on his then relocation to the U.S. in connection with his promotion on January 1, 2015 to President and Chief Executive Officer. For Mr. Lingnau-Schneider, entire amount constitutes benefits under our European pension plan. For Mr. Pérez, amount includes \$38,046 in benefits under our Mexico pension plan and \$7,493 in benefits under our Non-Qualified Plan. The amounts under our European pension plan and Mexico pension plan were translated to U.S. dollars from either the Euro for Messrs. Rzepka and Lingnau-Schneider or the Mexican Peso for Mr. Pérez, using the following 12-month average rates: (i) 1.1212 Euro:USD, and (ii) 0.0541 MXCP:USD.
- (10) As described for Mr. Levanduski under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement, pursuant to the terms of the Levanduski Agreement, the benefits Mr. Levanduski will actually receive upon his voluntary resignation on October 31, 2016 are as follows: (i) \$702,850 in cash separation payments, (ii) a lump sum payment of \$8,843 for unused vacation, (iii) a lump sum payment of \$33,890 to assist with the continuation of coverage of Mr. Levanduski's medical benefits pursuant to COBRA, and (iv) payment of costs related to an executive physical examination to be conducted by December 31, 2016.
- (11) As described for Mr. Minc under **Employment and Other Employment Related Agreements** beginning on page 43 of this proxy statement, pursuant to the terms of the Minc Agreement, the benefits Mr. Minc actually received upon his retirement on August 31, 2016 was: (i) \$584,541 in cash separation payments, (ii) a lump sum payment in the amount of \$9,177 to assist with the continuation of coverage of Mr. Minc's medical benefits pursuant to COBRA, and (iii) pro rata vesting of the outstanding equity awards granted January 13, 2014, January 9, 2015, and January 13, 2016, in accordance with the terms and conditions of the applicable award agreement and the long-term incentive plan under which the grants were awarded including, as applicable, achievement of the performance criteria for each performance-based award and then only to the extent of such achievement, valued as of August 31, 2016 at \$215,850 calculated based on the closing price of the common stock on August 31, 2016 of \$25.50 multiplied by (i) the pro rata number of service-based restricted stock or restricted stock unit awards subject to vesting, and (ii) such portion of the pro rata number of performance-based awards determined on the basis of current performance relative to the performance criteria.

## Director Compensation

The following table sets forth compensation information for each of our non-employee directors. Mr. Rzepka, as an employee of the Company during fiscal 2016, received no additional compensation for his services as a director.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Eugene R. Allspach	\$ 80,000	\$ 62,682	—	—	—	—	\$ 142,682
Gregory T. Barmore	\$ 97,500	\$ 62,682	—	—	—	—	\$ 160,182
David G. Birney	\$ 100,000	\$ 62,682	—	—	—	—	\$ 162,682
Joseph M. Gingo	\$ 133,333	\$ 62,682	—	—	—	—	\$ 196,015
Lee D. Meyer	\$ 90,000	\$ 62,682	—	—	—	—	\$ 152,682
James A. Mitarotonda	\$ 80,000	\$ 62,682	—	—	—	—	\$ 142,682
Ernest J. Novak, Jr.	\$ 97,500	\$ 62,682	—	—	—	—	\$ 160,182
Dr. Irvin D. Reid	\$ 90,000	\$ 62,682	—	—	—	—	\$ 152,682

- (1) Amounts shown reflect all fees paid in cash for services as a director during fiscal 2016, which are paid at the beginning of each calendar quarter on a pro rata basis. The annual cash retainer is \$80,000. Amounts shown include the following annual cash retainers paid to directors with additional duties: (i) \$120,000 for non-executive chair; (ii) \$20,000 for the lead independent director; (iii) \$17,500 for the Audit and Compensation Committee chairs; and (iv) \$10,000 for all other committee chairs. Mr. Gingo's cash retainer payments were provided only through August 2016 due to his re-appointment as President and Chief Executive Officer effective August 18, 2016.
- (2) Amounts shown reflect the aggregate grant date fair value of 2,736 shares of our common stock granted during fiscal 2016 computed in accordance with FASB ASC Topic 718, using the closing price of our common stock on the grant date January 13, 2016 of \$22.91 per share. The targeted value of the share awards, comprising one-half of our directors' annual retainer paid in advance, was \$80,000. The number of shares issued was determined by dividing \$80,000 by \$29.24, the average trading value of a share of our common stock for the 30-day period preceding the grant date. Certain assumptions used in the calculation of the amounts shown are included in Note 11, "Share-Based Incentive Compensation Plans," to the Consolidated Financial Statements included in A. Schulman's Annual Report on Form 10-K for the fiscal year ended August 31, 2016.

Annual base compensation of directors is comprised of a cash retainer in the amount of \$80,000 and an award of shares of common stock at a targeted value of \$80,000, based on the average trading value of our common stock for the 30-day period preceding the grant date. We have eliminated per meeting fees unless directors attend more than 24 meetings annually, in which case directors will receive \$1,500 for each Board or Committee meeting attended. Additional annual cash retainers are provided for the following leadership positions on the Board of Directors: (i) Non-Executive Chair – \$120,000; (ii) Lead Independent Director – \$20,000; (iii) Audit and Compensation Committee Chair – \$17,500; and (iv) all other Committee Chairs – \$10,000. To more closely align with the term of office of our directors (which commences immediately following the annual meeting of stockholders, typically held in mid-December), we pay our director compensation on a calendar year basis, and pay a proportionate amount of the annual cash retainer fee at the beginning of each calendar quarter.

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Directors may elect to participate in our EDSOP, which we implemented in fiscal 2012 to help facilitate compliance with our stock ownership guidelines. The EDSOP provides our directors and executive officers with a convenient method to directly purchase our common stock at its fair market value with their director retainer fees or annual incentive compensation payments, as the case may be. As of the end of fiscal 2016, no director was participating in the EDSOP.

Pursuant to the Amended and Restated Directors Deferred Units Plan (the “Directors Plan”), a director may elect to defer all or a portion of his or her director fees in a calendar year. Deferred director fees are credited to an account for each participating director (the “Account”) until the last day of each quarter (a “Valuation Date”). On each Valuation Date, the Account is credited with the amount of any dividends that would have been paid to the director had he or she actually owned shares of common stock equal to the number of units in the Account at the time of the dividend payment. On each Valuation Date, all amounts credited to the Account are converted into units by dividing the amount in the Account by the closing price of common stock on the Valuation Date. Upon the earlier of a director’s separation from service as a director, a change of control or a director’s disability (each a “Triggering Event”), units are converted into cash and paid to the director in a single lump sum no later than March 15 of the calendar year that begins after the calendar year during which a Triggering Event occurs. The conversion into cash is based on the closing price of the common stock on the date prior to the date that payment is made. At the end of fiscal 2016, no director participated in the Directors Plan.

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## AUDIT COMMITTEE REPORT

The purpose of the Audit Committee is to oversee the accounting and financial reporting process of the Company, and the Audit Committee is responsible for overseeing the qualifications, independence and performance of, and the Company's relationship with, its independent registered public accounting firm. The Audit Committee is comprised of four directors, each of whom is independent as defined by applicable NASDAQ and Commission rules, and operates under a written charter adopted by the Board. The Audit Committee includes the following members of the Board of Directors: Ernest J. Novak, Jr. (Chair), Eugene R. Allspach, Gregory T. Barmore, and Lee D. Meyer.

The Audit Committee has met, reviewed and discussed with management the audited consolidated financial statements of the Company for the fiscal year ended August 31, 2016, who represented to the Audit Committee that the financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee also discussed with PricewaterhouseCoopers LLP, our registered independent public accounting firm, matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. PricewaterhouseCoopers LLP provided to the Audit Committee the written disclosures and letter required by Rule 3526 of the Public Company Accounting Oversight Board (Communications with Audit Committees Concerning Independence). The Audit Committee has discussed with PricewaterhouseCoopers LLP any relationships with or services to the Company or its subsidiaries that may impact the objectivity and independence of PricewaterhouseCoopers LLP, and the Audit Committee has satisfied itself as to PricewaterhouseCoopers LLP's independence.

Based upon the Audit Committee's discussion with management and PricewaterhouseCoopers LLP, and the Audit Committee's review of the representation of management and the report of PricewaterhouseCoopers LLP to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements for the year ended August 31, 2016 be included in the Company's Annual Report on Form 10-K filed with the Commission. The Audit Committee also recommended that PricewaterhouseCoopers LLP be appointed as the Company's independent registered public accounting firm for the 2017 fiscal year.

### **Audit Committee:**

Ernest J. Novak, Jr., Chair  
Eugene R. Allspach  
Gregory T. Barmore  
Lee D. Meyer

**PROPOSAL TWO — RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP as the independent registered public accounting firm to examine the books, records and accounts of the Company and its subsidiaries for the fiscal year ending August 31, 2017. This selection is being presented to stockholders for ratification or rejection at the Annual Meeting. **THE AUDIT COMMITTEE AND THE BOARD OF DIRECTORS RECOMMEND THAT SUCH APPOINTMENT BE RATIFIED.**

PricewaterhouseCoopers LLP was our independent registered public accounting firm for the fiscal year ended August 31, 2016. During early fiscal 2016, the Audit Committee engaged in a thorough review of the qualifications, performance and proposed fees of PricewaterhouseCoopers LLP, including consideration of a presentation by the accounting firm and the input of management. Based on this review, PricewaterhouseCoopers LLP was determined by the Audit Committee and the Board of Directors to be well qualified for continued selection as our independent registered public accounting firm for fiscal year 2017. By NASDAQ and Commission rules and regulations, appointment of A. Schulman's independent registered public accounting firm is the direct responsibility of the Audit Committee. The Board of Directors has determined, however, to seek shareholder ratification of this appointment as both a good corporate practice and to provide shareholders an avenue to express their views on this important matter. Representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting to make a statement if they desire to do so and will be available to respond to appropriate questions.

For ratification, this Proposal Two will require the affirmative vote of the holders of a majority of the shares of common stock present, represented and entitled to vote at the Annual Meeting. In determining whether Proposal Two has received the requisite vote for approval, broker non-votes will not be counted for the purpose of determining whether Proposal Two has been approved. Abstentions will be counted as present and entitled to vote on the matter for purposes of Proposal Two and, thus, will have the same effect as a vote against Proposal Two. If Proposal Two is rejected, or if PricewaterhouseCoopers LLP declines to act or becomes incapable of acting as our independent registered public accounting firm, or if its engagement is otherwise discontinued, the Audit Committee will appoint another public auditor, the continued engagement of whom, after the Annual Meeting, will be subject to ratification by the stockholders.

**Fees Incurred by Independent Registered Public Accounting Firm**

Set forth below are the aggregate fees and expenses for professional services rendered by PricewaterhouseCoopers LLP as independent registered public accounting firm for the 2016 and 2015 fiscal years.

	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Audit Fees (1)	\$4,134,260	\$3,508,218
Audit-Related Fees (2)	\$ 61,500	\$ 531,000
Tax Fees (3)	\$ 858,290	\$1,330,570
All Other Fees	\$ 0	\$ 0

- (1) Comprised of the aggregate fees for professional services rendered by PricewaterhouseCoopers LLP in connection with its integrated audit of the Company's consolidated financial statements and its internal control over financial reporting, and its limited reviews of the Company's unaudited consolidated interim financial statements included in the Company's Quarterly Reports on Form 10-Q, as well as statutory audits of the Company's subsidiaries and consents to Commission filings.
- (2) Comprised of services rendered by PricewaterhouseCoopers LLP primarily related to specialized reporting, consultation services, and other procedures in various jurisdictions.
- (3) Comprised of professional services rendered by PricewaterhouseCoopers LLP for tax consulting and advice and domestic and international tax compliance and tax return preparation. For fiscal 2016, tax consulting fees were \$145,540, tax compliance fees were \$661,750, and other tax related fees were \$51,000.

**Pre-Approval of Fees**

As required by our pre-approval policy, the Audit Committee or the Chair of the Audit Committee pre-approves all audit and non-audit services performed by the independent registered public accounting firm and related fee arrangements to assure that the provision of the services does not impair the registered public accounting firm's independence. Unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval by the Audit Committee, it requires specific pre-approval. In addition, any proposed services exceeding pre-approved cost levels require specific Audit Committee pre-approval.

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The Audit Committee has delegated pre-approval authority to its Chair, provided that the pre-approval is reviewed by the full Audit Committee at its next regular meeting.

### **PROPOSAL THREE — ADVISORY VOTE ON EXECUTIVE COMPENSATION**

As required by Section 14A of the Exchange Act, we are providing stockholders with the right to vote to approve, on an advisory (nonbinding) basis, the following resolution relative to the compensation of our named executive officers:

“RESOLVED, that the stockholders approve the compensation of the Company’s named executive officers, as disclosed pursuant to the compensation disclosure rules of the Commission, including the compensation discussion and analysis, compensation tables and any related material disclosed in this proxy statement.”

As described in the “**Compensation Discussion and Analysis**” section of this proxy statement, our executive compensation philosophy is designed to provide a pay for performance compensation package, targeted at median market levels, to our named executive officers in order to attract, retain and motivate the key executives who are directly responsible for our continued success. We believe that this compensation philosophy, and the programs and policies approved and adopted by the Compensation Committee thereunder, has allowed us to attract and retain a talented executive management team which has provided successful leadership during the recent periods of economic turbulence and implementation of our significant acquisition and integration strategies.

Please read the “**Compensation Discussion and Analysis**” and “**Compensation Tables**” sections of this proxy statement, including the related narrative, for additional details about our executive compensation philosophy and programs, including information about the fiscal year 2016 compensation of our named executive officers.

The proposal to approve the resolution regarding the compensation of our named executive officers requires the affirmative vote of the holders of a majority of the common stock present, represented and entitled to vote at the Annual Meeting. Accordingly, broker non-votes will not be relevant to the outcome. Abstentions will be counted as being present and entitled to vote for purposes of Proposal Three and, thus, will have the same effect as a vote against Proposal Three. Because this vote is advisory, it will not be binding on the Company or the Compensation Committee; however, the Board of Directors and the Compensation Committee will review the voting results and take into account the outcome of the vote when considering future executive compensation matters. Taking into account the advisory vote of shareholders at our 2011 Annual Meeting regarding the frequency of future advisory votes to approve executive compensation, the Board’s current policy is to include an advisory resolution regarding approval of the compensation of our named executive officers annually. Accordingly, unless the Board modifies its policy on the frequency of future votes, the next advisory vote to approve our executive compensation will occur at the 2017 Annual Meeting of Shareholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” APPROVAL OF  
THE ADVISORY VOTE ON EXECUTIVE COMPENSATION.**

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**OTHER MATTERS**

The Board of Directors knows of no matters to be presented for action at the Annual Meeting other than those described in this proxy statement. Our By-Laws describe procedures, including minimum notice provisions, for stockholder nomination of directors and submission of other stockholder business to be transacted at any Annual Meeting. A copy of the pertinent By-Law provisions is available on request to our Corporate Secretary at: A. Schulman, Inc., 3637 Ridgewood Road, Fairlawn, Ohio 44333. If any such stockholder proposals or other business to be transacted properly comes before the Annual Meeting, it is intended that shares represented by proxies solicited hereby will be voted in respect thereof in accordance with the best judgment of the proxy holders.

By order of the Board of Directors,

A handwritten signature in black ink, appearing to read 'A. Horton', with a long horizontal line extending to the right.

Andrean R. Horton  
*Executive Vice President, Chief Legal Officer,  
and Secretary*

October 28, 2016

**APPENDIX A**  
**A. Schulman, Inc.**  
**Bonus Reconciliation**

*Amounts in USD millions except EMEA amounts in EUR*

	<b>For the year ended August 31, 2016</b>		<b>Operating Income</b>				
	<b>Consolidated Net Income</b>	<b>Consolidated</b>	<b>EMEA</b>	<b>USCAN</b>	<b>LATAM</b>	<b>APAC</b>	<b>EC</b>
GAAP continuing operations, as reported in Form 10-K	\$ (364.6)	\$ (309.2)	€ 63.9	\$ 30.9	\$ 20.3	\$ 15.8	\$ 11.2
Non-GAAP adjustments (1)	425.8	455.1	4.9	16.2	—	2.2	3.7
Non-GAAP, as reported in Form 10-K/Earnings Release	\$ 61.2	\$ 145.9	€ 68.8	\$ 47.1	\$ 0.3	\$ 18.0	\$ 14.9
Bonus adjustments (2)	(9.9)	(12.8)	(1.8)	(10.7)	3.0	0.6	(0.3)
<b>Results for bonus payout, per proxy statement</b>	<b>\$ 51.3</b>	<b>\$ 133.1</b>	<b>€ 67.0</b>	<b>\$ 36.4</b>	<b>\$ 23.3</b>	<b>\$ 18.8</b>	<b>\$ 14.6</b>

	<b>For the year ended August 31, 2015</b>		<b>Operating Income</b>				
	<b>Consolidated Net Income</b>	<b>Consolidated</b>	<b>EMEA</b>	<b>USCAN</b>	<b>LATAM</b>	<b>APAC</b>	<b>EC</b>
GAAP continuing operations, as reported in Form 10-K	\$ 24.2	\$ 70.4	€ 55.7	\$ 32.1	\$ 11.6	\$ 14.3	
Non-GAAP adjustments (1)	45.7	50.3	—	8.6	1.5	0.1	
Non-GAAP, as reported in Form 10-K/Earnings Release	\$ 69.9	\$ 120.7	€ 68.0	\$ 40.7	\$ 13.1	\$ 14.4	
Bonus adjustments (2)	7.2	1.0	—	(5.8)	3.6	0.2	
<b>Results for bonus payout, per proxy statement</b>	<b>\$ 77.1</b>	<b>\$ 121.7</b>	<b>€ 66.8</b>	<b>\$ 35.0</b>	<b>\$ 16.6</b>	<b>\$ 14.6</b>	

	<b>For the year ended August 31, 2014</b>		<b>Operating Income</b>				
	<b>Consolidated Net Income</b>	<b>Consolidated</b>	<b>EMEA</b>	<b>USCAN</b>	<b>LATAM</b>	<b>APAC</b>	<b>EC</b>
GAAP continuing operations, as reported in Form 10-K	\$ 56.2	\$ 82.3	€ 56.6	\$ 28.6	\$ 4.2	\$ 12.2	
Non-GAAP adjustments (1)	13.2	17.6	—	1.8	4.2	0.3	
Non-GAAP, as reported in Form 10-K/Earnings Release	\$ 69.3	\$ 99.9	€ 59.3	\$ 30.4	\$ 8.4	\$ 12.5	
Bonus adjustments (2)	(3.2)	(3.0)	0.2	—	0.1	—	
<b>Results for bonus payout, per proxy statement</b>	<b>\$ 66.1</b>	<b>\$ 96.9</b>	<b>€ 59.5</b>	<b>\$ 30.4</b>	<b>\$ 8.5</b>	<b>\$ 12.5</b>	

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- (1) Adjustments to operating income and GAAP continuing operations net income are a non-GAAP financial measure. Adjustments include charges related to specific strategic initiatives, acquisitions or restructurings activities such as: costs related to acquisitions including those costs incurred to pursue intended targets; acquisition-related interest expense; restructuring related costs including items such as employee severance charges, lease termination charges, curtailment gains/losses, other employee termination costs and charges; accelerated depreciation; asset write-downs including goodwill and intangible assets; CEO transition costs; inventory step-up costs including the adjustment for fair value of inventory acquired as a result of acquisition purchase accounting; gain on extinguishment of debt; tax (charges) or benefits; and income or (loss) from discontinued operations.
  - (2) Bonus adjustments for all years include adjusting financial results to budgeted foreign exchange rates and bonus expense. In fiscal 2015 and 2016, bonus adjustments also represent the exclusion of discretionary non-budgeted items that resulted in lower payout percentages.

**SHAREOWNER SERVICES**  
**PO BOX 64945**  
**ST. PAUL, MN 55164-0945**

**VOTE BY INTERNET - www.proxyvote.com**

Use the Internet to vote your proxy and for electronic delivery of information up until 11:59 P.M. Eastern Time on December 8, 2016. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to vote your proxy up until 11:59 P.M. Eastern Time on December 8, 2016. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**The Board of Directors recommends you vote FOR the following:**

**1. Election of Directors**

Nominees	For	Against	Abstain
1a. Eugene R. Allspach	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1b. Gregory T. Barmore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1c. David G. Birney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1d. Joseph M. Gingo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1e. Lee D. Meyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1f. James A. Mitarotonda	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1g. Ernest J. Novak, Jr.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1h. Kathleen M. Oswald	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For address change/comments, mark here. (see reverse for instructions)	<b>Yes</b>	<b>No</b>	<input type="checkbox"/>
Please indicate if you plan to attend this meeting	<input type="checkbox"/>	<input type="checkbox"/>	

**The Board of Directors recommends you vote FOR proposals 2. and 3.**

	For	Against	Abstain
<b>2.</b> The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending August 31, 2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.</b> The approval, on an advisory basis, of the compensation of the Company's named executive officers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**NOTE:** The transaction of any other business as may properly come before the stockholders at the Annual Meeting and any adjournments thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]      Date

Signature (Joint Owners)      Date

**A. Schulman, Inc.  
Annual Meeting of Stockholders**

**Friday, December 9, 2016  
10:00 A.M local time**

**The Hilton Inn West  
3180 West Market Street  
Akron, Ohio 44333**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Annual Report is/are available at [www.proxyvote.com](http://www.proxyvote.com)

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**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF  
A. SCHULMAN, INC.  
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON  
DECEMBER 9, 2016**

The undersigned hereby appoints JOSEPH M. GINGO, JOHN W. RICHARDSON, and ANDREAN R. HORTON and each of them as proxies, each with the full power to appoint his substitute, and hereby authorizes them to represent and to vote all of the shares of common stock of A. Schulman, Inc. the undersigned is entitled to vote at the Annual Meeting of Stockholders of A. Schulman, Inc. to be held on December 9, 2016 and at any adjournment(s) and postponement(s) thereof, in the manner specified on this proxy and as fully as the undersigned could do if personally present at the meeting. Receipt of a separate notice of annual meeting and proxy statement is acknowledged by return of this proxy or by voting via telephone or internet in accordance with the instructions on the other side of this proxy.

You are encouraged to specify your choices by marking the appropriate boxes, **SEE REVERSE SIDE**, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations. If you vote by telephone or internet you do not need to mail back this proxy. **PLEASE SIGN, DATE AND RETURN THIS PROXY PROMPTLY, USING THE ENCLOSED ENVELOPE OR VOTE VIA TELEPHONE OR THE INTERNET BY FOLLOWING THE INSTRUCTIONS ON THE OTHER SIDE OF THIS PROXY. THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF A. SCHULMAN, INC. THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF EACH OF THE DIRECTOR NOMINEES AND "FOR" THE APPROVAL OF PROPOSALS TWO AND THREE.**

**Address change/comments:**

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(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**