HARSCO CORP
Form DEF 14A
March 20, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

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

o Preliminary Proxy Statement

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

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-2.

Harsco Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-12.

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

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Notice of
2007 Annual
Meeting and Proxy
Statement

Harsco Corporation

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Harsco Corporation
350 Poplar Church Road
Camp Hill, PA 17011 USA
Mail: P.O. Box 8888
Camp Hill, PA 17001-8888 USA

Telephone: 717.763.7064
Fax: 717.763.6424
Web: www.harsco.com

March 22, 2007

To Our Stockholders:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of your Company, which will be held on Tuesday, April 24, 2007, beginning at 10:00 a.m. at the Radisson Penn Harris Hotel and Convention Center, Camp Hill, Pennsylvania.

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

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

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

Sincerely,

Derek C. Hathaway
Chairman and Chief
Executive Officer

This document is intended to be mailed to stockholders on or about March 22, 2007.

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HARSCO CORPORATION
350 Poplar Church Road
Camp Hill, Pennsylvania 17011 USA
Mail: P.O. Box 8888
Camp Hill, Pennsylvania 17001-8888 USA

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Harsco Corporation will be held on Tuesday, April 24, 2007, at 10:00 a.m. at the Radisson Penn Harris Hotel and Convention Center, Camp Hill, Pennsylvania to consider and act upon the following matters:

1. Election of eleven Directors to serve until the next Annual Meeting of Stockholders, and until their successors are elected and qualified;

2. Ratification of the appointment by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as independent auditors to audit the accounts of the Company for the fiscal year ending December 31, 2007; and

3. Such other business as may properly come before the Annual Meeting.

The Board of Directors has fixed the close of business on March 2, 2007 as the record date for the determination of stockholders who are entitled to notice of, and to vote at, the Annual Meeting and at any adjournments thereof. Proxies will be accepted continuously from the time of mailing until the closing of the polls at the Annual Meeting.

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

By Order of the Board of Directors,

Mark E. Kimmel
General Counsel and Corporate Secretary
March 22, 2007

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PROXY STATEMENT

ANNUAL MEETING INFORMATION

General

This Proxy Statement has been prepared in connection with the solicitation by the Board of Directors of Harsco Corporation, a Delaware corporation (the Company), of proxies in the accompanying form to be used at our Annual Meeting of Stockholders, to be held April 24, 2007, or at any adjournment or adjournments of the Annual Meeting.

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

Type of shares entitled to vote at the Annual Meeting:	Our common stock, par value $1.25
Record date for stockholders entitled to notice of, and to vote at, the Annual Meeting (Record Date):	Close of business on March 2, 2007
Shares of common stock issued and outstanding as of the Record Date (does not include treasury shares, which are not entitled to be voted at the Annual Meeting):	42,026,532 shares
Proxy Statements, Notice of Annual Meeting and Proxy Cards are intended to be mailed to stockholders:	On or about March 22, 2007
Location of our executive offices:	350 Poplar Church Road, Camp Hill, Pennsylvania 17011

The Company has declared a two-for-one stock split payable on March 26, 2007 to shareholders of record on February 28, 2007. The numbers shown above and all share information in this Proxy Statement reflect ownership of our stock on a pre-split basis, and all votes at the Annual Meeting will be tallied and a quorum will be established based on the number of shares of our common stock issued and outstanding as of the Record Date, on a pre-split basis.

Voting

All shares of common stock entitled to vote at the Annual Meeting are of one class, with equal voting rights. Each share of common stock held by a stockholder is entitled to cast one vote on each matter voted on at the Annual Meeting. In order for the Annual Meeting to be valid and the actions taken binding, a quorum of stockholders must be present at the meeting, either in person or by proxy. A quorum is a majority of the issued and outstanding shares of common stock as of the Record Date. Assuming that a quorum is present, the affirmative vote by the holders of a plurality of the votes cast at the Annual Meeting will be required to act on the election of directors and the affirmative vote of the holders of at least a majority of the outstanding common stock present in person or by proxy and entitled to vote on the matter at the Annual Meeting will be required for the ratification of PricewaterhouseCoopers LLP as independent auditors for the current fiscal year. The vote required to act on all other matters to come before the Annual Meeting will be in accordance with the voting requirements established by our Restated Certificate of Incorporation and By-Laws.

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The shares of common stock represented by each properly submitted proxy received by the Board of Directors will be voted as follows at the Annual Meeting:

If instructions are provided, in accordance with such instructions specified, or

If no instructions are provided, those shares of common stock will be voted (1) FOR the election of eleven nominees for Directors; (2) FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the current fiscal year; and (3) in accordance with the best judgment of the named proxies on any other matters properly brought before the Annual Meeting.

Revocation of Proxies

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

Withheld Votes and Broker Non-Votes

In certain circumstances, a stockholder will be considered to be present at the Annual Meeting for quorum purposes but will not be deemed to have cast a vote on a matter. That occurs when a stockholder is present but specifically withholds a vote or abstains from voting on a matter or when shares are represented at the Annual Meeting by a proxy conferring authority to vote only on certain matters (broker non-votes). In accordance with Delaware law, votes withheld and broker non-votes will not be treated as votes cast with respect to election of directors, and therefore will not affect the outcome of director elections. With respect to the ratification of auditors, abstentions will be treated as negative votes and broker non-votes will not be counted in determining the outcome.

Other Business

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

CORPORATE GOVERNANCE

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

Corporate Governance Principles

Corporate Governance Principles

The Board has adopted corporate governance principles that, along with the charters of the Board committees, provide the framework for our Board of Director s operation and governance.

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The Board s Nominating and Corporate Governance Committee is responsible for overseeing and reviewing our corporate governance principles at least annually and recommending any proposed changes to the Board for approval. The corporate governance principles are available on our website at *www.harsco.com* in the Corporate Governance section.

Code of Business Conduct

We have adopted a code of business conduct applicable to our employees, officers and directors. The code of business conduct is issued in booklet form and an online training program facilitates new employee orientation and individual refresher training. In 2006 a comprehensive update of our code of business conduct was developed and distributed throughout our operations. Our update was produced in nearly 20 languages. The code of business conduct, including any amendments thereto or waivers thereof, can be viewed at the Corporate Governance section of our website at *www.harsco.com.*

Information contained on our website is not incorporated by reference into this Proxy Statement, and you should not consider information contained on our website as part of this Proxy Statement. Copies of our corporate governance principles, code of business conduct and charters of the Board s committees are available in print to any stockholder who requests such copies from us.

Stockholder and Interested Party Communications with Directors

The Board of Directors has a formal process for stockholders and interested parties to communicate directly with the chairman, lead independent director, the non-management directors or with any individual member of the Board of Directors. Stockholders and interested parties can contact the Board through the Chairman and Chief Executive Officer, who is located at our headquarters in Camp Hill, Pennsylvania. In addition, stockholders and interested parties may contact any member of the Board, including the lead independent director, Dr. Robert Wilburn, by writing to the specific Board member in care of our Corporate Secretary at our Corporate Headquarters (350 Poplar Church Road, Camp Hill, PA 17011). Our Corporate Secretary will forward any such correspondence to the applicable Board member; provided, however, that any such correspondence that is considered by our Corporate Secretary to be improper for submission to the intended recipients will not be provided to such Directors. In addition, Board members, including the lead independent director, can be contacted by e-mail at *BoardofDirectors@harsco.com*.

Independence Standards For Directors

The following standards, which are also posted to the Corporate Governance section of our website at www.harsco.com, have been applied by the Board of Directors in determining whether individual directors qualify as independent under the Rules of the New York Stock Exchange. The Board has affirmatively determined that the following eight Directors are independent: Messrs. Jasinowski, Pierce, Scheiner, Sordoni, Viviano, and Wilburn and Ms. Eddy and Ms. Scanlan. References to us include our consolidated subsidiaries.

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

2. No director who is a former employee of ours can be deemed independent until three years after the end of his or her employment relationship with us.

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

4. No director who receives, or whose immediate family member receives, more than $100,000 during any twelve-month period in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), can be independent until three years after he or she ceases to receive more than $100,000 during any twelve-month period in such compensation.

5. No director can be independent:

   a. who is, or whose immediate family member is, a current partner of our internal or external auditor;

   b. who is a current employee of our internal or external auditor;

   c. whose immediate family member is a current employee of our internal or external auditor and participates in such auditor s audit, assurance or tax compliance (but not tax planning) practice; or

   d. who, or whose immediate family member, was within the last three years (but is no longer) a partner or employee of such auditor and personally worked on our audit within that time.

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

7. No director who is an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, us for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues, can be independent until three years after falling below such threshold.

Executive Sessions of Independent Directors

Independent directors regularly meet in executive sessions without management. Our named lead director, Dr. Wilburn, who is a non-management director, presides over each session of the independent directors. During the 2006 fiscal year, the independent directors held three meetings.

Director Attendance at Annual Meeting of Stockholders

It is our policy to request that all Board members attend the Annual Meeting of Stockholders. However, we also recognize that personal attendance by all Directors is not always possible. All eleven Directors did attend the 2006 Annual Meeting of Stockholders.

Structure of the Board of Directors

Information regarding the structure of our Board of Directors:

Current size:	11 members
Size of Board of Directors authorized in the By-Laws:	Not less than five nor more than 12
Number of Independent Directors:	Eight members
Size of Board of Directors established by:	Board of Directors
Lead Director:	R. C. Wilburn

Meeting Attendance and Committees

The Board of Directors held nine meetings during the fiscal year ended December 31, 2006. All Directors attended at least 75% of the total Board and committee meetings on which they served, and the average attendance by Directors at all Board and committee meetings was 98.86%. The Independent Directors held 3 meetings during 2006. We have standing Audit, Executive, Management Development and Compensation, and Nominating and Corporate Governance Committees.

Audit Committee

Meetings in 2006: five

Members: Mr. Scheiner, Chairman, Ms. Eddy, Mr. Pierce, Ms. Scanlan and Mr. Viviano

Duties: Established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. Oversees our financial reporting processes, including meeting with members of management, the external auditors and the internal auditors, reviewing and approving both audit and non-audit services, reviewing the results of the annual audit and reviewing the adequacy of our internal controls. The Committee is also responsible for managing the relationship with the external auditors. The Chairman of the Audit Committee meets quarterly with management and the independent auditors to review financial matters. See also the Report of the Audit Committee beginning on page 17. The Audit Committee recently completed a review of its charter and determined that several amendments were appropriate. A copy of the revised Audit Committee charter can be viewed at the Corporate Governance section of our website at *www.harsco.com.*

Executive Committee

Meetings in 2006: None

Members: Mr. Hathaway, Chairman, Messrs. Scheiner, Sordoni and Wilburn

Duties: Authorized to exercise all powers and authority of the Board of Directors when the Board is not in session, except as may be limited by the General Corporation Law of the State of Delaware.

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Management Development and Compensation Committee

Meetings in 2006: six

Members: Mr. Wilburn, Chairman, Messrs. Jasinowski, Scheiner and Sordoni and Ms. Scanlan

Duties: Administers our executive compensation policies and plans and advises the Board regarding management succession and compensation levels for members of senior management. The role of the Management Development and Compensation Committee (the Compensation Committee) is described in greater detail under the section entitled Compensation Discussion and Analysis beginning on page 19 of this Proxy Statement. The Board approved revisions to the Compensation Committee s charter as of January 2007 to further clarify its responsibilities with respect to certain matters. A copy of the Compensation Committee s charter can be viewed at the Corporate Governance section of our website at *www.harsco.com.*

Nominating and Corporate Governance Committee

Meetings in 2006: three

Members: Mr. Sordoni, Chairman, Messrs. Jasinowski, Pierce, Viviano and Wilburn

Duties: Recommends Director candidates to the Board for election at the Annual Meeting, reviews and recommends potential new Director candidates, reviews candidates recommended by our stockholders and oversees our corporate governance program. The role of the Nominating and Corporate Governance Committee (the Nominating Committee) is described in greater detail under the section entitled The Nominating Process beginning on page 9 of this Proxy Statement. The Board approved revisions to the Nominating Committee s charter as of January 2007 to further clarify its responsibilities with respect to certain matters. A copy of the Nominating Committee s charter can be viewed at the Corporate Governance section of our website at *www.harsco.com.*

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HARSCO STOCK PERFORMANCE GRAPH

The following performance graph compares the yearly percentage change in the cumulative total stockholder return (assuming the reinvestment of dividends) on our common stock against the cumulative total return of the Standard & Poor s MidCap 400 Index and the Dow Jones Industrial-Diversified Index for the past five years. The graph assumes an initial investment of $100 on December 31, 2001 in our common stock or in the underlying securities which comprise each of those market indices. The information contained in the graph is not necessarily indicative of our future performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Harsco Corporation, The S&P MidCap 400 Index
And The Dow Jones US Diversified Industrials Index(1)(2)
Fiscal Year Ending December 31

	2001	**2002**	**2003**	**2004**	**2005**	**2006**
Harsco Corporation	100.00	95.79	135.69	176.82	218.81	250.86
S & P Midcap 400	100.00	85.49	115.94	135.05	152.00	167.69
Dow Jones US Diversified Industrials	100.00	64.93	87.84	104.69	101.95	111.68

(1) Peer companies included in the Dow Jones Industrial-Diversified Index as of December 31, 2006 are: 3M Co., Actuant Corp., Carlisle Companies Inc., Dover Corporation, Eaton Corp., General Electric Co., Honeywell International Inc., ITT Industries Inc., Kennametal Inc., Rockwell International Corp., Teleflex Inc., Textron Inc., Tyco International Ltd. and Walter Industries Inc.

(2) In December 2001, Dow Jones restructured its industry classification system. The net result of this change is that all US indices will show differences when compared to the prior index series.

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THE NOMINATING PROCESS

The Nominating Committee of the Board of Directors is responsible for overseeing the selection of qualified candidates to serve as members of the Board of Directors and guiding our corporate governance philosophy and practices. The Nominating Committee is composed of five directors each of whom is independent under the rules of the New York Stock Exchange. The Nominating Committee operates according to a charter that complies with the guidelines established by the New York Stock Exchange.

The Nominating Committee has not adopted formal procedures in selecting individuals to serve as members of the Board of Directors. Instead, it utilizes general guidelines that allow it to adjust the process to best satisfy the objectives established for any director search. The first step in the general process is to identify the type of candidate the Nominating Committee may desire for a particular opening. This may involve identifying someone with a specific background, skill set or set of experiences. Once identified, the Nominating Committee next determines the best method of finding a candidate who satisfies the specified criteria. The Nominating Committee may consider candidates recommended by management, by other members of the Nominating Committee or the Board of Directors, by stockholders, or it may engage a third party to conduct a search for possible candidates. The Nominating Committee will consider all nominees in the same manner regardless of the source of the recommendation of such nominee. The Nominating Committee will consider recommendations for director candidates from stockholders if such recommendations are in writing and set forth the following information:

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

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

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

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

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

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

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

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

This information must be submitted as provided under the heading STOCKHOLDER PROPOSALS AND NOMINATIONS FOR PRESENTATION AT 2008 ANNUAL MEETING OF STOCKHOLDERS.

There have been no material changes to the procedures relating to stockholder nominations during 2006. The Nominating Committee believes that these procedural requirements are intended solely to ensure that it has a sufficient basis on which to assess potential candidates and are not intended to discourage or interfere with appropriate stockholder nominations. The Nominating Committee does not believe that any such requirements subject any stockholder or stockholder nominee to any unreasonable burden. The Nominating Committee and the Board reserve the right to change the above procedural requirements from time to time and/or waive some or all of the foregoing requirements with respect to certain nominees, but any such waiver shall not preclude the Nominating Committee from insisting upon compliance with any and all of the above requirements by any other recommending stockholder or proposed nominees.

Once candidates are identified, the Nominating Committee conducts an evaluation of the candidate. The evaluation generally includes interviews and background and reference checks. There is no difference in the evaluation process of a candidate recommended by a stockholder as compared to the evaluation process of a candidate identified by any of the other means described above. While the Nominating Committee has not established minimum criteria for a candidate, it has established important factors to consider in evaluating a candidate. These factors include: strength of character, mature judgment, business experience, availability, attendance, career specialization, relevant technical skills, diversity and the extent to which the candidate would fill a present need on the Board of Directors.

If the Nominating Committee determines that a candidate should be nominated as a candidate in the Proxy Statement, the candidate s nomination is then recommended to the Board of Directors, who may in turn conduct its own review to the extent it deems appropriate. When the Board of Directors has agreed upon a candidate to be nominated at an Annual Meeting of Stockholders, that candidate is then recommended to the stockholders for election at an Annual Meeting of Stockholders.

All of our current directors are standing for reelection. Each of these directors has been recommended by the Nominating Committee to the Board of Directors for election as our directors at the 2007 Annual Meeting of Stockholders and the Board has approved the recommendation. We did not engage a third party search firm to assist with the selection of the director candidates for the 2007 Annual Meeting of Stockholders. During 2006, we received no recommendation for directors from any stockholders.

PROPOSAL 1: ELECTION OF DIRECTORS

The first proposal to be voted on at the Annual Meeting is the election of the following eleven Directors, each of whom is recommended by the Board of Directors. Biographical information about each of these nominees is included below.

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The Board of Directors Recommends that Stockholders Vote FOR the Election of Each of the Following Nominees:

Nominees for Director

The information set forth below states the name of each nominee for Director, his or her age (as of March 2, 2007), a listing of present and previous employment positions, the year in which he or she first became a Director of the Company, other directorships held and the committees of the Board on which the individual serves.

Name	Age	Position with the Company and Prior Business Experience	Director of the Company Since
G. D. H. Butler	60	Senior Vice President Operations of the Company since 2000. Concurrently serves as President of the MultiServ Division and President of the SGB Division. President of Heckett MultiServ International and SGB from 2000 to 2003, and from 1994 to 2000 served as President of the Heckett MultiServ East Division. Served as Managing Director Eastern Region of the Heckett MultiServ Division in 1994. Served in various officer positions within MultiServ International, N.V. prior to 1994 and prior to Harsco s acquisition of that corporation in 1993.	2002
K. G. Eddy	56	Certified Public Accountant. Founding partner of McDonough, Eddy, Parsons & Baylous, AC (a public accounting firm) since 1981. Chairman of the Board of Directors of the American Institute of Certified Public Accountants between 2000-2001. Current member of the AICPA Governing Council. Member of the Audit Committee.	2004
S. D. Fazzolari	54	President, Chief Financial Officer and Treasurer of the Company since January 2006. Served as Senior Vice President, Chief Financial Officer and Treasurer from August 1999 until January 2006 and as Senior Vice President and Chief Financial Officer from January 1998 to August 1999. Served as Vice President and Controller from January 1994 to December 1997 and as Controller from January 1993 to January 1994.	2002
D. C. Hathaway	62	Chairman and Chief Executive Officer of the Company since January 2006 and from January 1998 to July 2000. Served as Chairman, President and Chief Executive Officer of the Company from July 2000 to January 2006 and from April 1994 to January 1998. Served as President and Chief Executive Officer of the Company from January 1994 to April 1994. Served as President and Chief Operating Officer of the Company from May 1991 to January 1994. Held various executive positions with the Company prior to 1991. Chairman of the Executive Committee.	1991

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Name	Age	Position with the Company and Prior Business Experience	Director of the Company Since
J. J. Jasinowski	68	Former President of The Manufacturing Institute (research and education unit of a business advocacy group) from 2004 to March 2007. Former President of the National Association of Manufacturers (business advocacy and policy association) between 1990 and 2004. Mr. Jasinowski is also an author and commentator on economic, industrial and governmental issues. Former positions include Assistant Professor of Economics at the Air Force Academy, Director of Research at the Joint Economic Committee of Congress, Director of the Carter Administration s Economic transition team, and Assistant Secretary of Policy at the U.S. Department of Commerce. Mr. Jasinowski is a director of The Phoenix Companies, Inc., The Timken Company and webMethods, Inc. Member of the Compensation Committee and the Nominating Committee.	1999
D. H. Pierce	65	President and CEO of ABB Inc., the US subsidiary of global industrial, energy and automation provider ABB, from 1999 until his retirement in June 2001. Between 1998 and 1999 he was President of Steam Power Plants and Environmental Systems of ABB Inc. Between 1996 and 1998 he was Group Executive Vice President The Americas Region and Member of ABB Ltd. Group Executive Committee. Between 1994 and 1996 he was President of ABB China Ltd. Director of Ambient Corporation. Member of the Audit Committee and the Nominating Committee.	2001
C. F. Scanlan	59	President, Chief Executive Officer and Board Member of The Hospital and Healthsystem Association of Pennsylvania (representation and advocacy organization) since June 1995. Served as President and Chief Executive Officer of the Hospital and Healthsystem Association of Pennsylvania from 1995 to date. Member of the Board of Directors of PHICO Group Inc. Member of the Compensation Committee and the Audit Committee.	1998
J. I. Scheiner	62	Chairman of Benatec Associates, Inc. (an engineering and environmental company) since January 2006. Was President and Chief Operating Officer of Benatec Associates from 1991 to 2006. Prior to 1991, he was President of Stoner Associates, Inc. (an engineering software company) and Vice President of Huth Engineers (an engineering company). Served as Secretary of Revenue for the Commonwealth of Pennsylvania, and served as Deputy Secretary for Administration, Pennsylvania Department of Transportation. He is a member of the Pennsylvania Chamber of Business and Industry Board. Chairman of the Audit Committee and member of the Executive Committee and the Compensation Committee.	1995
A. J. Sordoni, III	63	Chairman of Sordoni Construction Services, Inc. (a building construction and management services company) and has been employed by that	1988

company since 1967. Director of Aqua America, Inc.
Chairman of the Nominating Committee; Member of the Compensation and the Executive Committees.

Name	Age	Position with the Company and Prior Business Experience	Director of the Company Since
J. P. Viviano	68	Retired Vice Chairman of Hershey Company (a confectionery and grocery products company). Was President and Chief Operating Officer of Hershey Company from 1994 to 1998. Mr. Viviano is a director of Chesapeake Corporation, Reynolds American, Inc. and RPM, Inc. Member of the Audit Committee and the Nominating Committee.	1999
R. C. Wilburn	63	President of The Gettysburg Foundation (a nonprofit educational institution) since 2000. Former President and Chief Executive Officer of the Colonial Williamsburg Foundation (a historic preservation and educational outreach organization) between 1992 and 1999. Other former positions include Distinguished Service Professor at Carnegie Mellon University, President of Carnegie Institute and Carnegie Library and Secretary of Education for the Commonwealth of Pennsylvania. He is a Director of Erie Indemnity Company. Chairman of the Compensation Committee; Member of the Nominating and the Executive Committee.	1986

NON-EMPLOYEE DIRECTOR COMPENSATION

The general policy of our Board is that compensation for non-employee Directors should be a mix of cash and equity-based compensation. Our Compensation Committee has the primary responsibility to review and consider any revisions to Director Compensation. As part of this responsibility, the Committee annually reviews market data regarding comparable director compensation rates. This data is prepared by management utilizing several broad board compensation studies completed within one year of the Board s review. Annual compensation for non-employee Directors for 2006 was comprised of the following components: cash compensation, consisting of an annual retainer; meeting and committee fees; and equity compensation, consisting of Restricted Stock Unit awards. The current fees for non-employee directors, effective January 1, 2006, are as follows:

Annual Retainer:	$35,000
Audit Committee Chair Fee (Annual):	$7,500
Compensation Committee Chair Fee and Nominating Committee Chair Fee (Annual):	$5,000
Board Meeting Fee (Per Meeting):	$1,500
Committee Meeting Fee (Per Meeting):	$1,500
Other Meetings and Duties (Per Day):	$1,500
Telephonic Meeting Fee (Per Meeting):	$750

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Restricted Stock Units (1):	1,000 restricted stock units annually (issued at a grant price equal to the average of the high and low market price on the date of grant. Grant date is first business day of May.)
Plan Participation (2):	Deferred Compensation Plan for Non-Employee Directors

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

(1) At the November 2005 meeting of the Compensation Committee, the Compensation Committee reviewed the compensation of the non-employee Directors and recommended that the annual equity portion of the compensation be increased from 750 to 1,000 restricted stock units. The Board of Directors approved the recommendation effective January 1, 2006. The Compensation Committee also reviewed the compensation of non-employee Directors at its September 2006 meeting and recommended no change in compensation for 2007.

(2) The Deferred Compensation Plan for Non-Employee Directors (the Plan) allows each non-employee Director to defer all or a portion of his or her director compensation until some future date selected by the Director. Pursuant to the Director s election, the accumulated deferred compensation is held in either an interest-bearing account or a Harsco phantom share account. The interest-bearing deferred account accumulates notional interest on the account balance at a rate equal to the five-year United States Treasury Note yield rate in effect from time to time. Contributions to the phantom stock account are recorded as notional shares of Harsco common stock. Deferred amounts are credited to the Director s account quarterly on the 15th of February, May, August and November. The number of phantom shares recorded is equal to the number of shares of common stock that the compensation which is deferred would have purchased at the market price of the stock on the day the account is credited. Dividends earned on the phantom shares are credited to the account as additional phantom shares. All phantom shares are non-voting and payments out of the account are made solely in cash based upon the market price of the common stock on the date of payment selected by the Director. Under certain circumstances, the accounts may be paid out early upon termination of directorship following a change in control. The Plan has been amended to operate in accordance with the provisions of the American Jobs Creation Act of 2004.

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FISCAL YEAR 2006 DIRECTOR COMPENSATION

The table below details the compensation earned by our non-employee Directors in 2006.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)(3)	Total ($)
Kathy G. Eddy	57,500	68,498	-0-	-0-	-0-	12,301	138,299
Jerry J. Jasinowski	59,000	68,498	-0-	-0-	-0-	10,826	138,324
D. Howard Pierce	62,000	68,498	-0-	-0-	-0-	-0-	130,498
Carolyn F. Scanlan	65,000	68,498	-0-	-0-	-0-	10,441	143,939
James I. Scheiner	78,500	68,498	-0-	-0-	-0-	6,121	153,119
Andrew J. Sordoni, III	68,500	68,498	-0-	-0-	-0-	10,735	147,733
Joseph P. Viviano	62,000	68,498	-0-	-0-	-0-	9,031	139,529
Robert C. Wilburn	68,500	68,498	-0-	-0-	-0-	10,296	147,294

(1) Includes fees associated with chairing a Board Committee.

(2) The amounts shown in this column represent the compensation cost recognized in 2006 for financial statement purposes with respect to the restricted stock units, computed in accordance with FAS 123(R). As of December 31, 2006, each non-employee director other than Ms. Eddy had 2,269 restricted stock units outstanding. Ms. Eddy had 1,756 restricted stock units outstanding as of December 31, 2006. Each non-employee director was granted 1,000 restricted stock units on May 1, 2006 and these restricted stock units vest on April 24, 2007 and are payable in common stock within 60 days following the termination of a non-employee director s service as a director. The aggregate grant date fair value of each non-employee director s 2006 restricted stock unit award, computed in accordance with FAS 123(R), was $82,590, which was determined using the average of the high and low price of the stock on that day s trading, less a discount for dividends not received during the vesting period. The information in this column does not reflect an estimate for forfeitures, and none of these awards has been forfeited as of March 2, 2007. See Note 12, Stock-based Compensation to Notes to Consolidated Financial Statements for a discussion of the assumptions used by the Company to calculate share-based employee compensation expense, as outlined in SFAS No. 123R in our Annual Report on Form 10-K for the year ended December 31, 2006.

(3) Amounts in this column represent expenses for attendance by spouses of Directors at Board-related business events, for which we pay or reimburse travel and related expenses.

SHARE OWNERSHIP OF DIRECTORS, MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of March 2, 2007, information with respect to the beneficial ownership of our outstanding voting securities, stock options and other stock equivalents by:

(a) Our Chief Executive Officer, Chief Financial Officer and our three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer, who we refer to collectively as our Named Executive Officers,

(b) each Director,

(c) all Directors and executive officers as a group, and

(d) certain beneficial owners holding more than 5% of the common stock.

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All of our outstanding voting securities are common stock.

Name	Number of Shares(1)	Percent of Class	Number of Exercisable Options(2)	Number of Other Stock Equivalents
Named Executive Officer				
G. D. H. Butler	1,000	*	59,000	18,000(3)
S. D. Fazzolari	11,118	*	56,000	21,017(3)
D. C. Hathaway	126,728	*	140,000	15,393(3)
M. E. Kimmel	892	*	2,000	7,877(3)
R. C. Neuffer	1,490	*	10,600	6,312(3)
Directors who are not Named Executive Officers				
K. G. Eddy	800	*	0	1,756(5)
J. J. Jasinowski	1,200	*	6,000	13,433(5)
D. H. Pierce	2,000	*	6,000	9,295(5)
C. F. Scanlan	1,500	*	6,000	2,269(5)
J. I. Scheiner	3,526	*	10,000	6,052(5)
A. J. Sordoni, III	117,500(4)	*	12,000	2,269(5)
J. P. Viviano	5,400	*	7,000	10,720(5)
R. C. Wilburn	3,500	*	10,000	3,699(5)
All Directors and executive officers as a group (14 persons in total, including those listed above)	278,027	*	324,600	122,813
Beneficial Owners(6)				
Earnest Partners LLC 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	3,388,197	8.1		

* Less than one percent.

(1) Includes, in the case of Messrs. Butler, Fazzolari, Hathaway, Kimmel, Neuffer and all Directors and executive officers as a group, -0- shares, 8,754 shares, 31,165 shares, 892 shares and 1,490 shares, and 43,331 shares, respectively, pursuant to our Retirement Savings and Investment Plan in respect of which such persons have shared voting power and sole investment power.

(2) Represents all stock options exercisable within 60 days of March 2, 2007 awarded under the 1995 Executive Incentive Compensation Plan and the 1995 Non-Employee Directors Stock Plan. Unexercised stock options have no voting power.

(3) Includes non-voting phantom shares held under the Supplemental Retirement Benefit Plan which will ultimately be paid out in cash based upon the value of shares of common stock at the time of the payout as well as non-voting phantom shares held in our non-qualified Retirement Savings and Investment Plan. Also includes for Messrs. Butler and Fazzolari, 18,000 restricted stock units, for Mr. Kimmel, 7,600 restricted stock units and for Mr. Neuffer 6,250 restricted stock units that were awarded in January 2005, January 2006 and January 2007 and

vest in three years from the date of grant for the 2005 and 2006 grants and on a pro rata basis over a three-year period for the 2007 grants, subject to the terms of the 1995 Executive Incentive Compensation Plan.

(4) Includes 19,000 shares owned by his wife as to which Mr. Sordoni disclaims beneficial ownership.

(5) Certain Directors have elected to defer a portion of their Directors fees in the form of credits for non-voting phantom shares under the terms of our Deferred Compensation Plan for Non-Employee Directors. These phantom shares are included. They will ultimately be paid out in cash based upon the value of the shares at the time of payout. Also includes 500, 750 and 1,000 restricted stock units that were granted under the 1995 Non-Employee Directors Stock Plan on May 3, 2004, May 2, 2005 and May 1, 2006, respectively.

(6) This information is derived from a Schedule 13G filing by such person with the Securities and Exchange Commission in February 2007, representing sole voting power over 1,274,240 shares, shared voting power over 1,144,857 shares and sole dispositive power over 3,388,197 shares. These holdings represent 8.1% of our common stock.

Except as otherwise stated, each individual has sole voting and investment power over the shares set forth opposite his or her name. As of March 2, 2007, Mr. Hathaway beneficially owned .63% of our common stock. None of the other Directors and executive officers individually beneficially owned more than 1% of our common stock, and our Directors and executive officers as a group beneficially owned approximately 1.42% of our outstanding common stock. The mailing address for our Directors and executive officers is c/o Harsco Corporation Corporate Secretary, 350 Poplar Church Road, Camp Hill, PA 17011.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors (the Audit Committee) is composed of five Directors each of whom is considered independent under the rules of the New York Stock Exchange and the Securities and Exchange Commission (SEC). The Audit Committee, has, as part of its membership, an individual who satisfies the definition of a financial expert, as promulgated by the SEC. Ms. Kathy Eddy, a certified public accountant and former Chairman of the American Institute of Certified Public Accountants has been a member of the Audit Committee since September 28, 2004 and serves as the Audit Committee s financial expert.

The Audit Committee operates pursuant to a written charter which was adopted in 1992 and which was most recently amended in February of 2007. A copy of the Audit Committee Charter can be viewed at the Corporate Governance section of our website at *www.harsco.com.*

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

The Audit Committee reports to and acts on behalf of the Board of Directors by monitoring our financial reporting processes and system of internal controls, and monitoring our internal auditors and overseeing the independence and performance of the independent auditors. In carrying out these responsibilities, the Audit Committee meets with members of management, our independent auditors and our internal auditors on a regular basis or as may otherwise be needed. The Audit Committee Chairman or his designee meets with management and with the independent auditors

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each quarter to review and discuss our Quarterly Report on Form 10-Q or Annual Report on Form 10-K prior to its filing with the SEC.

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

The Audit Committee has reviewed and discussed with management and the independent auditors the audited consolidated financial statements for the year ended December 31, 2006 and related periods. These discussions focused on the quality, not just the acceptability, of the accounting principles used by us, key accounting policies followed in the preparation of the financial statements and the reasonableness of significant judgments made by management in the preparation of the financial statements and alternatives that may be available.

The Audit Committee also discussed with our internal auditors and independent auditors the overall scope and plans for their respective audits of our financial statements. In addition, the Audit Committee discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as modified or supplemented, including the quality of our accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee also discussed with PricewaterhouseCoopers LLP, our independent auditors, matters relating to its independence, including a review of audit and non-audit fees and the written disclosures and letter received by the Audit Committee from our independent auditors required to be delivered by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

Based on the review and discussions referred to above, the Audit Committee s review of the representations of management and the report of the independent auditors, the Audit Committee recommended to our Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the SEC.

SUBMITTED BY THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS:

J. I. Scheiner, Chairman
K. G. Eddy
D. H. Pierce
C. F. Scanlan
J. P. Viviano

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

The following table sets forth the amount of audit fees, audit-related fees, tax fees and all other fees billed or expected to be billed by PricewaterhouseCoopers LLP, our principal auditor for the fiscal years ended December 31, 2006 and December 31, 2005.

	Amount 2006	**Amount 2005**
Audit Fees(1)	$ 5,873,600	$ 5,195,000
Audit-Related Fees(2)	$ 1,013,100	$ 1,761,700

Tax Fees(3)	$ 1,355,500	$ 939,600
All Other Fees(4)	$ 130,600	$ 113,200
Total Fees	$ 8,372,800	$ 8,009,500

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

(2) Includes due diligence procedures and accounting consultations.

(3) Includes services performed in connection with income tax services other than those directly related to the audit of the income tax accrual.

(4) Includes the reclassification of approximately $107,000 in fees classified as Audit-Related Fees in 2005. Includes certain agreed upon procedures and licensing fees for software products.

The Audit Committee has considered the possible effect of non-audit services on the auditors independence and pre-approved the type of non-audit services that were rendered.

PROPOSAL 2: APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has designated PricewaterhouseCoopers LLP as independent auditors to audit our financial statements for the fiscal year ending December 31, 2007. This firm has audited the financial statements of the Company and its predecessors since 1929. Although not required to do so by law or otherwise, the Audit Committee desires that stockholders ratify its selection of PricewaterhouseCoopers LLP as our independent auditors. Therefore, the Audit Committee s choice of independent auditors will be submitted for ratification or rejection at the Annual Meeting. In the absence of contrary direction from stockholders, all proxies that are submitted will be voted in favor of the confirmation of PricewaterhouseCoopers LLP as our independent auditors. A representative of PricewaterhouseCoopers LLP will attend the Annual Meeting, with the opportunity to make a statement and answer questions of stockholders.

If this proposal is not ratified by a majority of the shares entitled to vote at the Annual Meeting, the appointment of the independent auditors will be reevaluated by the Audit Committee. Due to the difficulty and expense of making any substitution of auditors, it is unlikely that their appointment for the audit of the financial statements for the fiscal year ending December 31, 2007 would be changed. However, the Audit Committee may review whether to seek new independent auditors for the fiscal year ending December 31, 2008.

The Audit Committee, at its meeting held on November 13, 2006, reviewed and approved the fee estimate for the annual audit of our fiscal 2006 financial statements and, taking into consideration the possible effect of non-audit services on the auditors independence, also reviewed specific non-audit services to be rendered for income tax services.

The Board of Directors Recommends a Vote FOR the Ratification of the Appointment of PricewaterhouseCoopers LLP as our Independent Auditors.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Program

Our executive compensation program is carried out through several compensation methods. Each has its own purpose, but together they work to create a compensation package that both fairly compensates the individual for the services rendered to us and the results achieved and provides appropriate value to us for the payments we have made.

Depending upon the purpose of a particular item of compensation, our Compensation Committee may evaluate offering the particular compensation item to an executive in conjunction with other items of compensation. The primary goals of our executive compensation program are to (1) fairly compensate individuals for services rendered, (2) provide selective incentives that encourage employee conduct that results in our achievement of specific short-term objectives, our long-term growth and an increase in stockholder value, and (3) provide a fringe benefit package that is competitive and permits the applicable executives to address health, disability and retirement needs.

The primary compensation methods that we use and the manner in which they are administered include the following:

Annual base salary, which is predicated upon, among other things, the degree of responsibility associated with the executive s position and the executive s past achievements. Salaries for the Named Executive Officers are determined based upon competitive salary data provided by Towers Perrin, each individual s past performance, their level of responsibility within our organization and the levels of certain incentives that they are eligible to receive. Salaries are designed to compensate the employee for day-to-day services that are provided to us based on the responsibilities of the particular job they hold;

Annual cash incentive compensation awarded under the stockholder-approved 1995 Executive Incentive Compensation Plan (as amended, the 1995 Incentive Plan), the amount of which is based upon achievement of specific economic value-added (EVA®) goals established for us as a whole, as well as for a relevant business unit or units. We believe that the attainment of specific, measurable EVA® goals is an important determinant of total return to stockholders over the long-term and has the advantage of not being subject to fluctuations in our common stock price. The amount of the annual bonus payout is a function of a formula that takes into account our performance, an individual s salary and his or her target bonus percentage, which is a function of the level of responsibility they have within their organization. The annual bonus program is designed to reward executives for accomplishing specific pre-established goals which we believe are vital to our ability to increase stockholder value;

Long-term equity compensation issued under the 1995 Incentive Plan in the form of restricted stock units (RSUs). Harsco has established maximum RSU grant guidelines for each executive. The maximum number of RSUs for any executive is a function of their level of responsibility in the Company. The actual number of units granted to an executive is a function of the level of achievement attained by us based on specified performance targets and the exercise of discretion by the Compensation Committee of our Board of Directors, which may, in its discretion, reduce an award below the targeted payout amount. We have exercised discretion in each of the past two years to reduce the grant of RSUs for individuals that we did not believe made an appropriate contribution to the overall achievement by the Company. For 2006, the performance goals were based on the attainment of pre-established earnings per share amounts. For 2007 and 2008, the performance goals are a combination of earnings per share and operating cash flow. Earnings per share and operating cash flow goals are established by our Compensation Committee based upon established growth objectives recommended by management. The growth objectives for the periods ended or ending December 31, 2006, 2007 and 2008, on a year-over-year revised basis, range from 10.3 to 39.1 percent for earnings per share, and for the periods ending December 31, 2007 and 2008, on a year-over-year revised basis, range from 9.5 to 23.5 percent for cash flow from operations. Grants of restricted stock units made in years 2005 and 2006 are subject to a three year holding period after grant. Grants thereafter are subject to a pro-rata vesting schedule over a three year period. Equity compensation is included as part of our compensation program in order to reward management for the achievement of longer-term goals which we believe are key to the improvement of stockholder value and to help in the alignment of management s interest with those of stockholders; and

Various health, disability, retirement and other benefits, including post-termination arrangements, commonly found in similar companies. Many of these benefits are offered to management and non-management employees on a similar basis.

In establishing the weight of these various compensation components, our management believes that employees in higher ranks should have a higher proportion of their total compensation delivered through pay-for-performance cash incentives and long-term equity compensation; as a result, their compensation will be more significantly correlated, both upward and downward, to our financial performance. We also believe that as executives rise to positions that can have a greater impact on our performance, the compensation program should place more emphasis on the value of our common stock.

General Compensation Philosophy

In administering our executive compensation program, we look to accomplish the following goals:

Incentivize management to achieve our annual performance goals (economic value added targets) and long-term performance goals (earnings per share and operating cash flow objectives), which are specifically designed to reinforce the creation and enhancement of stockholder value;

Promote individual initiative and achievement;

Provide levels of compensation that are fair, reasonable and competitive with comparable industrial companies; and

Attract and retain qualified executives who are critical to our long-term success.

This philosophy is reflected in our key strategic compensation goals discussed above.

Other Key Guiding Principles

In addition to the above goals, we, through our Compensation Committee, administer our executive compensation programs with these guiding principles in mind:

In general, we strive to maintain total compensation packages which range from moderately below to moderately above industry medians.

The executives most able to affect our performance should have a significant portion of their potential total compensation at risk and dependent upon our performance.

Our executive officers should share in the gains and losses of common stock experienced by stockholders in order to reinforce the alignment of their respective interests.

While our Board of Directors encourages senior management to hold our stock, and has instituted holding periods on grants of RSUs, it has not established specific ownership guidelines for these executives. Each executive does have exposure to the value of our stock, either through stock held individually, stock held in their retirement accounts, stock options which they hold or RSUs which have been granted.