

POWELL INDUSTRIES INC
Form DEF 14A
January 07, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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 Under Rule 14a-12

Powell Industries, 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):

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No fee required.

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

(2) Aggregate number of securities to which transaction applies:

(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):

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(3) Filing party:

(4) Date Filed:

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POWELL INDUSTRIES, INC.

8550 Mosley Road

Houston, Texas 77075

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held February 20, 2019

To the Stockholders of Powell Industries, Inc.:

Notice is hereby given that the Annual Meeting of the Stockholders (the Annual Meeting) of Powell Industries, Inc., a Delaware corporation (the Company), will be held at the offices of the Company at 7232 Airport Boulevard, in Houston, Texas 77061 on Wednesday, February 20, 2019, at 11:00 a.m., Houston time, for the following purposes:

1. To elect three (3) members of the Company s Board of Directors, with terms to expire in 2022;

2. To hold a stockholder advisory vote on the compensation of executives; and

3. To transact such other business as may properly come before the meeting or any adjournment thereof. The stock transfer books will not be closed. Stockholders of record as of the close of business on January 3, 2019, are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof, notwithstanding any transfer of stock on the books of the Company after such record date.

You are cordially invited to attend the meeting in person. **YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND TO RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING.**

By Order of the Board of Directors

/s/ Thomas W. Powell
Thomas W. Powell
Chairman of the Board

Houston, Texas

January 7, 2019

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to

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Be Held on February 20, 2019

This Notice, Proxy Statement, Form of Proxy And Annual Report Are Available At:

<https://powellindustriesinc.gcs-web.com/annual-reports>

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POWELL INDUSTRIES, INC.

8550 Mosley Road

Houston, Texas 77075

PROXY STATEMENT

January 7, 2019

Annual Meeting of Stockholders

February 20, 2019

SOLICITATION AND VOTING RIGHTS

The accompanying proxy is solicited by the Board of Directors (the **Board**) of Powell Industries, Inc., a Delaware corporation (the **Company**), for use at the Annual Meeting of Stockholders of the Company (the **Annual Meeting**) to be held on Wednesday, February 20, 2019, at 11:00 a.m., Houston time, at the offices of the Company at 7232 Airport Boulevard in Houston, Texas 77061, or at any adjournment thereof.

This Proxy Statement, proxy and the accompanying Notice of Annual Meeting and Annual Report on Form 10-K for year ended September 30, 2018, including consolidated financial statements, will be mailed to stockholders on or about January 7, 2019. The Board has fixed January 3, 2019, as the record date for determination of stockholders entitled to receive notice of and to vote at the Annual Meeting. As of January 3, 2019, there were 11,516,148 shares of the Company's Common Stock, par value \$.01 per share (**Common Stock**), outstanding. Each holder of Common Stock will be entitled to one vote for each share owned, except as noted below.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock is necessary to constitute a quorum at the meeting. Brokers holding shares of record for their customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. When brokers complete proxy forms, they generally vote on those matters as to which they are entitled to vote. On those matters as to which brokers are not entitled to vote without instructions from their customers and have not received such instructions, brokers generally indicate on their proxies that they lack voting authority as to those matters. As to those matters, such indications are called **broker non-votes**.

The vote of a plurality of the shares entitled to vote and represented at a meeting at which a quorum is present is required for the election of directors. The persons receiving the greatest number of votes cast at the meeting to fill the directorships with terms to expire in 2022 will be elected as directors of the Company, class of 2022. Thus, abstentions and broker non-votes will have no effect on the election of directors. The proposal related to the non-binding approval of executive compensation is advisory only and therefore does not require a particular number of affirmative votes. Although the advisory vote on executive compensation is non-binding, the compensation committee of the Board (the **Compensation Committee**) values the opinions of the Company's stockholders, and will consider the outcome of the vote when making future executive compensation arrangements.

Shares of the Common Stock present or represented at the Annual Meeting that abstain from voting or that are the subject of broker non-votes will be counted as present for purposes of determining a quorum.

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The shares represented by each valid proxy received by the Company on the form solicited by the Board will be voted in accordance with instructions specified on the proxy. A stockholder giving a duly executed proxy

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may revoke it before it is exercised by filing with or transmitting to the Secretary of the Company an instrument or transmission revoking it, or a duly executed proxy bearing a later date.

In addition to the solicitation of proxies by use of this Proxy Statement, directors, officers and employees of the Company may solicit the return of proxies by mail, personal interview, telephone or the Internet. Officers and employees of the Company will not receive additional compensation for their solicitation efforts, but they will be reimbursed for any out-of-pocket expenses incurred. Brokerage houses and other custodians, nominees and fiduciaries will be requested, in connection with the stock registered in their names, to forward solicitation materials to the beneficial owners of such stock.

All costs of preparing, printing, assembling and mailing the Notice of Annual Meeting of Stockholders, this Proxy Statement, the enclosed form of proxy and any additional materials, as well as the cost of forwarding solicitation materials to the beneficial owners of stock and all other costs of solicitation, will be borne by the Company.

Delivery of One Proxy Statement and Annual Report to a Single Household to Reduce Duplicate Mailings

Each year in connection with the annual meeting of stockholders, the Company is required to send to each stockholder of record a proxy statement and annual report, and to arrange for a proxy statement and annual report to be sent to each beneficial stockholder whose shares are held by or in the name of a broker, bank, trust or other nominee. Because some stockholders hold shares of Common Stock in multiple accounts, this process results in duplicate mailings of proxy statements and annual reports to stockholders who share the same address. Stockholders may avoid receiving duplicate mailings and save the Company the cost of producing and mailing duplicate documents as follows:

Stockholders of Record. If your shares are registered in your own name and you are interested in consenting to the delivery of a single proxy statement or annual report, you may contact the Company by mail at 8550 Mosley Road, Houston, Texas 77075 or by telephone at (713) 947-4422.

Beneficial Stockholders. If your shares are not registered in your own name, your broker, bank, trust or other nominee that holds your shares may have asked you to consent to the delivery of a single proxy statement or annual report if there are other stockholders of the Company who share an address with you. If you currently receive more than one proxy statement or annual report at your household, and would like to receive only one copy of each in the future, you should contact your nominee.

Right to Request Separate Copies. If you consent to the delivery of a single proxy statement and annual report but later decide that you would prefer to receive a separate copy of the proxy statement or annual report, as applicable, for each stockholder sharing your address, then please notify the Company or your nominee, as applicable, and the Company or your nominee will promptly deliver such additional proxy statements or annual reports. If you wish to receive a separate copy of the proxy statement or annual report for each stockholder sharing your address in the future, you may contact the Company by mail at 8550 Mosley Road, Houston, Texas 77075 or by telephone at (713) 947-4422.

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

The terms of three directors are scheduled to expire at the 2019 Annual Meeting or until their successors are duly elected and qualified under the Company's bylaws. The terms of the remaining directors continue after the Annual Meeting. The Nominating and Governance Committee has nominated Brett A. Cope, Thomas W. Powell and Richard E. Williams for election as directors with terms scheduled to expire in fiscal year 2022 or until their successors are duly elected and qualified. Messrs. Cope, Powell and Williams currently serve as directors of the Company.

Although the Board does not contemplate that any nominee will be unable to serve, if such a situation arises prior to the Annual Meeting, the persons named in the enclosed form of proxy will vote in accordance with their best judgment for a substitute nominee.

RECOMMENDATION OF THE BOARD

The Board recommends that the stockholders vote **FOR** the election of each of the nominees.

PROPOSAL NO. 2

ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Section 14A of the Exchange Act and the preference for annual non-binding advisory votes on executive compensation expressed by the Company's stockholders at the 2017 Annual Meeting of Stockholders, the Board is providing the stockholders with the opportunity to endorse or not endorse the Company's executive compensation (commonly known as "say-on-pay") through consideration of the following non-binding advisory resolution:

Resolved, that the stockholders approve the compensation of executives, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement.

Because your vote is advisory, it will not be binding on the Board. However, the Compensation Committee will consider the outcome of the vote when making decisions regarding future executive compensation arrangements.

RECOMMENDATION OF THE BOARD

The Board recommends a vote **FOR** the advisory approval of the Company's executive compensation. Unless otherwise indicated on your proxy, your shares will be voted **FOR** the advisory approval of the Company's executive compensation.

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The following table sets forth for each nominee and for each director whose term of office continues after the Annual Meeting, his or her name, age as of the date of the Annual Meeting, principal occupation and employment for the past five years, offices held with the Company, the date he or she first became a director, and the date of expiration of his or her current term as director.

Name	Age	Principal Occupation for Past Five Years⁽¹⁾	Offices Held with Company	Director Since	Term Expires
Brett A. Cope	50	President and Chief Executive Officer of the Company since October 1, 2016; Sr. Vice President and Chief Operating Officer from December 30, 2015 through September 30, 2016; and Vice President of Sales and Marketing from December 27, 2010 through December 29, 2015	Director, President and Chief Executive Officer	2016	2019
Thomas W. Powell	78	Chairman of the Board since 1984; President and Chief Executive Officer of the Company from 1984 through September 2008; from September 2011, through August 2012; and from December 2015 through September 2016.	Director, Chairman of the Board	1984	2019
Richard E. Williams	60	President of CDM33 Partners since October 2018; President and Chief Executive Officer of Houston Exponential from September 2017 through February 2018; Shell Loaned Executive to the United Way of Greater Houston since October 2015 until his retirement in 2016; Shell Loaned Executive to Wetlands International from 2013 to 2015; President, Shell WindEnergy Inc. from 2008 to 2013.	Director	2016	2019
Christopher E. Cragg	57	Executive Vice President Operations, Oil States International, Inc. since 2016; Senior Vice President Operations, Oil States International, Inc. since 2006 to 2016; President, Oil States Energy Services since 2012.	Director	2008	2020

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Name	Age	Principal Occupation for Past Five Years⁽¹⁾	Offices Held with Company	Director Since	Term Expires
Perry L. Elders	57	Staff, Second Baptist Church of Houston since 2015; Sr. Vice President and Chief Financial Officer, McDermott International, Inc. from 2010 to 2014; Executive Vice President and Chief Financial Officer, Bristow Group Inc. from 2006 to 2009.	Director	2017	2020
Bonnie V. Hancock	57	Executive Director of the Enterprise Risk Management Initiative and Professor of Practice at the Poole College of Management at North Carolina State University since 2005; President of Progress Fuels, a Progress Energy subsidiary from 2002 to 2005.	Director	2010	2020
James W. McGill	63	President Electrical Sector Americas, Eaton Corporation from 2015 until his retirement in 2017; President Electrical Products Group, Eaton Corporation from 2013 to 2015; President Electrical Sector Asia Pacific, Eaton Corporation in 2012; Executive Vice President Human Resources, Eaton Corporation from 2010 to 2011.	Director	2018	2021
John D. White	70	Partner, The Southern Funds Group, LLC since 2008; Managing Director of The Wind Alliance from 2009 to 2011; Chairman of the Board and CEO, Standard Renewable Energy Group, LLC since 2006.	Director	2012	2021

⁽¹⁾ None of the corporations listed (other than the Company) is an affiliate of the Company.

Board Structure, Committee Composition and Meetings

As of the date of this Proxy Statement, the Board was comprised of eight members, divided into three classes.

The Board is comprised of a majority of independent directors. The Board has determined that, as of the date of this Proxy Statement, Ms. Bonnie V. Hancock and Messrs. Christopher E. Cragg, Perry L. Elders, Thomas W. Powell, James W. McGill, John D. White and Mr. Richard E. Williams, are Independent Directors as such term is defined by Listing Rule 5605(a)(2) of The NASDAQ Stock Market, and that the current members

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of the audit committee are also independent for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934 (the Exchange Act). The Board based its determinations of independence primarily on a review of the responses the directors provided to questions regarding employment and compensation history, affiliations and family and other relationships.

Six meetings of the Board were held during the fiscal year ended September 30, 2018 (Fiscal 2018). No incumbent director attended fewer than seventy-five percent (75%) of the aggregate of (1) the total number of meetings of the Board and (2) the total number of meetings held by all committees of the Board during the period that such director served on such committees.

It is the Company s policy that directors attend the Annual Meeting of Stockholders. At the Annual Meeting of Stockholders on February 21, 2018, all of the Company s directors at that date were present. Stockholders may communicate with directors of the Company by writing to them at the Company s headquarters. Communications addressed to the Board will be reviewed by the Secretary of the Company and directed to the members of the Board for their consideration.

Committees, Memberships and Meetings

The Board has a standing Audit Committee, Compensation Committee and Nominating and Governance Committee. The Board may also establish other committees from time to time as necessary to facilitate the management of the business and affairs of the Company and to comply with the corporate governance rules of The NASDAQ Stock Market.

Audit Committee

The Audit Committee assists the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries and the sufficiency of the audits of all Company activities. It is the Board s agent in ensuring the integrity of financial reports of the Company and its subsidiaries, and the adequacy of disclosures to stockholders. The Audit Committee is the focal point for communication among other directors, the Company s independent registered public accounting firm, internal audit and management as their duties relate to financial accounting, reporting and controls. The Audit Committee Charter does not expressly permit the Audit Committee to delegate its authority. The Audit Committee held four meetings during Fiscal 2018 and all meetings of the Audit Committee were separate and apart from meetings of the full Board.

The Audit Committee is comprised of Perry L. Elders, Christopher E. Cragg and Richard E. Williams. The Board has determined that each of Messrs. Elders and Cragg qualify as an audit committee financial expert, as defined in Item 407(5) of Regulation S-K promulgated under the Exchange Act, and that each member of the Audit Committee is an independent director. A copy of the Audit Committee Charter is available on the Company s website, powellind.com, under the section entitled Investor Relations. The Audit Committee has been structured to comply with the requirements of Section 3(a)(58)(A) of the Exchange Act.

Compensation Committee

The Compensation Committee provides oversight on behalf of the full Board on development and administration of the Company s executive compensation program and all subcomponent plans in which officers or directors are eligible to participate. The Compensation Committee regularly reviews the Company s

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compensation practices, including the methodologies for setting the total compensation for senior management and officers. The Compensation Committee is responsible for determining compensation paid to the executive officers and for reviewing and recommending director compensation to the Board.

The Compensation Committee also strives to make the Company's compensation competitive by comparing the Company's practices and compensation levels against the results of surveys of related-industry companies. The Compensation Committee has the authority to directly engage independent consultants and periodically utilizes consultants to provide advice and recommendations regarding executive compensation. The Compensation Committee has the flexibility to exercise its independent judgment when establishing compensation policies, especially when rewarding individual performance. The Compensation Committee Charter does not expressly permit the Compensation Committee to delegate its authority.

The Compensation Committee is comprised of Christopher E. Cragg, Bonnie V. Hancock and James W. McGill. The Compensation Committee held four meetings during Fiscal 2018. A copy of the Compensation Committee Charter is available on the Company's website, powellind.com, under the section entitled "Investor Relations."

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for selecting director nominees for election by the stockholders to fill directorships with expiring terms and for appointing new members to the Board to fill unexpired terms of directorships vacated during the terms. Annually, the Nominating and Governance Committee is also responsible for establishing director qualifications and the selection criteria for new directors. The Nominating and Governance Committee recommends to the Board a slate of directors to serve on each standing committee of the Board and recommends one member of each standing committee to serve as chairman of the committee. The Nominating and Governance Committee is also responsible for reviewing and monitoring the adherence to the Corporate Governance Guidelines adopted by the Board.

The Nominating and Governance Committee is comprised of John D. White, James W. McGill and Richard E. Williams. During Fiscal 2018, the Committee held five meetings. In December 2018, the Nominating and Governance Committee met and discussed the current director candidates, and recommended to the Board the election of the three candidates nominated above. A copy of the Nominating and Governance Committee Charter is available on the Company's website, powellind.com, under the section entitled "Investor Relations."

Director Compensation

The Company uses a combination of cash and equity based compensation in the form of restricted stock to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill level required by the Company of members of the Board. Only directors who are not employees of the Company or any of its subsidiaries or affiliates are entitled to receive a fee or reimbursement of out-of-pocket expenses for their services as directors.

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For Fiscal 2018, compensation for non-employee directors was comprised of the following components:

		Cash Compensation	Common Stock
Quarterly Retainer	Chairman of the Board	\$ 21,500	
Quarterly Retainer	Audit Committee Chair	\$ 12,000	
Quarterly Retainer	Compensation Committee		
Chair		\$ 11,000	
Quarterly Retainer	Nominating and Governance		
Committee Chair		\$ 10,500	
Quarterly Retainer	All other directors	\$ 9,000	
Committee Meeting Fees	Audit	\$ 1,500	
(For each meeting attended)	Compensation	\$ 1,000	
	Nominating and Governance	\$ 1,000	
Annual Restricted Stock Award (shares)			2,000

In addition to the above, the Company reimburses expenses related to attendance at meetings to non-employee directors.

The Company has stock ownership guidelines for its non-employee directors. Under these guidelines, each non-employee director is required to own and hold a minimum of 6,000 vested or unvested shares of the Company. Each non-employee director has three years to comply with the stock ownership guidelines and all non-employee directors are in compliance with the stock ownership guidelines.

The stockholders voted at the February 26, 2014, meeting to approve the 2014 Non-Employee Director Equity Incentive Plan (the Director Plan). The total number of shares of Common Stock reserved under the plan is 150,000 shares. The plan is administered by the Compensation Committee. Eligibility to participate in the plan is limited to those individuals who are members of the Board of the Company and who are not employees of the Company or any affiliate of the Company.

Under the terms of the Director Plan, the maximum number of shares subject to stock options and stock appreciation rights that may be granted during any calendar year to any individual under the Director Plan is 12,000 shares. The total number of shares that may be issued for awards to any single participant during a calendar year for other stock-based awards (excluding stock options and SARs) is 4,000 shares. The Compensation Committee has determined that each non-employee director will receive 2,000 restricted shares of the Company's Common Stock annually.

Table of Contents**DIRECTOR COMPENSATION FOR FISCAL 2018**

The table below summarizes the compensation paid by the Company to non-employee directors for Fiscal 2018.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)⁽¹⁾⁽²⁾	All Other Compensation (\$)⁽³⁾	Total (\$)
Christopher E. Cragg	55,000	55,760		110,760
Perry L. Elders	40,500	55,760		96,260
Bonnie V. Hancock	41,000	55,760		96,760
Thomas W Powell	86,000	55,760	75,000	216,760
James W. McGill ⁽⁴⁾	21,000	54,300		75,300
John D. White	46,000	55,760		101,760
Richard E. Williams	43,000	55,760		98,760

(1) The amounts in this column reflect the aggregate grant date fair value.

(2) All of the referenced stock awards relate to the annual issuance of 2,000 shares of restricted stock to each of our directors, which vest in two equal installments. The first installment vests upon issuance and the second installment vests on the earlier of first anniversary of the date of the grant or date of the next annual meeting of stockholders.

(3) Mr. Powell is covered by the Company's Executive Benefit Plan. Pursuant to Mr. Powell's Executive Benefit Agreement executed under such Plan, following normal retirement after age 65 and having completed at least ten years of continuous employment, he is entitled to salary continuation payments of \$150,000 per year for five years beginning October 1, 2008, and then \$75,000 per year for ten years beginning October 1, 2013.

(4) Mr. McGill was elected by the stockholders at the Annual Meeting of Stockholders held on February 21, 2018, but began his term on April 1, 2018, his earliest available date.

CORPORATE GOVERNANCE

The Company has established Corporate Governance Guidelines, which may be found on the Governance page of the Company's website, powellind.com. The Corporate Governance Guidelines include the definition of independence used by the Company to determine whether its directors and nominees for directors are independent, which are the same qualifications prescribed under the Marketplace Rules of The NASDAQ Stock Market. Pursuant to the Company's Corporate Governance Guidelines, the Company's non-management directors are required to meet in separate sessions without management on a regularly scheduled basis four times a year. Generally, these meetings occur as an executive session without the management director in attendance in conjunction with regularly scheduled meetings of the Board throughout the year. From time to time during executive sessions, the independent directors meet with individual members of senior management. Because the Chairman of the Board is a member of management, the separate non-management sessions are presided over by an independent director elected by a majority of the non-management directors.

Board Leadership Structure

The Chairman of the Board is elected by the Board on an annual basis. Mr. Powell currently serves as Chairman. The Board has determined that Mr. Powell should continue to serve in the role of Chairman based on

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various factors. First, as the Company's long-time Chief Executive Officer and Chairman, Mr. Powell's leadership and vision for the Company as well as his extensive knowledge and experience of the electrical manufacturing business derived from his decades of experience as CEO have been instrumental in its development. Second, Mr. Powell is uniquely qualified to be the Company's Chairman because he has years of experience in that role. Third, Mr. Powell has the confidence of the Board, the Company and its stockholders to continue to oversee the implementation of the Company's business plan.

Board's Role in Risk Oversight

The Board utilizes the Company's risk management process to assist in fulfilling its oversight of the Company's risks. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Our Board oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. A fundamental aspect of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full Board in approving the Company's business plans as promoted by management is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board assist the Board in fulfilling its oversight responsibilities in certain areas of risk. In particular, the Audit Committee focuses on financial risk exposures, including internal controls, and discusses with management and the Company's independent auditor the Company's policies with respect to risk assessment and risk management. The Audit Committee also assists the Board in fulfilling its duties and oversight responsibilities relating to the Company's compliance with applicable laws and regulations and with conflict-of-interest issues that may arise. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. At least annually, the Nominating and Governance Committee considers risks related to corporate governance.

Risk Assessment in Compensation Programs

The Compensation Committee conducts an annual risk assessment to determine whether the Company's compensation policies and practices are reasonably likely to have a material adverse effect on the Company. This risk assessment process for Fiscal 2017 included: a review of program policies and practices; program analysis to identify risk and risk control related to the programs; and determinations as to the sufficiency of risk identification, the balance of potential risk to potential reward, risk control and the support of the programs and their risks to company strategy. Although the Compensation Committee reviewed all compensation programs, it focused on the programs with variability of payout, with the ability of a participant to directly affect payout and the controls on participant action and payout.

The Compensation Committee took the following risk considerations into account in developing the incentive plans:

Incentive plan metrics are aligned with our business strategy;

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Performance objectives are balanced with the quality and sustainability of business results;

The full range of potential payouts under each plan is understood;

Short term incentive payouts are capped;

Long term incentive payouts are capped;

Leverage and ratio of incentive compensation to salary and total compensation are understood;

Performance, structure and target incentive plan opportunities are comparable to those of industry or peers;

The Compensation Committee may exercise discretion where appropriate;

The Company's focus on long-term performance aligns with stockholder interests, and incentives are calculated over a time horizon that takes into account the risk horizon; and

The Compensation Committee reviews and discusses material risks when considering incentive programs. Further to emphasize the alignment of our named executive officers' interest with the interests of our stockholders, the Company has adopted the following policies and programs:

Stock ownership policy for executives ranging from 1 to 5 times base salary;

A policy to recoup compensation paid to an executive in the event the Company's financial statements are restated and such restatement resulted from material non-compliance with financial reporting requirements;

A policy to prohibit an executive from engaging in a transaction to purchase a hedging instrument that protects the executive from downward changes in the Company's stock price;

A policy that generally prohibits an executive from pledging stock of the Company that is otherwise held by him or her;

A policy to prohibit an executive from holding stock of the Company in a margin account;

A policy to prohibit the use of excise tax gross-ups in executive employment agreements, commencing with executive employment agreements entered into on or after October 1, 2013; and

Adoption of a limit on the number of shares that may be earned by each executive under long-term incentive awards, which replaces a prior compensation practice of no share limitation.

The above policies and procedures are designed to, among others, mitigate risk that any of our compensation policies or practices are reasonably likely to have a material adverse effect on the Company.

We believe that our incentive compensation programs provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage significant risks; are compatible with effective internal controls and the risk-management practices of the Company; and are supported by the oversight and administration of the Compensation Committee with regard to executive compensation programs. Based on the foregoing, the Compensation Committee determined that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

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Review, Approval or Ratification of Transactions with Related Persons

The Company reviews any transaction exceeding \$120,000 between the Company or a subsidiary of the Company and any of our directors, executive officers or any of their immediate family members or any nominee for director or a holder of more than 5% of any class of our voting securities. The Company's Code of Business Conduct and Ethics requires disclosure by directors of any situation that involves, or may reasonably be inferred to involve, a conflict between a director's personal interests and the interests of the Company. The Company's practice when such matters have been disclosed has been to refer the matter for consideration and final determination by the Audit Committee or the independent directors of the Board, or both, who then consider the fairness of the transaction to the Company, as well as other factors bearing upon its appropriateness. In all such matters, any director having a conflicting interest abstains from voting on the matters.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all employees, including its executive officers, and directors. A copy of the Company's Code of Business Conduct and Ethics may be obtained at the Investor Relations section of the Company's website, powellind.com, or by written request addressed to the Secretary, Powell Industries, Inc., 8550 Mosley Road, Houston, Texas 77075. The Company intends to satisfy the requirements under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of its Code of Business Conduct and Ethics that apply to the Chief Executive Officer, Chief Financial Officer by posting such information on the Company's website.

Communications with the Board

The Board, comprised of a majority of independent directors, has unanimously approved a process for stockholders, or other interested persons, to communicate with the Board. This process is located on the Governance page of the Company's website, powellind.com. The relevant document is titled "Procedures for Communication with Directors."

In addition, stockholders, or other interested persons, wishing to communicate with the Board for anonymous complaints about accounting, internal accounting control and auditing issues may call the Company's toll-free governance hotline at 1-877-888-0002. The Audit Committee monitors these calls. All calls are documented, and those reports that are deemed to be substantive will be passed on to the Board. Stockholders, or other interested persons, calling the hotline should provide a sufficiently detailed description of the nature of the matter that the person wishes to communicate with the Board, as well as a name, telephone number, email address, or other contact information so that the Company can either respond to the communication or obtain additional information about the matter.

Nomination Process

The Nominating and Governance Committee will consider written recommendations from stockholders for nominees for director. Any such nominations should be submitted to the Nominating and Governance Committee c/o the Secretary, Powell Industries, Inc., 8550 Mosley Road, Houston, TX 77075 and should be accompanied by the following information:

All information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and

to serving as a director if elected);

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The name(s) and address(es) of the stockholder(s) making the nomination and the number of shares of the Company's Common Stock which are owned beneficially and of record by such stockholder(s); and

Appropriate biographical information and a statement as to the qualifications of the nominee.

The written recommendation should be submitted in the time frame described under the caption "Stockholder Proposals" below.

Nominees for director are selected on the basis of a number of qualifications including their independence, knowledge, judgment, character, leadership skills, education, experience, financial literacy, standing in the community and ability to foster a diversity of backgrounds and views and to complement the Board's existing strengths. The Nominating and Governance Committee initiates the process for identifying and evaluating nominees to the Board by preparing a slate of candidates who meet the criteria for selection as a nominee and have specific qualities or skills being sought based on input from members of the Board. When formulating its recommendations for potential Board nominees, the Nominating and Governance Committee seeks and considers advice and recommendations from management and other members of the Board and may seek or consider advice and recommendations from consultants, outside counsel, accountants or other advisors as the Nominating and Governance Committee or the Board may deem appropriate.

The Nominating and Governance Committee evaluates the candidates by reviewing their biographical information and qualifications, with qualified nominees being interviewed by at least one member of the Nominating and Governance Committee. Members of the Board also have an opportunity to interview qualified nominees. The Nominating and Governance Committee then determines, based on the background information and the information obtained in the interviews, whether to recommend to the Board that a nominee be nominated to fill a directorship with an expiring term. Candidates recommended by the Nominating and Governance Committee to fill a directorship with an expiring term are presented to the Board for selection as nominees to be presented for the approval of the stockholders. The Nominating and Governance Committee anticipates that a similar process will be used to evaluate nominees recommended by stockholders, but has not previously received a stockholder recommendation for a nominee for director. The Nominating and Governance Committee is responsible for appointing new members to the Board to fill the unexpired term of a directorship vacated during the term or new directorships created by any increase in the size of the Board.

Board membership criteria, which are disclosed in the Company's Corporate Governance Guidelines on the Governance page of the Company's website, powellind.com, are determined by the Board with input from the Nominating and Governance Committee. The Board is responsible for periodically determining the appropriate skills, perspectives, experiences and characteristics required of Board candidates, taking into account the Company's needs and current makeup of the Board. This assessment should include appropriate knowledge, experience and skills in areas deemed critical to understanding the Company and its business, the candidate's commitments to the boards of other companies, and personal characteristics, such as integrity and judgment. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director and that he or she devotes the time necessary to discharge his or her duties as a director. It is the Board's opinion that the qualification guidelines included in the Company's Corporate Governance Guidelines are currently appropriate, but it may change these guidelines as the Company's and Board's needs warrant. The Board established the age of 75 as the age after which an independent director will not stand for reelection at the end of such director's then current term and has established five as the maximum number of consecutive terms a director may serve. The Board has waived these restrictions for Mr. Powell.

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Practices for Considering Diversity

The minimum criteria for sel