GIBRALTAR INDUSTRIES, INC.
Form DEF 14A
March 27, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (Amendment No.)
Filed by the Registrant þ
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))
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under §240.14a-12
Gibraltar 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):
þ No fee required
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ 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:

Notice of 2018 Annual
Meeting of Stockholders
and Proxy Statement

Friday, May 4, 2018 at 11:00 A.M., Eastern Time
Gateway Building, 3556 Lake Shore Road, Buffalo, NY 14219

March 27, 2018

To My Fellow Stockholders:

It is my pleasure to invite you to attend the 2018 Annual Meeting of Stockholders of Gibraltar Industries, Inc. to be held on Friday, May 4, 2018 at 11:00 A.M. local time at the Gateway Building in Buffalo, New York. The meeting will begin with discussion of, and voting on, the matters described in the attached Notice of 2018 Annual Meeting of Stockholders and Proxy Statement, and followed by a report on our Company's financial performance and operations.

The Proxy Statement is critical to our corporate governance process and to affirming the direction of our Company. The Proxy Statement provides you with important information about our Board of Directors and executive officers. Additionally, the Proxy Statement informs you of steps we are taking to fulfill our responsibilities to you as a stockholder.

Over the past four years, our Company has undergone a succession process that resulted in the appointment of six new directors to the Board since 2014, the appointment of Frank G. Heard as our Chief Executive Officer at the beginning of 2015, and the appointment of Timothy F. Murphy as our Chief Financial Officer in April of 2017. In connection with this leadership succession, our Company has implemented the following significant corporate governance improvements:

- Adopted annual elections of directors as opposed to our previous classified board structure;
- Reduced the average tenure of directors from eight years to six years;
- Increased the diversity of directors;
- Increased the proportion of independent directors; and
- Separated the role of Chairman from the Chief Executive Officer role.

These improvements, among others, demonstrate the continuing efforts of the Board to implement best-in-class corporate governance practices.

During 2017, our Company continued to successfully implement its four-pillar value creation strategy focused on operational excellence, product innovation, portfolio management, and acquisitions. Significant progress was made in each of the four strategies and the Company made more money, at a higher rate of return, with a more efficient use of capital for the third year in a row. We look forward to communicating more about the successes our Company has achieved over the past twelve months and how our performance impacts our governance and compensation considerations.

The Proxy Statement is designed to provide you with information relating to the proposals that require your vote and to solicit your vote if you cannot attend the Annual Meeting in person. Your vote is very important to us and we encourage you to vote promptly. Please note that your broker cannot vote on all of the proposals without your instruction. If you do not plan to attend the Annual Meeting in person, please execute and return your proxy or inform your broker as to how you would like us to vote your shares on the proposals set forth in the Proxy Statement.

The Proxy Statement includes a description of four proposals. Our Board of Directors recommends that stockholders vote FOR all proposals. Please read each proposal carefully and study the recommendations of the Board of Directors and its committees.

On behalf of our management team and our Board of Directors, I want to thank you for your continued support and confidence in Gibraltar Industries, Inc.

Sincerely,

William Montague
Chairman of the Board

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GIBRALTAR INDUSTRIES, INC.
3556 Lake Shore Road
PO Box 2028
Buffalo, New York 14219-0228

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 4, 2018

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Gibraltar Industries, Inc., a Delaware corporation (the “Company”), will be held at the Gateway Building, 3556 Lake Shore Road, Buffalo, New York, on Friday, May 4, 2018, at 11:00 A.M., local time, for the following purposes:

1. Election of six Directors nominated by the Board to hold office until the 2019 Annual Meeting.
2. Advisory approval of the Company’s executive compensation (the “Say-on-Pay” vote).
3. Approval of the adoption of the Gibraltar Industries, Inc. 2018 Equity Incentive Plan.
4. Ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2018.
5. Transaction of such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on March 9, 2018, as the record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting.

You may vote in person at the annual meeting or you may vote by using the proxy card enclosed with these materials. Stockholders who do not expect to attend the meeting in person are urged to vote, sign, and date the enclosed proxy and return it promptly in the envelope enclosed for that purpose. Returning the proxy card does not deprive you of your right to attend the Annual Meeting and to vote your shares in person for matters acted upon at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting: the Definitive Proxy Statement and the Annual Report on Form 10-K are available at www.proxyvote.com.

BY ORDER OF THE BOARD OF DIRECTORS

Jeffrey J. Watorek
Secretary
Buffalo, New York
March 27, 2018

3556 Lake Shore Road
PO Box 2028
Buffalo, New York 14219-0228

DEFINITIVE PROXY STATEMENT
March 27, 2018

Date, Time, and Place of Annual Meeting

Gibraltar Industries, Inc., a Delaware corporation (the “Company”, “Gibraltar”, “we”, "our", or “us”), is making this Definitive Proxy Statement available to you on or about March 27, 2018 in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the 2018 Annual Meeting of Stockholders. We will hold the 2018 Annual Meeting at the Gateway Building, 3556 Lake Shore Road, Buffalo, New York, on May 4, 2018 at 11:00 A.M., local time, and at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

Voting Information

Record Date. The Board of Directors has fixed the close of business on March 9, 2018, as the record date for the determination of stockholders entitled to receive notice of and to vote at the 2018 Annual Meeting. At the close of business on March 9, 2018, the Company had outstanding and entitled to vote at the Annual Meeting 31,751,374 shares of common stock, $0.01 par value per share (“Common Stock”). Each share is entitled to one vote on each matter properly brought before the Annual Meeting.

Solicitation Costs. The cost of the solicitation of proxies in the accompanying form will be borne by the Company, including expenses in connection with preparing and mailing this Definitive Proxy Statement. In addition to the use of the mail, proxies may be solicited by personal interviews and by telephone by directors, officers, and employees, without any additional compensation, as well as proxy solicitors. We have retained Alliance Advisors, LLC (“Alliance”) to act as a proxy solicitor in conjunction with the annual meeting. We have agreed to pay Alliance $13,000, plus reasonable out-of-pocket expenses, for proxy solicitation services. Arrangements will be made with brokerage houses, banks and other custodians, nominees, and fiduciaries for the forwarding of solicitation material to the beneficial owners of Common Stock, and the Company will reimburse them for reasonable out-of-pocket expenses incurred in connection therewith.

Voting Your Proxy. If the enclosed proxy is properly executed, returned, and received in time for the Annual Meeting, the shares represented thereby will be voted in accordance with the specifications, if any, made on the proxy card. If no specification is made, the proxies will be voted as recommended by the Board of Directors (i) FOR the nominees for directors named in this Definitive Proxy Statement, (ii) FOR the approval of the advisory resolution on our executive compensation (the “Say-on-Pay” vote), (iii) FOR the adoption of the Gibraltar Industries, Inc. 2018 Equity Incentive Plan, and (iv) FOR the ratification of Ernst & Young LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2018.

Vote Required. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting will constitute a quorum. Each proposal submitted to the stockholders requires the affirmative vote of holders of a majority of the shares present at the meeting, entitled to vote, assuming a quorum is present in person or by proxy. If a stockholder specifies an abstention from voting on a proposal, such shares are considered present but, since they are not affirmative votes for the proposal, they will have the same effect as votes against the proposal.

Directors are elected by a majority of votes cast unless the election is contested, in which case directors are elected by a plurality of votes cast. Nominees for the election of directors must receive more “for” than “against” votes to be elected. If an incumbent director, in an uncontested election, does not receive a majority of the votes cast, the director is required to tender his or her resignation to the Board of Directors. The Nominating and Corporate Governance Committee will make a recommendation to the Board of Directors on whether to accept or reject the resignation, or whether other action should be taken. The Board of Directors will act on the recommendation and publicly disclose its decision and rationale behind it within 90 days of the date election results are certified.

Your shares may be voted on some of the matters to be acted on at the Annual Meeting if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority to vote shares on certain routine matters for which their customers do not provide voting instructions by the tenth day before the meeting. The ratification of the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2018 is the only stockholder proposal considered a routine matter.

The election of directors, approval of the equity plan, and the Say-on-Pay vote, are not considered routine. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial holder of the shares with respect to that proposal, the brokerage firm CANNOT vote the shares on that proposal. This is called a “broker non-vote.” In tabulating the voting result for any particular proposal, shares that are subject to broker non-votes with respect to that proposal will not be considered votes cast either for or against the proposal. Please vote your proxy so your shares will be represented at the Annual Meeting.

Revocability of Proxy. The execution of a proxy will not affect a stockholder’s right to attend the Annual Meeting and to vote in person. A stockholder who executes a proxy may revoke it at any time before it is exercised by giving written notice to the Secretary, by appearing at the Annual Meeting and so stating, or by submitting another duly executed proxy bearing a later date.

PROPOSAL 1

ELECTION OF DIRECTORS

Director Tenure Director Age Independent Directors Director Diversity

*9 to 14 Years (0)

The Certificate of Incorporation of the Company provides that the Board of Directors shall consist of not less than three nor more than fifteen directors. The number of directors may be changed at any time by resolution of the Board of Directors. During 2016, the number of directors was decreased from eight members to seven members upon the retirement of a director after the 2016 Annual Meeting, concluding a two-year period in which the Board accommodated the retirement of six directors and the appointment of six new directors. During 2015, the Certificate of Incorporation was amended to eliminate the classified board structure and provide for the annual election of directors.

As of December 31, 2017, the Board of Directors consisted of seven directors. On March 22, 2018, Jane L. Corwin notified the Board of Directors that she is retiring from the Board of Directors immediately prior to the 2018 Annual Meeting and will not stand for election in 2018. The Company's Bylaws provide that vacancies in the membership on the Board of Directors may be filled by a majority of the directors then in office and the Nominating and Corporate Governance Committee has begun a search for a director candidate to fill the vacancy created by Ms. Corwin's retirement.

At the Annual Meeting of Stockholders in 2018, six Directors shall be elected to hold office for a one-year term expiring in 2019. Sharon Brady, Frank Heard, Craig Hindman, Vinod Khilnani, William Montague, and James Nish have been nominated by the Board of Directors for election. All nominees, other than Mr. Heard, our President and Chief Executive Officer, are independent directors under the independence standards provided by Rule 5605(a)(2) of the NASDAQ listing standards.

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Director Nominees

Nominee	Age	Director Since	Number of Other Public Boards	Board Set of Backgrounds and Skills					
				Senior Leader-ship	Gover-nance	Financial	Operational Excellence ("80/20")	Innovation	M&A
Sharon M. Brady *	67	2015	None	a	a		a		a
Frank G. Heard President and CEO	59	2015	None	a		a	a	a	a
Craig A. Hindman *	63	2014	None	a		a	a	a	a
Vinod M. Khilnani *	65	2014	Three	a	a	a			a
William P. Montague * Chairman of the Board	71	1993	One	a	a	a			a
James B. Nish *	59	2015	One		a	a			a

* Independent Director

Unless instructions to the contrary are received, we intend to vote the shares represented by proxies FOR the election of Sharon Brady, Frank Heard, Craig Hindman, Vinod Khilnani, William Montague, and James Nish as directors, each of whom has consented to serve as a director if elected. If any nominee becomes unavailable for election for any reason, we intend to vote the shares represented by the proxies solicited herewith for such other person or persons as the Board of Directors shall designate.

Set forth below is certain information furnished to us by the directors and nominees for election as directors. We believe our directors should satisfy a number of qualifications, including demonstrated integrity, a record of personal accomplishment, a commitment to participation in board activities, and other traits discussed below in “Corporate Governance.” The Board of Directors considered these qualifications, which are summarized following the biographical information for each director, in determining to recommend that the directors be nominated for election.

Nominees

Sharon M. Brady

SHARON BRADY has served as a Director of the Company since 2015. She brings to the Company's Board more than 35 years of human resources leadership experience in the industrial manufacturing and retail sectors. Most recently, she served as Senior Vice President of Human Resources at Illinois Tool Works, Inc. ("ITW"), a Fortune 200 diversified industrial manufacturer. Prior to ITW, she progressed through a series of leadership roles for large-cap companies in the manufacturing, retail, and pharmaceutical industries. Ms. Brady also serves as an independent director for Hollister, Inc., a privately held medical device company.

Ms. Brady’s qualifications to serve on the Company’s Board include her extensive experience in global talent development, as well as in the design and implementation of leadership development frameworks, executive compensation plans, governance processes, and culture change strategies, including diversity initiatives and succession planning.

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Frank G. Heard

FRANK HEARD has served as Chief Executive Officer and a Director of the Company since 2015. He joined Gibraltar as President and Chief Operating Officer in 2014 with more than 25 years of experience in the building products industry. Prior to joining Gibraltar, Mr. Heard served as President of the Building Components Group, a division of ITW. In that role, he had global responsibility for the strategic direction and operational performance of 25 business units in 18 countries across a wide range of industry segments including residential and commercial construction, retail, and component manufacturing. Prior to serving as President of the Building Components Group, Mr. Heard held various executive management roles for ITW dating back to 1990.

Mr. Heard’s qualifications to serve as a member of the Company’s Board include his demonstrated leadership skills as President of Gibraltar since 2014. By virtue of this experience, as well as his global operating company experience in the building products industry, he possesses integral knowledge of the markets in which the Company operates, and of Gibraltar's products, personnel, manufacturing facilities, target markets, and competitors.

Craig A. Hindman

CRAIG HINDMAN has served as a Director of the Company since 2014. He is a global executive with more than 35 years of leadership experience across multiple industry segments. Most recently, Mr. Hindman was Executive Vice President and Chief Executive Officer of the Industrial Packaging Group of businesses at ITW. In that role, he was responsible for 110 business units operating in 30 countries, and was successful in growing revenues and increasing margins through innovation and business simplification initiatives. He also completed two acquisitions before leading the sale of the Industrial Packaging Group to The Carlyle Group in 2014. Mr. Hindman spent more than two decades in ITW’s Construction Products Group, providing him with significant experience in and familiarity with end markets also served by Gibraltar. He graduated from Colgate University with a bachelor’s degree and from Northwestern University with an MBA. Additionally, he serves as a director of a number of not-for-profit organizations and private companies, including Wilsonart International for which he serves as a member of the compensation committee.

Mr. Hindman’s qualifications to serve on the Company’s Board include his experience as an executive with responsibility for the financial and operational performance of global industrial business units within a best-in-class, Fortune 200 company. Other qualifications include his experience in the integration of acquired businesses and business simplification over a period of more than 20 years.

Vinod M. Khilnani

VINOD KHILNANI has served as a Director of the Company since 2014. From January 2013 to May 2013, he was Executive Chairman of the Board at CTS Corporation, a sensors and electronics components company with operations in North America, Europe, and Asia. Mr. Khilnani previously served as CTS Corporation’s Chairman and Chief Executive Officer from 2009 to 2013, President and Chief Executive Officer from 2007 to 2009, and Senior Vice President and Chief Financial Officer from 2001 to 2007. In addition to implementing growth and market diversification strategies at CTS Corporation, he successfully led restructuring and acquisition transactions, completed equity and debt offerings, and established operations in Eastern Europe and Asia. Mr. Khilnani is currently a director of Materion Corporation, 1st Source Corporation (parent of 1st Source Bank) and ESCO Technologies, Inc. He serves as chairman of the board, chairman of the nominating and corporate governance committee, and a member of the compensation committee of Materion Corporation; chairman of the audit committee and member of the compensation committee of 1st Source Corporation; and chairman of the compensation committee at ESCO Corporation.

Mr. Khilnani’s qualifications to serve on the Company’s Board include his service as a director of publicly-held, global organizations in a number of industries, his leadership role as Chairman and Chief Executive Officer of CTS Corporation, and his extensive background in accounting and finance for global manufacturing entities.

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William P. Montague

WILLIAM MONTAGUE has served as a Director of the Company since the consummation of the Company's initial public offering in 1993 and as the Chairman of the Board since 2015. He served as Executive Vice President and Chief Financial Officer of Mark IV Industries, Inc. ("Mark IV"), a manufacturer of engineered systems and components from 1986 to 1996, as Mark IV's President and a Director from 1996 through 2004, and as Chief Executive Officer and a Director of Mark IV from 2004 to 2008. Mr. Montague also serves on the Board of Directors of Endo International plc., where he is chairman of the compensation committee and serves on the audit, and nominating and corporate governance committees.

Mr. Montague's qualifications to serve on the Company's Board include his ability to offer the perspectives of a chief executive officer along with extensive financial and accounting experience acquired during his career with Mark IV and as a certified public accountant. His extensive background as a director, chief executive officer, and chief financial officer of other public companies in the manufacturing industry provides significant value to the Company's Board through his experiences with complex capital resource requirements and diverse geographical operations similar to the Company, as well as his insights in managing a variety of product offerings and markets. Mr. Montague's more than 25 years of experience on the Board and long-term exposure to senior executives of the Company provides a unique perspective regarding Gibraltar's culture.

James B. Nish

JAMES NISH has served as a Director of the Company since 2015. He brings to the Company's Board over 25 years of investment banking experience serving clients in a variety of international industrial manufacturing markets. Most recently, he led the Mid-Cap Corporate Investment Banking team at J.P. Morgan Chase. Prior to that, he was head of the Industrial Manufacturing Group at Bear Stearns, where he worked for 22 years. He also serves on the board of Scorpio Bulkers Inc., where he also serves on the audit committee.

Mr. Nish's qualifications to serve on the Company's Board include his experiences centered on helping global industrial manufacturing companies accelerate their growth through mergers, acquisitions, and capital market transactions. A Certified Public Accountant, he has extensive experience in accounting, finance, personnel assessments, and currently serves as an adjunct professor at Baruch College and Pace University where he teaches both undergraduate business and MBA courses.

Director Not Standing for Election

Jane L. Corwin

JANE CORWIN has served as a Director of the Company since 2014. She served as an elected member of the New York State Assembly, representing the 144th Assembly District, from 2009 to 2016. Prior to serving in elected office, Ms. Corwin held various positions, including Director, Secretary, Treasurer, and Vice President at White Directory Publishers, Inc. from 1990 until its sale in 2004. Ms. Corwin also serves as an officer of a not-for-profit organization.

Ms. Corwin's qualifications to serve on the Company's Board include her ability to provide a valuable and different perspective on employment and corporate governance due to her extensive background in government and politics - including eight years serving on the Corporations, Authorities, and Commissions Committee of the New York State Assembly - along with her experience gained serving as a director and executive in the private sector.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE NOMINEES IN PROPOSAL 1

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CORPORATE GOVERNANCE

The Board of Directors has adopted corporate governance documents which set forth the practices and policies the Board of Directors will follow with respect to various matters, such as director responsibilities, compensation, and access to management. The corporate governance documents are available under the Governance Documents section of the Corporate Governance page of the Company's website at www.gibraltar1.com.

Corporate Governance Highlights

Annual Election of All Directors	Yes	Super-Majority Vote to Amend Charter and By-Laws	Yes
Average Age of Directors Standing for Election	64	Mandatory Retirement Age	Yes
Number of Independent Directors Standing for Election	5	Risk Oversight by Full Board and Committees	Yes
Majority Voting for Directors with Director Resignation Policy	Yes	Stock Ownership Guidelines for Non-Employee Directors and Executive Officers	Yes
Separate Chairman and CEO	Yes	Anti-Hedging and Anti-Pledging Policies	Yes
Stockholder Action by Written Consent	Yes	Clawback Policy	Yes
Regular Executive Sessions of Independent Directors	Yes	Annual Advisory Approval of Executive Compensation	Yes
Annual Board and Committee Self-Evaluations	Yes	Poison Pill	No

Board Leadership

The Board of Directors is responsible for oversight of management of the business and affairs of the Company with the objective of enhancing stockholder value. The Board of Directors was comprised of seven directors during the year ended December 31, 2017, which Directors carried out the Board of Directors responsibilities and the activities of its committees over the course of the year. As noted above, Jane Corwin announced she will retire from the Board immediately prior to the 2018 Annual Meeting.

Under the Company's Bylaws, the Company's Chairman of the Board, William Montague, presides over meetings of the Board of Directors and meetings of the stockholders, while Gibraltar's Chief Executive Officer ("CEO"), Frank Heard, has general authority for strategic initiatives involving the business and operational affairs of the Company, subject to the supervision and oversight of the Board. The Company separated the Chairman and CEO role in 2015 and believes this leadership structure better aligns with corporate governance best practices. The separated Chairman and CEO roles help to enhance the independent oversight of management which we believe more closely aligns the Company's leadership with the expectations of our stockholders.

In addition to the leadership structure described above, the independent directors of our Board meet in executive session at each quarterly board meeting, and all of the Board's key committees - the Audit Committee, Compensation Committee, and the Nominating and Corporate Governance Committee - are comprised solely of and led by independent directors.

Board Tenure

Our corporate governance guidelines require our non-employee directors to submit their resignation from the Board upon reaching the age of 72. We do not have any other tenure limitations, as we believe our retirement policy and natural turnover achieve the appropriate balance between maintaining long-term directors with deep institutional knowledge and refreshing the Board with new directors who bring new perspectives and diversity to the Board. Whenever possible, we structure director retirements and new director appointments to overlap so institutional knowledge can be transferred to new directors. We also conduct an on-boarding process for our new directors so they can obtain an understanding of Gibraltar's business, the opportunities and challenges the Company manages, and provide an opportunity to meet the management team. As of March 27, 2018, the average tenure for Directors of the Company's is equal to six years of service.

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Risk Oversight

The Board of Directors is actively engaged in the oversight of strategies adopted by management for mitigating risks faced by the Company. The effective oversight of risks a company may be exposed to requires an understanding of the nature of the risks, the steps management is taking to manage the risks and a determination of the level of risk which is acceptable to the company. The involvement of the Board of Directors in reviewing the Company’s enterprise risk management process provides the Board an opportunity to understand the risks faced by the Company, the strategies being implemented by management to minimize these risks and the level of management’s tolerance for risk. With this understanding the Board is able to, if appropriate, require changes in the Company's operations or strategies to reflect the Board's determination of the appropriate level of risk for the Company.

Risks may arise in many different areas, including, among many others, business strategy; financial condition; competition for talent; operational efficiency; electronic data security; quality assurance; environmental, health, and safety; supply chain management; reputation; customer spending patterns; and intellectual property. The Board of Directors believes that, in light of the interrelated nature of the Company’s risks, oversight of risk management is ultimately the responsibility of the full Board and has not divided the responsibility for oversight of risk management among its committees. In carrying out this critical responsibility, the Board has implemented an enterprise risk management program designed to:

- Understand the critical risks in the Company's business and strategy;
- Evaluate the Company's risk management process and whether it functions adequately;
- Facilitate open communication between management and the Directors; and
- Foster an appropriate culture of integrity and risk awareness.

The Board discusses risk throughout the year at meetings in general terms and in relation to specific proposed actions, including our executive compensation program structure and design. While the Board oversees the enterprise risk management process, management is responsible for managing risk. The Company has internal processes and an effective internal control environment which facilitate the identification and management of risks and improve the quality and effectiveness of the regular communications with the Board. These include an enterprise risk management program under the leadership of our Chief Financial Officer and our Treasurer, regular reports from management on business strategy, a Code of Business Conduct, and product quality standards. Management communicates routinely with members of the Board on the significant risks identified and how they are being managed.

Environmental, Social and Governance Matters

The Board of Directors and the Company's management recognize the importance of environmental, social and governance ("ESG") matters and how they impact our stakeholders. We believe appropriately responding to ESG issues is an important component of corporate social responsibility and comprehensive fiscal management. In light of the continued importance surrounding ESG matters, the Company is active in establishing and improving programs, practices and policies to maximize the benefit to the Company, and our stockholders, employees and the communities we impact.

At the Company, ESG programs, practices and policies that have been implemented include, but are not limited to, a code of ethics policy that includes workforce and labor rights programs, specific policies on conflict minerals, and anti-corruption compliance, and adherence to environmental and labor safety regulations.

Independence of Directors

The Board of Directors has determined that each of the directors and nominees, other than Mr. Heard, is an “independent director” as defined under NASDAQ rules, which the Board has adopted as the standards by which it will determine independence.

Board Committees and Related Matters

Our Board of Directors has three standing committees - the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Copies of the charters of these committees are available on the Company’s website at www.gibraltar1.com.

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The current composition of each board committee is set forth below:

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Board of Directors
Sharon Brady		Chair		a
Jane Corwin (1)	a		a	a
Frank Heard				a
Craig Hindman		a	a	a
Vinod Khilnani		a	Chair	a
William Montague	a	a	a	Chair
James Nish	Chair			a
Fiscal 2017 Meetings	10	8	5	6

(1) Ms. Corwin will retire from the Board of Directors prior to the 2018 Annual Meeting.

Each director attended at least 75% of the aggregate number of meetings of the Board of Directors and committees on which he served during the period.

Audit Committee

The Audit Committee is comprised of Jane Corwin, William Montague, and James Nish, each of whom is independent as required by the NASDAQ rules applicable to such Committee. Mr. Nish serves as the chairman of the Audit Committee. As noted above, Ms. Corwin announced she will retire from the Board of Directors immediately prior to the 2018 Annual Meeting, and therefore, after the 2018 Annual Meeting the Nominating and Corporate Governance Committee, in consultation with Mr. Nish and Mr. Montague, will recommend to the Board a director to fill the vacancy in the Audit Committee created by Ms. Corwin's retirement.

The Audit Committee acts in accordance with its charter to assist the Board of Directors in its oversight of matters relating to the financial reporting process, the system of internal accounting control and management of financial risks, the audit process, review and approval of related party transactions, compliance with laws and regulations, and the Company’s code of business conduct.

The Board of Directors has made a determination that each of Jane Corwin, William Montague, and James Nish is an “audit committee financial expert” under the standards established by SEC rules as a result of their business experience as set forth above under “Election of Directors.”

Compensation Committee

The Compensation Committee is comprised of Sharon Brady, Craig Hindman, Vinod Khilnani, and William Montague, each of whom is independent as required by the NASDAQ rules applicable to such Committee. Ms. Brady serves as the chairman of the Compensation Committee.

The Compensation Committee acts in accordance with its charter to approve the structure and design of the compensation programs in effect for executive officers and directors of the Company. The Company’s Compensation Committee meets in executive session to determine and approve the compensation packages provided to the executive officers. The Compensation Committee is responsible for ensuring the decisions regarding compensation are in line with market conditions and enhance the Company’s ability to attract, retain, and motivate highly qualified individuals to serve as executive officers and directors.

To fulfill its responsibilities, the Compensation Committee has the authority to obtain advice from and retain advisors. The Compensation Committee hired Korn Ferry Hay Group, Inc. ("KFHG") during 2017 to serve as a compensation advisor and perform market studies of compensation programs offered by a peer group of companies. KFHG is an independent advisor as determined by assessing the firm on six independence factors as prescribed by the SEC. The Compensation Committee worked with KFHG and the Company’s executive management team to make final decisions regarding the design of the programs used to compensate the Company's executive officers and directors in a manner which is consistent with the Company's compensation objectives. The amount of fees paid for these services performed by KFHG was approximately $109,000 during 2017.

The Company used KFHG for services related to executive search, leadership development and broad-based pay advisory services. The amount of fees paid for these additional services performed by KFHG was approximately $403,000 during 2017.

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The Compensation Committee is also responsible for the administration of the Company's incentive compensation plans and authorization of grants of equity-based awards pursuant to such plans.

Compensation Committee Interlocks and Insider Participation

During 2017, Sharon Brady, Craig Hindman, Vinod Khilnani, and William Montague served as members of the Compensation Committee. Neither Ms. Brady, Mr. Hindman, Mr. Khilnani, nor Mr. Montague was an executive officer or employee of the Company or any of its subsidiaries during 2017 or prior thereto. In 2017, none of the executive officers of the Company or members of the Compensation Committee served on the compensation committee or on any other committee performing similar functions for any other entity's board of directors, any of whose officers or directors served on the Company's Board of Directors or Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is comprised of Jane Corwin, Craig Hindman, Vinod Khilnani, and William Montague, each of whom is independent as required by NASDAQ rules applicable to such Committee. Mr. Khilnani serves as the chairman of the Nominating and Corporate Governance Committee. As noted above, Ms. Corwin announced she will retire from the Board of Directors immediately prior to the 2018 Annual Meeting, and therefore, after the 2018 Annual Meeting the Nominating and Corporate Governance Committee will recommend to the Board a director to fill the vacancy in the Nominating and Corporate Governance Committee created by Ms. Corwin's retirement.

The purpose of the Nominating and Corporate Governance Committee is to identify and nominate individuals qualified to become Board and committee members, to establish and implement policies and procedures relating to the nominations of qualified candidates, to develop and recommend to the Board a set of corporate governance guidelines for the Company, and to oversee, review, and make periodic recommendations to the Board concerning the Company's corporate governance guidelines and policies. The current nominees for director were recommended for election to the Board at a meeting of the Nominating and Corporate Governance Committee held March 22, 2018. Craig Hindman, Vinod Khilnani, and William Montague did not participate in the recommendation with respect to themselves that they be nominated for election to the Board.

Director Nomination Process

When a Board vacancy arises, the Nominating and Corporate Governance Committee seeks to identify candidates for nomination who are highly qualified, willing to serve as a member of the Company's Board, and will be able to serve the best interests of stockholders. Each candidate must possess at least the following minimum qualifications:

- Each candidate shall be prepared to represent the best interests of all stockholders and not just one particular constituency;
- Each candidate shall be an individual who has demonstrated integrity and ethics in his or her personal and professional life and has established a record of professional accomplishment in his or her chosen field; and
- Each candidate shall be prepared to participate fully in board activities, including active membership on at least one board committee and attendance at, and active participation in, meetings of the board and the committees of which he or she is a member, and not have other personal or professional commitments that would interfere with or limit his or her ability to do so.

The Nominating and Corporate Governance Committee believes that, given the size and complexity of the Company's operations, the best interests of the Company's stockholders will be served by a Board which is composed of individuals that contribute to the Board's overall diversity - diversity being broadly construed to mean a variety of opinions, perspectives, as well as personal and professional experiences and backgrounds. Accordingly, the Nominating and Corporate Governance Committee seeks to identify candidates for nomination who will contribute to the diversity of perspectives present in Board deliberations. During the nomination process, the Nominating and Corporate Governance Committee considers whether the Board's composition reflects an appropriately diverse mix of skills and experience in relation to the needs of the Company.

The Nominating and Corporate Governance Committee identifies candidates from a number of sources including directors on the Board, Gibraltar's executive management team, and research, including database and internet searches. All potential candidates for a director role, including incumbents, are considered and evaluated against the qualifications outlined above.

Stockholder Recommendations of Nominees

The Company has adopted a policy regarding stockholder recommendations of nominees for director to be submitted for evaluation to the Nominating and Corporate Governance Committee. A stockholder may recommend a nominee for consideration by the Nominating and Corporate Governance Committee by sending a recommendation, in writing, to the Secretary of the Company or any member of the Nominating and Corporate Governance Committee, together with such supporting material as the stockholder deems appropriate. Any person recommended by a stockholder in accordance with this policy will be considered by the Nominating and Corporate Governance Committee in the same manner and by the same criteria as other potential nominees.

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During 2017, the Nominating and Corporate Governance Committee did not receive any nomination recommendations from stockholders.

Succession Planning

In light of the critical importance of executive leadership to Gibraltar’s success, we have a succession planning process that is enterprise wide for managers up to and including our Chief Executive Officer. Our Board of Directors’ involvement in the process includes a review of succession plans and recommendations as to succession in the event of each executive officer’s termination of employment for any reason.

Our Chief Executive Officer provides an annual review to the Board of Directors assessing the executive officers of Gibraltar. Our Compensation Committee, pursuant to its charter, annually reviews the performance of the executive officers and discusses succession plans for each such officer with the Chief Executive Officer. The Board of Directors has the responsibility to review succession plans for the Chief Executive Officer and other key executive positions. The Board of Directors and the Nominating and Corporate Governance Committee also work together to assess the composition, tenure, and diversity of the Board of Directors and evaluate succession planning considerations when recommending Board nominees. As noted above, Jane Corwin announced her intentions to retire from the Board immediately prior to the 2018 Annual Meeting. The Nominating and Corporate Governance Committee has begun a search for a director candidate to fill the vacancy on the Board of Directors created by Ms. Corwin's retirement.

Communication with the Board of Directors

The Board of Directors has established a policy with respect to stockholder communication with the directors. Stockholders may send communications to the Board of Directors in care of the Secretary at the Company’s headquarters located at 3556 Lake Shore Road, PO Box 2028, Buffalo, NY 14219-0228. All mail will be opened and logged. All communication, other than trivial communication or obscene material, will be forwarded promptly to the Directors. Trivial material will be delivered at the next meeting of the Board of Directors. Mail addressed to a particular member of the Board of Directors will be forwarded to that member. Mail addressed to “Outside Directors” or “Non-Management Directors” or similar addressees will be sent to the chairman of the Audit Committee.

The Company does not have a policy regarding director attendance at the annual meeting. Last year’s annual meeting was attended by all of the Directors of the Board.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Directors and Executive Officers

The following table sets forth certain information regarding the Directors and named executive officers of the Company as of March 9, 2018:

Name	Age	Position(s) Held
Frank G. Heard	59	Director, President, and Chief Executive Officer
Timothy F. Murphy	54	Senior Vice President and Chief Financial Officer [1]
Kenneth W. Smith	67	Retired Senior Vice President and Chief Financial Officer [1]
Cherri L. Syvrud	51	Senior Vice President of Human Resources and Organizational Development
Jeffrey J. Watorek	38	Vice President, Treasurer and Secretary [1]
William P. Montague	71	Chairman of the Board
Sharon M. Brady	67	Director
Jane L. Corwin	54	Director
Craig A. Hindman	63	Director
Vinod M. Khilnani	65	Director
James B. Nish	59	Director

[1] On April 1, 2017, Mr. Smith relinquished his duties as Chief Financial Officer and retired from his position as Senior Vice President of the Company and as an officer of each of its subsidiaries effective as of May 3, 2017. Mr. Murphy was appointed Senior Vice President and Chief Financial Officer on April 1, 2017. In connection with Mr. Murphy's

appointment as Senior Vice President and Chief Financial Officer, effective April 1, 2017, Mr. Murphy relinquished his position as Vice President, Treasurer and Secretary of the Company. Effective as of April 1, 2017, Mr. Watorek was appointed to the offices of Vice President, Secretary and Treasurer of the Company. We have included Mr. Smith and Mr. Watorek in the Summary Compensation Table in accordance with Item 402 of Regulation S-K.

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The recent business experience of the directors is set forth above under “Election of Directors.” The recent business experience of the executive officers who are not also directors is as follows:

Timothy F. Murphy

TIMOTHY MURPHY was appointed the Company's Senior Vice President and Chief Financial Officer in April 2017. Prior to April 2017, Mr. Murphy served as the Company's Treasurer since 2013, Secretary since 2012, and Vice President of Treasury Operations from 2010 to 2013. Mr. Murphy served various roles as a director within the Company’s Finance function from 2004 to 2010. Prior to joining the Company, Mr. Murphy served as a Senior Manager at KPMG. He graduated from the University of Buffalo with a bachelor's in economics and an MBA with a concentration in accounting.

Kenneth W. Smith

KENNETH SMITH was the Company’s Senior Vice President and Chief Financial Officer upon joining the Company in 2008 until his retirement in April 2017. Prior thereto, Mr. Smith served as Chief Financial Officer of Circor International from 2000 through 2008. From 1996 to 2000 he served as Vice President of Finance for North Safety Products, and before that as Finance Director of Digital Equipment Corporation.

Cherri L. Syvrud

CHERRI SYVRUD has served as Senior Vice President of Human Resources and Organizational Development of the Company since joining the Company in March 2016. Prior thereto, Ms. Syvrud had a 28-year career with ITW where she last served as a Platform Director of Human Resources, developing and implementing processes to increase operational effectiveness and talent development globally. She graduated from the University of St. Francis with a bachelor’s degree in business.

Jeffrey J. Watorek

JEFFREY WATOREK was appointed Vice President, Treasurer and Secretary in April 2017. Prior to April 2017, Mr. Watorek served as the Company's Director of Financial Planning and Analysis since 2012 and Manager of External Reporting from 2008 to 2012. Prior to joining the Company, Mr. Watorek served as a Manager at Ernst & Young. He graduated from the Canisius College with bachelor’s and master's degrees in accounting.

COMPENSATION OF DIRECTORS

2017 Compensation of Directors

Korn Ferry Hay Group, Inc., a nationally recognized compensation consultant, reviewed survey information, and provided other publicly available information and advice to the Compensation Committee with respect to compensation-related matters for non-employee director compensation for a peer group of companies. The peer group is the same as the peer group disclosed in the section entitled “Compensation Discussion & Analysis” below.

The Compensation Committee reviewed Board compensation in relation to compensation earned by directors of our peer group of companies. After this review, the Compensation Committee decided not to change the compensation program for non-employee directors consisting of an annual cash retainer of $50,000 and an annual payment for each Board committee on which he or she serves equal to $10,000; an additional annual fee of $100,000 for the Chairman of the Board; an additional annual fee to the Chairs of the Compensation Committee and Audit Committee of $7,500; and an additional annual fee to the Chair of the Nominating and Corporate Governance Committee of $5,000.

In addition, in 2015, the Compensation Committee approved annual grants of stock to each non-employee director having an aggregate fair value equal to $70,000. These shares vest immediately and are delivered to Directors unless a Director elects to defer the receipt of all or a portion of the stock award received for future issuance. Pursuant to this approval, non-employee directors received awards of stock in May 2017. The amount of restricted stock compensation provided to our directors is consistent with the amount of equity-based compensation paid to directors of our peer group as determined in the peer study described above.

Our Management Stock Purchase Plan (“MSPP”) permits non-employee directors to defer their receipt of payment of a portion of their cash retainer fee to an account established for the director and credited with restricted stock units

(“RSUs”) equal in number to the number of shares of the Company’s stock which could have been purchased using the amount of director fees deferred (see the discussion of the MSPP under the caption Non-Qualified Deferred Compensation in the “Compensation Discussion & Analysis” below). RSUs credited to the account of non-employee directors to reflect amounts deferred under the MSPP are paid to the participant upon the termination of their service to the Board.

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Under the non-employee Director compensation structure approved in 2015, meeting fees and Matching RSUs under the MSPP were eliminated to align pay practices with best practices.

2017 Director Compensation

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Total
Sharon M. Brady	$67,500	$70,010	$137,510
Jane L. Corwin	$70,000	$70,010	$140,010
Craig A. Hindman	$70,000	$70,010	$140,010
Vinod M. Khilnani	$75,000	$70,010	$145,010
William P. Montague	$180,000	$70,010	$250,010
James B. Nish	$67,500	$70,010	$137,510

(1) Consists of (a) annual retainer fees of $50,000; (b) $100,000 for Mr. Montague to reflect his position as Chairman of the Board; (c) $10,000 for each committee a directors serves; and (d) $7,500, $5,000, and $7,500 for Ms. Brady and Messrs. Khilnani, and Nish, respectively, to reflect their respective positions as Committee Chairpersons. Mmes. Brady and Corwin deferred all of their annual retainer fee into the MSPP. Messrs. Hindman and Nish deferred twenty-five percent and fifty percent of their annual retainer fee into the MSPP, respectively.

(2) This column represents the grant-date fair value of stock granted during the year. The fair value of stock is calculated using the closing price of Gibraltar Industries, Inc. common stock on the date of grant.

Outstanding Equity Awards at Fiscal Year End

The following chart summarizes the aggregate number of stock awards outstanding at December 31, 2017 for each director:

Name	Restricted Shares (1)	Deferred Share Units (2)	Restricted Stock Units ("RSUs") (3)	Aggregate Number of Stock Awards Outstanding
Sharon M. Brady	1,322	4,423	5,106	10,851
Jane L. Corwin	2,936	4,423	10,241	17,600
Craig A. Hindman	2,936	4,423	9,453	16,812
Vinod M. Khilnani	2,936	—	7,023	9,959
William P. Montague	4,936	4,423	29,931	39,290
James B. Nish	1,322	4,423	4,440	10,185

(1) Restricted shares generally vest over three years. Mr. Montague holds 2,000 restricted shares that will vest upon his retirement from the Board.

(2) Deferred share units will be converted into shares upon retirement from the Board of Directors.

(3) Represents Restricted Stock Units ("RSUs") acquired through deferrals under the MSPP during the period of the Director's service that will be converted to cash and paid out upon retirement from the Board. Includes 3,406 and 588 unvested RSUs for the benefit of Ms. Corwin and Mr. Nish, respectively, which will be forfeited if their service as a member of the Company’s Board of Directors is terminated prior to age sixty (60).

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PROPOSAL 2
ADVISORY VOTE ON EXECUTIVE COMPENSATION (“SAY-ON-PAY”)

We are providing our stockholders with the opportunity to cast an advisory vote to approve the compensation of our named executive officers as described in this Definitive Proxy Statement (commonly referred to as the “Say-on-Pay” vote). The Say-on-Pay vote is advisory, and therefore not binding on the Company or the Board of Directors. However, the outcome of the vote will provide information to the Company and the Board of Directors regarding stockholder sentiment about our compensation policies and procedures, which the Compensation Committee will carefully review and consider when making future decisions regarding the compensation of our executive officers. Stockholders are encouraged to read the section entitled “Compensation Discussion & Analysis,” which describes how our compensation policies and procedures implement our compensation philosophy.

We believe the Say-on-Pay vote represents an additional means by which we may obtain important feedback from our stockholders about compensation of our executive officers, which is established by the Compensation Committee, and designed to link pay with performance, while enabling the Company to attract and retain qualified talent on the executive management team.

As set forth in the Compensation Discussion & Analysis, the overall objective of our executive compensation program is to attract, retain, and engage the talent necessary to ensure Gibraltar's continued success and to ensure alignment of executive pay with stockholder interests and support Company goals and strategies. To achieve this, the Compensation Committee has designed compensation programs that:

- Provide competitive total pay opportunities relative to an appropriate peer group;
- Drive high performance through the use of programs that support and reward desired business results;
- Reinforce commitment to operational excellence, quality, safety, innovation, and the environment; and
- Manage compensation program costs and risks while providing for flexibility to vary costs in changing business environments.

As a result, a significant portion of our executive officers' overall compensation is performance-based, in that it depends on the achievement of both short and long-term financial goals and strategic objectives.

In 2017, incentive compensation represented 74% and 43% of the Chief Executive Officer’s and the other named executive officers’ target compensation opportunity, respectively. We believe that this emphasis on both short and long-term financial performance aligns executives’ and stockholders’ interests. The Compensation Committee believes that the executive compensation program is strongly aligned with the long-term interests of our stockholders and is effective in implementing our compensation philosophy and in achieving our strategic goals.

The Say-on-Pay vote gives you, as a stockholder, the opportunity to provide feedback on our executive compensation program by voting for or against the following resolution:

“RESOLVED, that the stockholders of Gibraltar Industries, Inc. (the “Company”) approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed in this Definitive Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion & Analysis, the Summary Compensation Table, and other related tables and disclosure.”

The Board urges stockholders to endorse the executive compensation program by voting in favor of this resolution. As set forth in the Compensation Discussion & Analysis, the Compensation Committee is of the view that the executive compensation for 2017 was reasonable and appropriate, justified by the performance of the Company and the result of a carefully considered approach.

Although the Say-on-Pay vote is non-binding, the Board of Directors and Compensation Committee will carefully review the outcome of the vote. The Compensation Committee will consider the outcome of the Say-on-Pay vote, as well as other communication from stockholders relating to our compensation practices, in future determinations concerning our executive compensation program.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE ADVISORY APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS DEFINITIVE

PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC IN PROPOSAL 2.

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COMPENSATION DISCUSSION & ANALYSIS

This section, Compensation Discussion & Analysis (the “CD&A”), provides the Company’s stockholders with information about the compensation awarded to our named executive officers (“NEOs”) who are listed in the Summary Compensation Table, and demonstrates how the compensation program encourages our NEOs to create stockholder value. The CD&A further illustrates the considerations the Compensation Committee has used and will continue to use in establishing the Company’s compensation philosophy, overseeing the policies that result from that philosophy, and making decisions with respect to those policies, including changes to the policies if warranted.

Executive Summary

2017 Business Results

Gibraltar's executive pay philosophy is designed to promote alignment of executive pay with stockholder interests and to support Company goals and strategies. Executive compensation programs are designed and managed to promote value creation, to advance overall business objectives, and to attract, retain, and engage the workforce necessary to ensure the Company's continued success. The impact of our executive pay philosophy and executive compensation programs is reflected in the financial and strategic achievements of the Company in 2017 as outlined below.

Upon his appointment to the position of Chief Executive Officer, Mr. Heard introduced a value creation strategy to drive transformational change which includes a four-pillar approach consisting of a strong focus on operational excellence, product innovation, portfolio management, and acquisitions as a strategic accelerator for growth. The Company continued to execute upon the value creation strategy in 2017.

During 2017, the Company made progress on a number of initiatives that contributed to the success of the Company in context of our value creation strategy. One of these initiatives was the further implementation of the Company's 80/20 simplification process ("80/20"), which is a core component of the operational excellence pillar. We have recently completed the third year of our multi-year simplification initiative. Since initiating 80/20 in 2015, we have generated operating margin improvements from 80/20 simplification initiatives and have greatly exceeded our initial five-year target ending 2019 of $25 million of pre-tax savings. We are currently at the midway point of the 80/20 initiative and are starting the follow-on management tools of in-lining our manufacturing processes linked with trade focus initiatives to foster innovative, organic growth opportunities.

Additionally, during 2017, we executed transactions in our portfolio management and acquisition pillars. We completed the divestiture of our U.S. bar grating product line and exit of our European residential solar racking business, which helped contribute to the Company's realization of a higher rate of return on invested capital. Also, we completed the acquisition of a business with innovative parcel delivery products for strategic growth opportunities in our Residential Products Segment.

As a result of these efforts, the Company generated higher earnings, at a higher rate of return, with a more efficient use of capital in 2017 compared to the prior year. Additionally, the Company's financial results exceeded thresholds set for performance goals under the Company’s performance-based compensation programs due to the success realized from strategic initiatives during 2017.

The charts below compare our financial results from 2017 to 2016, 2015, and 2014, under the financial metrics that are used in determining (i) payouts under our Management Incentive Compensation Plan (“MICP”) and (ii) number of Performance Stock Units (“PSUs”) earned under our annual grant of performance-based equity compensation. Note that these financial measures differ from GAAP measures reported due to special charges. We add back these charges and gains, in accordance with the terms of our performance-based compensation programs, to provide a measurement of earnings from our ongoing operations and serve as a basis to assess the Company in future periods. These adjusted financial measures are reconciled to our GAAP financial measures within the CD&A.

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The charts above reflect a link between incentive compensation and performance for 2017. On average our NEOs earned an annual incentive equal to 75% of target under our MICP and all of our named executive officers earned PSUs equal to 31% of target based on the return on invested capital, or "ROIC", performance goal. These performance goals were established with targets that were designed to provide opportunities for high performing executives to achieve above market rewards based upon outstanding business results.

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The charts above further show the rising targets set by the Compensation Committee related to the NEO's performance compensation. Although the Company improved in all four metrics during 2016 and 2017, performance compensation payout percentages have trended down due to incorporating higher expectations of improvement in each metric.

Executive Compensation Highlights

Gibraltar is committed to a strong pay-for-performance philosophy that we believe meets or exceeds industry norms. Some of the best practices we employ to achieve this objective include:

What We Do	What We Don't Do
Deliver a significant portion of executive compensation in the form of at-risk, performance-based compensation	Have single-trigger change-in-control agreements
Set performance goals for stock-based incentives on ROIC based on stockholder recommendations	Provide change-in-control cash benefits greater than 275% of cash compensation
Limit the maximum payout that can be received in our annual cash incentive plan to 150% of target	Maintain a supplemental executive retirement plan
Reward our executives with performance-based compensation awards linked to relative total stockholder return	Allow our directors and employees to enter into hedging and pledging transactions with Gibraltar stock
Require our directors and executive officers to satisfy stock ownership guidelines	
Maintain a Clawback Provision that applies to all employees	

Conclusion

The Compensation Committee believes the highlights above reflect the Company’s pay-for-performance philosophy and commitment to compensation programs that encourage the creation of sustainable, long-term stockholder value and alignment of the interests of senior management with those of our stockholders. Overall, the Company's performance in 2017 exceeded prior year, and led to compensation earned under our incentive compensation plans above the threshold performance level. Without a significant acquisition in 2017, the Company's performance did not exceed the targeted level of performance under the incentive compensation plans, with the exception of days of working capital. Furthermore, the Company's performance in 2017, which was the third year into the Company's five-year transformation strategy under the executive leadership of our Chief Executive Officer, continued to generate higher earnings than prior year, at a higher rate of return, with a more efficient use of capital.

We believe the Company's operating performance and the resultant level of performance compensation earned by our executive management team demonstrates the effectiveness of the Company’s pay-for-performance philosophy. The highlights above, as well as the information contained in this CD&A, further reflect the Compensation Committee’s aim to design a compensation program that is consistent with best practices and in line with pay practices used by our peer group.

Compensation Philosophy and Pay-for-Performance

The Compensation Committee's executive pay philosophy is designed to support Gibraltar's position as a leading manufacturer and distributor of residential, industrial, infrastructure, renewable energy, and conservation products. The executive pay philosophy will be restructured as necessary, to ensure alignment of executive pay with stockholder interests and to support the Company's goals and strategies.

The Company's executive compensation programs are designed and managed to promote value creation, to advance overall business objectives, and to attract, retain, and engage the talent necessary to ensure Gibraltar's continued success. The Compensation Committee focuses the design and delivery of the Company's compensation programs to achieve the following:

- Provide competitive total pay opportunity levels relative to an appropriate group of our peer companies;
-

Drive high performance by our executive officers through the use of programs that support and reward desired business results;

- Provide opportunities for high performing executive officers to achieve above market rewards;
- Reinforce our commitment to operational excellence, quality, safety, innovation, and to the environment;
- Manage current and future programs and risks; and
- Provide the flexibility to vary costs through periods of change in our business.

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Executive officer's and senior management's interests are more directly aligned with the interests of our stockholders when compensation programs are significantly impacted by the value of our common stock, encourage ownership of our common stock, and reward both short and long-term financial performance. The significant elements of our compensation program for executive officers include base salary, the annual Management Incentive Compensation Plan ("MICP"), equity-based incentive compensation under the Long-term Incentive Plan ("LTIP"), other perquisites, and a non-qualified, equity-based deferred compensation plan ("MSPP").
The Compensation Committee believes our LTIP, which includes performance-based and time-based equity awards, meets the objectives noted above. Another element of our compensation program, the MICP provides an annual incentive program to our executives which is based upon the achievement of financial and strategic goals. The Compensation Committee believes the other elements of our compensation program are competitive with the market for our management talent and allow us to attract, retain, and engage a highly qualified senior management team. As a result, the compensation programs include a substantial portion of performance-based compensation, including the MICP and performance-based equity awards issued under the LTIP.
Consistent with our executive pay philosophy, our CEO's target compensation is designed to be heavily weighted toward performance-based compensation. During 2017, as depicted in the chart below, 74% of our CEO's target compensation was provided in the form of performance-based compensation, with an additional 8% attributed to time-vested stock awards. The target compensation of our other NEOs is also weighted toward performance-based compensation. During 2017, on average, 43% of our other NEOs compensation was performance based, with another 10% attributed to time-vested stock awards. The long-term value of time-vested stock awards will fluctuate with our stock price, thus aligning our executive officers' interests with our stockholders' interests.
The following charts highlight the targeted compensation mix for our CEO and the average mix for the other NEOs:
Performance-based compensation includes annual incentive compensation and performance-based equity awards. A significant portion of the executive officers' compensation is at-risk based on the value of the Company's common stock and financial performance. The above charts include targeted compensation generated from the Company match, which is provided for salary and MICP deferrals into our non-qualified deferred compensation plan, the MSPP, an important part of our compensation program. Compensation deferred into the MSPP is converted to restricted stock units and the aggregate amount deferred is also at-risk since the amounts paid are based on the value of the Company's common stock. The structure of the MSPP furthers our goal of aligning the interest of our executive officers with the interests of our stockholders as it encourages the deferral of their current compensation for a future payment based on the Company's stock price.
Our annual MICP has the following performance related criteria:
i. Adjusted earnings per share;
ii. Adjusted operating margin;
iii. Days of working capital; and
iv. Achievement of strategic objectives.

The Compensation Committee believes the structure of the MICP incentivizes management to simplify and improve the Company's operations to generate higher earnings, at a higher rate of return, with a more efficient use of capital.

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The performance criteria and weighting of each performance criteria change from year to year based on the Compensation Committee and management's determination of the most significant objectives included in the Company's strategic plan. The achievement of individual strategic objectives was retained as a performance criterion in the MICP to continue to emphasize the importance of delivering on strategic objectives and goals that align with Gibraltar's four pillar value creation strategy. Overall, the most significantly weighted performance goal continues to be adjusted earnings per share, as the Compensation Committee wants to incentivize the executive management team to improve earnings.

A significant portion of our executive officer's Long-Term Incentive Plan includes performance-based compensation composed of performance stock unit awards ("PSUs"). For 2017, PSUs were awarded to our executive officers and earned during the annual performance period based on the Company's ROIC compared to targeted ROIC.

As noted above under the "2017 Business Results," our NEOs earned 75%, on average, of their target compensation under the annual MICP and 31% of the targeted PSU awards granted to them in February 2017. These percentages of target compensation were calculated based upon the financial results generated by the Company during 2017. A more detailed calculation of the amounts earned under these components of performance-based compensation can be found below in the section entitled "Elements of Our Compensation Program."

The other significant components of compensation for our executive officers are not at-risk and consist of a competitive base salary and long-term incentive compensation consisting of time-based restricted stock units ("RSUs"). The RSUs convert to shares over a vesting period generally consisting of four years. The Compensation Committee believes the RSU awards align the executive officers' goals with the interests of our stockholders as the officers are incentivized to adopt a long-term approach to value creation and increase the stock price through ownership of RSUs and shares of the Company's common stock. Time-based equity awards provide a good balance between performance and share ownership which aligns with long term interests of our stockholders while at the same time encouraging continuity.

Distinguishing Awarded Compensation from Realized Compensation

It is important to distinguish the compensation awarded to our executive officers in 2017, as required to be reported under applicable SEC rules, from the compensation that was actually earned by our executive officers. Compensation reported within the Summary Compensation Table uses different measurements of the compensation reported depending on the type of compensation. The PSU compensation reported for each executive officer is disclosed at targeted award value, or grant-date fair value, while the compensation from the MICP reported in the table reflects the actual amount earned and paid to the executive officers, or realized value. If both portions of performance-based compensation were measured at their realized value, it would show the impact of actual performance on each executive officer's compensation.

The following table provides the impact that performance-based and deferred compensation had on total compensation realized by our executive officers in 2017:

	Fixed Compensation			Performance Based Compensation								
Name	Salary (2)	RSU Awards (3)	All Other (2)	MICP		PSUs and Stock Options		Deferred Compensation		Total Compensation		
				Target (4)	Realized (2)	Target (2)	Realized (5)	Target (6)	Realized (6)	Target	Realized	% Tar
Frank G. Heard	$793,070	$1,581,011	$22,865	$840,000	$577,584	$2,427,788	$565,151	$699,134	$819,049	$6,363,868	$4,358,730	68
Timothy F. Murphy	$344,137	$328,992	$27,742	$225,000	$172,440	$469,251	$129,838	$211,767	$61,313	$1,606,889	$1,064,462	66
Kenneth W. Smith (1)	$139,310	$—	$99,075	$82,320	$68,951	$—	$—	$79,154	$265,117	$399,859	$572,453	143

Cherri L. Syvrud	$248,384	$148,609	$31,169	$87,500	$68,696	$187,483	$44,552	$96,673	$42,451	$799,818	$583,861	73
Jeffrey J. Watorek	$186,725	$98,012	$16,996	$40,000	$30,956	$40,015	$20,695	$53,341	$—	$435,089	$353,384	81

(1) Reflects Mr. Smith's pro rated compensation for the portion of 2017 that he was employed by the Company.

(2) Amounts correspond to those set forth in the Summary Compensation Table.

(3) RSU awards include $720,011, $131,242, $62,509, and $20,012 of compensation for Frank Heard, Timothy Murphy, Cherri Syvrud, and Jeffrey Watorek, respectively, related to the grant date fair value of RSUs issued under the annual LTIP program; $86,100 and $78,000 of compensation for Ms. Syvrud and Mr. Watorek, respectively, related to the grant date fair value of CEO discretionary RSUs; $861,000 of compensation for Mr. Heard related to the grant date fair value of RSUs issued under the equity grants in February 2017; and $197,750 of compensation for Mr. Murphy related to the grant date fair value of RSUs issued under the equity grants in April 2017. These amounts equal the value of restricted stock units from the Summary Compensation Table.

(4) Equal to the target annual incentive compensation calculated for each NEO based upon a percentage of their salaries.

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(5) Equal to the actual number of PSU shares earned based on performance of the Company times the stock price as of December 31, 2017 which equaled $304,169, $69,533, $44,552, and $20,695 for Mr. Heard, Mr. Murphy, Ms. Syvrud, and Mr. Watorek, respectively; $260,982 of compensation for Mr. Heard related to the grant date fair value of non-qualified stock options issued under the equity grants in February 2017; and $60,305 of compensation for Mr. Murphy related to the grant date fair value of non-qualified stock options issued under the equity grants in April 2017.

(6) The deferred compensation target equals the company-match shares that would be credited to their MSPP accounts if each NEO deferred all eligible amounts under the MSPP and the MICP was at target. The realized amount equals the value of the company-match shares added to each NEO's MSPP account during 2017.

As shown above, the realized compensation earned by each Named Executive Officers ranged from 66% to 143% of targeted compensation. Realized compensation was less than target compensation as a result of the Company's performance in relation to the performance goals set for the MICP and PSU awards. The Compensation Committee believes realized compensation is an important metric to understand when evaluating the effectiveness of the Company's compensation programs.

Say-on-Pay Vote Results and Response

Based on the results of the Say-on-Pay vote at the 2017 Annual Meeting of Stockholders, in which Gibraltar received 97.0% support from its stockholders, the Compensation Committee concluded that the vast majority of stockholders approved of the Company's compensation programs. The Company routinely meets with its stockholders to discuss the Company's performance and strategic plan. During this process, the executive team often solicits feedback from stockholders on corporate governance and compensation matters.

In March 2018, we invited holders of approximately 67% of our shares, represented by twelve investor, to engage us. Six investors, holding in the aggregate approximately 28% of our shares, accepted our invitation. Our corporate governance topics included an overview of the Company's business strategy and the alignment of governance and compensation programs with the Company's business strategy, as well as an understanding of investors views on equity compensation plans. We held meaningful discussions with our investors on these topics. Overall, the discussions were very positive, with investors expressing support for the Company's compensation governance practices. A majority of the investors who engaged with us informed us that they are supportive of return on invested capital as a performance criterion and the corporate governance improvements we have implemented over the past few years. We shared feedback from these engagements with our Board.

Design of the Compensation Program

The Compensation Committee engaged independent compensation advisors, KFHG, during 2017 to provide survey information and assistance in the development of a compensation program for our executive officers which has a strong emphasis on performance and long-term incentives and which is competitive within our industry in terms of (1) base salaries, (2) annual incentives, and (3) long-term incentives. These three components are the key elements of the compensation program provided to our executive management team.

The Company's compensation program is reviewed annually to ensure the goals of the program are met and is amended from time to time to incorporate changes consistent with current industry best practices. The compensation program compensates our executive officers through a mix of base salary, annual incentive payments, and long-term equity-based incentives.

Peer Company Analysis

The Compensation Committee considers the compensation of executives in a peer group of companies used for comparative data. The peer group selected by the Compensation Committee during 2017 consists of:

Actuant Corporation	Eagle Materials	Patrick Industries, Inc.
Albany International Corp.	Griffon Corporation	Ply Gem Holdings
American Woodmark	Insteel Industries	Quanex Building Products
A.O. Smith Corporation	L.B. Foster Company	Simpson Manufacturing

Apogee Enterprises	Masonite Industries	Trex Company
Armstrong World Industries	NCI Building Systems	

The Company made minor changes to its peer group in 2017 to remove two companies from the peer group and added four peer companies to establish a group of seventeen peer companies. The Compensation Committee believes the chosen peer group aligns with best practices, provides a sufficient sample size from which we draw conclusions, and reflects a representative market for executive talent that our business faces. The peer companies were selected based on their comparable size, as measured by net sales and market capitalization, and industry. Companies within the selected peer group are all building products or industrial businesses that as of December 31, 2017 have revenues, market capitalization, or assets equal to 40% to 300% of Gibraltar's.

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Compensation Committee Approval Process

Management recommendations for salary increases and participation levels for all other components of our compensation program, for all executive officers other than the CEO, are made annually and are based on the CEO's evaluation of each executive officer's performance, length of service to the Company, experience, level of responsibility, the Company's financial position, and degree to which their efforts have contributed to the implementation of the Company's strategies and goals. This information is then used by the Compensation Committee to review and establish the compensation of each executive officer. The CEO's compensation package is determined by the Compensation Committee based upon the same criteria.

Final authority for the establishment of annual compensation packages of our executive officers resides with the Compensation Committee. Once base salaries are established, the formula-driven components of our compensation program are applied to determine the amount of the total compensation which our executive officers will be entitled to receive based upon the degree to which the Company's annual goals have been achieved.

Based on the peer group analysis described above along with CEO and Compensation Committee review, targeted annual incentive compensation and long-term equity-based incentive compensation components of each executive officer's total compensation were set at percentages of each executive officer's base salary. Structuring our compensation to provide that a substantial portion of each executive officer's total compensation is based on (i) an annual incentive program and (ii) an equity-based long-term incentive program rewards our executive officers for achieving clearly defined annual financial goals and for implementation of policies and practices which generate long-term appreciation in the value of the Company's common stock. This provides the executive officers and stockholders a degree of certainty as to the level of incentive compensation which executive officers will be entitled to receive upon attainment of a specified level of performance.

The following table summarizes the targeted compensation for annual cash incentive compensation and equity incentive awards (including RSUs and PSUs) established by the Compensation Committee:

	Percentage of Salary	
Position	Annual Incentive Compensation (MICP)	Long-term Equity Compensation (LTIP)
Chief Executive Officer	105%	150%
Chief Financial Officer (1)	60%	110% and 145%
Senior Vice President	35%	75%
Vice President	20%	50%

(1) Mr. Murphy's percentage of salary for the MICP and LTIP was 60% and 110%, respectively. Mr. Smith's percentage of salary until his retirement in April 2017 for MICP and LTIP was 60% and 145%, respectively.

The Compensation Committee set the targeted annual incentive compensation and long-term equity compensation levels as a percentage of salary after consulting with KFHG. The Compensation Committee considers these compensation levels reasonable in comparison to the peer companies described above and tailored to the Company's leadership structure, level of responsibility, and emphasis on pay-for-performance while also emphasizing stock ownership which we believe aligns management's interests with the interests of our stockholders.

The long-term equity-based incentive plan, as developed by the Compensation Committee, provides executive officers the ability to earn long-term equity-based incentive compensation which is based, in part, on the passage of time and, in part, on the achievement of performance objectives. This plan was responsive to the desires of both the Compensation Committee and management to develop a long-term equity-based incentive program which would be more closely aligned with the interests of the Company's stockholders than an equity-based incentive program that provided for payment solely on the expiration of time.

The Compensation Committee believes that the long-term equity-based incentive compensation structure described above promotes the interests of the Company's stockholders by providing an incentive to executive officers to continue their employment with the Company as well as an incentive to create stockholder value. Furthermore, executive officers are provided an incentive to improve the value of the Company's common stock over the long term because final payment of this long-term equity-based incentive compensation program is based on the price of the Company's stock at the time of payment.

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Consideration of Risk

We believe the design of our executive compensation program provides an appropriate balance of incentives for executives and avoids inappropriate risks. Our compensation program is balanced and focused on the long term so that our executive officers are incentivized to deliver superior performance over sustained periods. In an effort to promote a focus on the long-term, these compensation plans are designed to allow for deferral of compensation and have elements that are only realizable upon retirement, providing strong incentives to implement policies that promote long-term value creation while avoiding excessive risk-taking in the short term.

Performance goals are established to align with our overall risk framework and reflect a balanced mix of financial measures designed to avoid placing excessive weight on a single measure. Compensation is also balanced among current cash payments, deferred cash, and equity awards. With limited exceptions, the Compensation Committee retains discretion to adjust compensation for quality of performance and adherence to Company values. Additionally, we have policies in place that limit the amount of compensation that can be earned under performance-based incentive programs, require our executive officers to own certain levels of Company stock, prohibit hedging and pledging activities, and include a Clawback Provision for all performance-based compensation.

Elements of Our Compensation Program

Our compensation program for executive officers and senior management contains the following elements:

- Base Salary
- Annual Management Incentive Compensation Plan (MICP)
- Equity-based Incentive Compensation (Omnibus Plan)
- Long-term Incentive Compensation Plan (LTIP)
- Restricted Stock Units
- Performance Stock Units
- Non-qualified Deferred Compensation Plan (MSPP)
- CEO's Supplemental RSU Pool
- Equity Grants to CEO and CFO
- Retirement Plans
- Perquisites and Other Benefits
- Change in Control Benefits
- Generally Available Benefit Programs

Base Salary. As noted above, the Company provides executive officers with a base salary established by the Compensation Committee, which reflects the level of responsibility held by our executive officers, rewards them for the day to day performance of their duties, and is competitive within our industry. Our competitive analysis includes a review of the base salaries and total compensation paid by our peer group companies to their executive officers.

The Compensation Committee established the base salary of our President and Chief Executive Officer at $800,000, in consultation with KFHG, and based upon an analysis of the base salaries of similarly positioned executives in our peer group. This analysis also provided a baseline for other components of compensation for the President and Chief Executive Officer, including stock-based compensation and annual incentive compensation targets.

We establish the base salaries of our other executive officers using the same process of analyzing the level of their responsibility and contribution to the Company’s overall objectives and taking into consideration the range of base salaries paid to similarly positioned executives by our peer group companies.

Annual Management Incentive Compensation Plan. Our annual Management Incentive Compensation Plan (“MICP”) provides alignment between executive management’s cash compensation and stockholder interests by rewarding management for achievement of performance targets that the Compensation Committee believes will enhance stockholder value.

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MICP targets in 2017 included adjusted earnings per share ("Adjusted EPS"), adjusted operating margin ("Adjusted OM"), days of working capital ("DWC"), and the achievement of strategic objectives. The targets and thresholds for the achievement of MICP awards for 2017 compared to actual achievement and targets set for the prior year are as follows:

	Adjusted EPS		Adjusted OM		DWC	
Level of Achievement	2017	2016	2017	2016	2017	2016
Threshold	$1.67	$1.13	10.0%	7.0%	53	58
80% Achievement	$1.85	$1.13	10.5%	7.7%	50	58
100% Achievement	$2.00	$1.40	11.0%	8.2%	49	57
150% Achievement	$2.30	$1.70	12.0%	9.1%	48	54
Actual	$1.71	$1.67	10.1%	10.0%	46	50

As shown above, the Adjusted EPS and Adjusted OM targets were equal to or exceed prior year results and set to significantly improve from the prior year targets. Further, the target and threshold developed for DWC were based on management’s goal to maintain working capital levels while promoting high service levels and maximizing cash flows from operations in an effort to efficiently use our capital. Additionally, the MICP includes achievement of strategic objectives as a fourth performance criterion. The strategic objectives were established to support the four pillars of the Company's value creation strategy. Points were assigned to specific strategic objectives for each executive officer. Their performance relative to completing each objective was evaluated on a point scale using specific measurements for their performance during the year. The percentage of attainment towards these strategic objectives was measured by comparing the actual points attained in all objectives compared to the total amount of points assigned to each objective. These targets and thresholds are reviewed on an annual basis to ensure alignment of incentive compensation with the Company’s goals.

Targeted annual incentive compensation under the MICP as a percentage of executive officer base salaries along with the potential payouts at threshold, target, and maximum levels are as follows:

Name	Targeted Annual Incentive Compensation as a Percentage of Base Salary	Base Salary	Potential Payout At Threshold	Target	Maximum
Frank G. Heard	105%	$ 800,000	$ 449,400	$ 840,000	$ 1,260,000
Timothy F. Murphy	60%	$ 375,000	$ 120,375	$ 225,000	$ 337,500
Kenneth W. Smith	60%	$ 411,600	$ 132,124	$ 246,960	$ 370,440
Cherri L. Syvrud	35%	$ 250,000	$ 46,813	$ 87,500	$ 131,250
Jeffrey J. Watorek	20%	$ 200,000	$ 21,400	$ 40,000	$ 60,000

The Compensation Committee believes incentivizing management to deliver improved earnings with a focus on the efficient use of capital will provide stockholders with value as higher profits and low working capital requirements lead to increased cash flow used to fund growth initiatives, including acquisitions. Accordingly, the Adjusted OM target is based upon a percentage of net sales to incentivize management to maximize profitability at any level of sales volume. The Compensation Committee also believes it is important for management to be incentivized to optimize working capital requirements which will maximize cash flow from operations, and in turn fund the growth of the Company. The combination of the three financial targets, respectively, Adjusted EPS, Adjusted OM, and DWC, incentivize management to maximize the return on investment for our stockholders. Furthermore, the Compensation Committee concluded that the metrics used in determination of the MICP payout are effectively connected to the creation of stockholder value.

During 2017, fifty percent (50%) of the MICP was based upon Adjusted EPS, twelve and a half percent (12.5%) was based upon Adjusted OM, another twelve and a half percent (12.5%) was based upon DWC, and twenty-five percent (25%) was based on the achievement of strategic objectives. The performance goals and weightings are reviewed by the Compensation Committee with management on an annual basis and adjusted if deemed appropriate by the Compensation Committee. The Compensation Committee reviews and alters the weightings and the targets to ensure the management team focuses on the key metrics during different periods. The maximum achievement under the MICP is limited to one hundred and fifty percent (150%).

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The following summarizes the level of attainment for each financial performance goal during 2017 (dollar amounts in thousands):

	Adjusted EPS	Adjusted OM	DWC
Income from operations as reported		$92,849	
Net income from continuing operations as reported	$62,965		
Portfolio management costs, pre-tax and after tax	2,547	2,627	
Restructuring costs, after tax	1,805	2,868	
Senior leadership transition, after tax	433	705	
Acquisition related costs, after tax	91	146	
Tax reform	(12,535)	—	
Adjusted operating income		99,195	
Adjusted net income	$55,306		
Weighted average shares outstanding - diluted	32,250		
Net sales as reported		$986,918	
Average net working capital (1)			$125,641
Average daily sales			$2,741
Actual results	$1.71	10.1 %	46
MICP targets	$2.00	11.0 %	49
Maximum payout target	$2.30	12.0 %	48
Payout factor (2)	44.2 %	43.2 %	150.0 %
Weighting	50.0 %	12.5 %	12.5 %
MICP payout percentage	22.1 %	5.4 %	18.75 %

(1) Average net working capital was based on the 13-month average of accounts receivable and inventory less accounts payable for each month end between December 31, 2016 and December 31, 2017.

(2) The payout factor for Adjusted EPS and Adjusted OM was calculated by comparing the difference between actual results and the minimum threshold to the difference between the target and the minimum threshold. In addition, since the DWC actual results outperformed the maximum payout target for the DWC performance goal, the payout factor was determined to be 150% for the DWC performance goal.

The following table summarizes how each executive officer performed on their strategic objectives during 2017 along with the performance on the three financial performance goals calculated above and the final payout factor:

	Strategic Objective Payout Factor			Financial Objective Payout Percentages			
Name	Percentage Completion	Weighting	Payout Percentage	Adjusted EPS	Adjusted OM	DWC	Total Payout Percentage
Frank G. Heard	90.00 %	25.00 %	22.50 %	22.11 %	5.40 %	18.75 %	68.76 %
Timothy F. Murphy	121.50 %	25.00 %	30.38 %	22.11 %	5.40 %	18.75 %	76.64 %
Kenneth W. Smith	150.00 %	25.00 %	37.50 %	22.11 %	5.40 %	18.75 %	83.76 %
Cherri L. Syvrud	129.00 %	25.00 %	32.25 %	22.11 %	5.40 %	18.75 %	78.51 %
Jeffrey J. Watorek	124.50 %	25.00 %	31.13 %	22.11 %	5.40 %	18.75 %	77.39 %

Note that we reference several adjusted financial measures to explain our 2017 results. Adjusted financial data excluded special charges consisting of restructuring activities primarily associated with the 80/20 simplification initiative and portfolio management actions, acquisition-related costs and other reclassifications including the impact of recent tax reform. We believe that the presentation of adjusted financial measures provides meaningful supplemental data to stockholders, as well as management, that are indicative of the Company’s core operations and facilitates comparison across reporting periods as well as to peer companies.

The Compensation Committee uses adjusted financial information to determine the incentive compensation paid to NEOs under our performance-based compensation plans in order to keep management motivated to make hard decisions to drive long-term value creation, such as entering into restructuring plans, and making acquisitions and divestitures despite the short-term costs associated with these activities. These items normally are not subject to the budgeting process and cannot necessarily be anticipated.

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Equity-based Incentive Compensation. We maintain an equity incentive compensation plan known as the Gibraltar Industries, Inc. 2015 Equity Incentive Plan (the “Omnibus Plan”). Our Omnibus Plan is an integral component of our overall compensation structure and provides the Company a vehicle through which we make awards of equity-based compensation to our executive officers and other senior management employees.

Long-term Incentive Compensation Plan. The Compensation Committee has provided for grants of equity-based awards to our executive officers each year under the Long-term Incentive Plan (“LTIP”). Long-term equity-based awards have a value, at the time the award is made, equal to a percentage of the executive officer’s base salary. Equity awards consist of time-vested grants of restricted stock units (“RSUs”) and performance-based grants of performance stock units (“PSUs”). Targeted annual incentive compensation under RSU and PSU awards as a percentage of executive officer base salaries are as follows:

Position	Annual RSU Grants as a Percentage of Base Salary	Annual PSU Grants as a Percentage of Base Salary
Chief Executive Officer	90%	160%
Chief Financial Officer (1)	35% and 45%	75% and 100%
Senior Vice President	25%	75%
Vice President	10%	40%

(1) Mr. Murphy's percentage of base salary for the Annual RSU Grants and Annual PSU Grants was 35% and 75%, respectively. Mr. Smith's percentage of base salary until his retirement in April 2017 for Annual RSU Grants and Annual PSU was 45% and 100%, respectively.

The number of RSUs issued to the Chief Executive Officer was increased from 55% of his salary in 2016 to 90% in 2017 based upon a comprehensive analysis of his compensation and the Compensation Committee's evaluation of his performance and the degree his efforts have contributed to the execution of the Company's strategic goals. Additionally, the Chief Executive Officer received an increase in the number of PSUs issued in 2017 to 160% of his salary from 95% in 2016 based upon the same evaluation.

Restricted Stock Units

Under the terms of restricted stock unit awards, vesting occurs at a rate of 25% per year. The vesting conditions which apply to RSUs granted to the executive officers under the Company’s long-term incentive plan are designed to reward executives for continuing their employment with the Company and for implementing policies and practices which increase the value of the Company’s common stock over a significant period of time.

Performance Stock Units

The number of PSUs earned were determined during the 2017 performance period based upon the Company’s return on invested capital (“ROIC,” as defined in the award) compared to the targeted ROIC. The Compensation Committee has selected ROIC as the performance goal used in determining payouts under PSU awards based on stockholder feedback and management’s recommendation. ROIC is an important metric to be considered when making investment decisions and a focus on ROIC will incentivize management to make careful considerations when allocating capital for equipment, innovative growth opportunities, acquisitions, and other growth initiatives. Although the PSU awards use only one performance metric to determine the number of units earned under the grants, the Compensation Committee believes ROIC is a broad measurement of performance that measures profitability, cash flow generation, and asset management. Given that ROIC is a broad performance metric, we believe this measure is indicative of the effectiveness of our executive management team.

Targeted ROIC was based upon the budget presented to the Board of Directors by the executive management team. The Compensation Committee approved the 2017 target of 14.0% based on the budgeted financial information presented. The threshold to earn any PSUs under the award was set at 12.0%. The maximum number of shares earned is limited to 200%, which a ROIC of 16.0% or higher would have provided.

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In 2017, the executive officers earned 31% of the targeted PSUs awarded as calculated below:

	2017 ROIC
Net income from continuing operations as reported	$62,965
Portfolio management costs, after tax	2,547
Restructuring costs, after tax	1,805
Senior leadership transition, after tax	433
Acquisition related costs, after tax	91
Tax reform	(12,535)
Adjusted net income	$55,306
Tax effected interest expense	9,205
Adjusted net income before interest	$64,511
Average adjusted invested capital (1)	$511,112
Return on invested capital	12.6 %
PSU minimum threshold	12.0 %
PSU target	14.0 %
PSU maximum limit	16.0 %
Payout factor (2)	31.0 %

(1) Average adjusted invested capital was based on the 13-month average of total stockholders' equity adjusted for special charges plus net debt for the period ended December 31.

(2) The payout factor for ROIC was calculated by comparing the difference between actual results and the minimum threshold to the difference between the target and the minimum threshold.

The number of PSUs earned is determined based on performance during the first year of the award and the earned PSUs are converted to shares of common stock based on the Company's stock price as of grant date.

The targeted number of PSU awards granted to each executive officer is based upon a percentage of each recipient's base salary which is determined by the Compensation Committee in the same manner as the other elements of executive compensation. The following table calculates the number of PSU awards issued, earned, and the maximum number of PSU awards that could have been earned during 2017:

	Frank G. Heard	Timothy F. Murphy (1)	Kenneth W. Smith (2)	Cherri L. Syvrud	Jeffrey J. Watorek (3)
Salary as of grant date	$800,000	$375,000	$411,600	$250,000	$200,000
PSU grant as a percentage of salary	160 %	75 %	— %	75 %	40 %
Target compensation from PSU awards	$1,280,000	$281,250	$—	$187,500	$80,000
Stock price as of grant date	$43.05	$41.38	$—	$43.05	$39.55
PSUs awarded during 2017	29,733	6,797	—	4,355	2,023
Percentage of PSUs earned (per above)	31.0 %	31.0 %	0.0 %	31.0 %	31.0 %
PSUs earned during 2017	9,217	2,107	—	1,350	627
Potential PSUs at Maximum	59,466	13,594	—	8,710	4,046

(1) Effective as of April 1, 2017, Mr. Murphy was appointed to the offices of Senior Vice President and Chief Financial Officer of the Company with an annual base salary of $375,000 and target awards of 75% of base salary for performance stock units subject to performance goals established by the Compensation Committee. Accordingly, the PSUs awarded during 2017 to Mr. Murphy include two separate PSU awards. On February 1, 2017, Mr. Murphy, as Vice President, Treasurer and Secretary of the Company, was granted 3,554 PSU awards at a stock price of $43.05. Prior to being appointed to Senior Vice President and Chief Financial Officer, Mr. Murphy's annual base salary was $255,000 and PSU grant as a percentage of salary for 2017 was 60%. On April 3, 2017, Mr. Murphy was granted 3,243 PSU awards at a stock price of $39.55. Stock price as of grant date calculated based on

weight average of the two PSU grants.

(2) Due to the planned 2017 retirement of Mr. Smith, no equity based compensation awards were issued.

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(3) Grant of PSU awards based on stock price as of April 3, 2017.

The Compensation Committee believes this component of our compensation program more closely aligns executive officer compensation with the interests of the Company's stockholders by emphasizing ROIC and promotes retention of the Company's executive management team due to the three-year vesting period.

Non-qualified Deferred Compensation Plan. One of the features of our Omnibus Plan (as described above) is the Management Stock Purchase Plan ("MSPP"), a non-qualified deferred compensation arrangement. The MSPP provides our executive officers the right to defer the receipt of their annual incentive compensation payment earned under the MICP and up to 25% of their base salary.

If, and to the extent that an executive officer defers any portion of his or her MICP payment or base salary, an account is established for his or her benefit under the MSPP and credited with RSUs equal in number to the number of shares of the Company's stock which could have been purchased using the amount of the MICP payment or base salary which was deferred. The price used to determine the number of RSUs credited to an executive officer's account for MICP deferral is the 200-day closing average price per share of the Company's stock determined one day prior to the date in which the compensation was earned and deferred. The Company's use of a 200-day closing average price for valuing RSUs is intended to eliminate the effect of short-term market fluctuations on the number of RSUs awarded under our MSPP. The price used to determine the number of RSUs credited to an executive officer's account for salary deferral is the calendar quarter closing average price per share of the Company's stock determined as of the end of the applicable calendar quarter.

In addition to RSUs which are credited to the accounts of executive officers who elect to defer a portion of their MICP payment or base salary, the Company credits an additional number of RSUs ("Matching RSUs") to the account of the executive officer. These Matching RSUs are forfeited if the executive officer's employment is terminated, for any reason other than a change in control transaction, before the executive officer reaches age sixty (60).

RSUs credited to the account of an executive officer to reflect amounts deferred under the MSPP are paid to the participant upon a termination of employment. In addition, if the executive officer's employment is terminated after age sixty (60), the participant will be entitled to receive payment for Matching RSUs.

The following table summarizes the amount each NEO deferred into the MSPP during 2017, the number of RSUs credited to their MSPP accounts, and the matching RSUs credited to their MSPP accounts:

Name	2017 Deferred Compensation	RSUs Credited to MSPP for Officer Deferral	RSUs Credited to MSPP for Company Match
Frank G. Heard	$ 1,158,156	31,089	21,866
Timothy F. Murphy	$ 81,750	2,154	1,615
Kenneth W. Smith	$ 365,098	9,268	6,809
Cherri L. Syvrud	$ 42,451	1,118	1,118
Jeffrey J. Watorek	$ —	—	—

The amount to be paid to a participant upon termination of his or her employment is equal to the number of RSUs credited to his or her account (including Matching RSUs, if applicable) multiplied by the 200-day rolling average price per share of the Company's stock, determined as of the day immediately preceding the participant's termination. Payment of the amount determined above is made to the participant based on an election made prior to the deferral in either (a) a lump sum, (b) five substantially equal annual installments, or (c) ten substantially equal annual installments, beginning six months after the date of termination. During the period that the installment payments are being made, the undistributed value of the participant's account will earn interest at a rate equal to the average annualized rate of interest payable on ten-year US Treasury Notes plus two percent (2%).

We believe the MSPP furthers our compensation objectives of aligning the interests of our executive officers with stockholder interests by providing the executive officers an opportunity to increase post-termination compensation as a result of increases in the value of the Company's common stock over their careers.

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CEO's Supplemental RSU Pool. In 2017, at the request our Chief Executive Officer, the Compensation Committee established a pool of RSUs and granted the CEO authority to issue RSUs from this pool at his discretion. If the CEO desires to issue RSUs from this pool to an executive officer, Compensation Committee approval is required. The awards are intended to provide the CEO with a tool to (a) recognize significant accomplishment or effort not sufficiently recognized by the Company's annual or long-term incentive programs, (b) provide an incentive for retention, (c) acknowledge potential for leadership development, and (d) recognize a promotion or increased responsibilities. Awards are issued in the form of restricted stock or restricted stock units and generally cliff vest after a three-year period. Ms. Syvrud and Mr. Watorek were each awarded 2,000 RSUs during 2017 under the CEO's Supplemental RSU Pool, respectively.

Equity Grants to CEO and CFO. To provide the senior executive team with a long-term, performance-based incentive to generate value for our stockholders, the Compensation Committee awarded Mr. Heard, CEO, a grant of equity awards on February 1, 2017, and Mr. Murphy, CFO, a grant of equity awards on April 3, 2017 consisting of the following:

Type of Awards	Frank G. Heard		Timothy F. Murphy	
	Award Granted	Grant Date Fair Value	Award Granted	Grant Date Fair Value
Non-qualified stock options	20,000	$260,982	5,000	$60,305
Restricted stock units (RSUs)	20,000	$861,000	5,000	$197,750
Performance stock units (TSR PSUs)	20,000	$886,800	5,000	$191,800
Total		$2,008,782		$449,855

All of Mr. Heard's and Mr. Murphy's awards cliff-vest after three years on February 1, 2020 and April 3, 2020, respectively, and will be settled in shares of Gibraltar stock. The exercise price of the stock options was set equal to the grant date stock price. The TSR PSUs will be earned based upon the Company's relative total stockholder return ("TSR") generated over a performance period beginning February 2, 2017 and ending February 1, 2020 compared to the TSR of companies within the S&P SmallCap Industrial Sector Index. The payout factor applied to the target TSR PSUs granted is based upon meeting a threshold of the 40th percentile. At the 40th percentile, 100% of the TSR PSUs will be issuable. If Gibraltar's TSR does not exceed the 40th percentile, no TSR PSUs will be issuable. A ranking between the 40th and 90th percentiles results in an adjustment of the number of TSR PSUs issuable on a straight-line basis until the maximum award limit is reached at the 90th percentile where the executive will be entitled to the issuance of 150% of the TSR PSUs awarded.

The equity grant was made to recognize the future potential of these executives as leaders in our Company and to more closely align their interests to the interests of our stockholders. As 70% of the fair value of the award is directly tied to total shareholder return, the Compensation Committee used this award to ensure that these executives are significantly and immediately impacted by share price appreciation. The substantial performance-based component of the TSR PSUs and stock options is designed to motivate the CEO and CFO to further execute under Gibraltar's four-pillar strategic plan over the three-year vesting period and ultimately create value for our stockholders.

The Compensation Committee also considered the total direct compensation of the CEO and CFO compared to the peer group when it awarded this equity grant. The total direct compensation for both Mr. Heard and Mr. Murphy are less than the median compensation for our peer group. These awards were intended to reduce the gap between the median compensation provided to executives within our peer group and the compensation awarded to our CEO and CFO under our base compensation programs.

Although all the compensation related to these awards is captured within the Summary Compensation Table in 2017, the Compensation Committee considers these awards as compensation related to the vesting period, which spans the next three years.

Retirement Plans. All of our executive officers are entitled to participate in our Gibraltar 401(k) Plan. The Company does not provide any other retirement benefits aside from the 401(k) Plan.

Perquisites and Other Benefits. We annually review the perquisites that executive management receives. After reviewing the benefits provided to NEOs, the Compensation Committee eliminated all tax gross-up payments beginning January 1, 2017. Additionally, during 2017, the former Chief Financial Officer had the right, under the terms of the executive auto policy, to keep his company-leased automobile, and this one-time perquisite is included below in the Summary Compensation Table.

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Change in Control Benefits. Our executive officers have been a key component in building our Company into the successful enterprise that it is today. We believe that it is important to protect our executive officers in the context of a change in control transaction to allow them to focus on the transaction. Further, it is our belief that the interests of our stockholders will be best served if the interests of our executive management are aligned with the long-term success of the Company. We believe that change in control benefits should eliminate, or at least reduce, the reluctance of our executive officers to vigorously negotiate the optimal financial terms for our shareholders in the event of any potential, future change in control transactions.

Our Change in Control benefits for our Chief Executive Officer and Chief Financial Officer provide for the protection of previously granted equity-based incentive compensation and provide for a cash payment upon the consummation of the Change in Control transaction and subsequent termination of employment.

The cash components of any change in control benefits are paid in one lump sum, except in the case of Mr. Heard whose benefit includes an amount equal to his base salary payable over twelve months with the balance of his benefit payable in a lump sum. For more information concerning amounts our executive officers are entitled to receive upon a termination of employment and change in control, see "Potential Payments Upon Termination or Change in Control" below.

Generally Available Benefit Programs. The executive officers also participate in the Company's other generally available benefit plans on the same terms as other employees at the Company's headquarters. These plans include pay in lieu of time off, medical and dental insurance, life insurance, a supplemental salary continuation plan providing supplemental short-term disability benefits, and the Company's matching contribution to the Gibraltar 401(k) Plan. Relocation benefits also are reimbursed but are individually negotiated when they occur.

Employment Agreements

CEO Employment Agreement. The Company entered into an amended Employment Agreement with Frank G. Heard when he was promoted to President and Chief Executive Officer ("CEO") effective as of January 1, 2015. The Employment Agreement provides for the following:

- The term of the CEO's employment will continue until terminated by the Company or the CEO;
- Establishment of the CEO's annual base salary which may be adjusted from time to time, by the Compensation Committee;
- The CEO will be eligible to receive an annual bonus under the MICP and long-term incentive compensation as determined under the LTIP;
- The CEO will be entitled to participate in all other employee benefit plans and programs in effect for salaried employees employed at the Company's headquarters; and
- Upon a termination of the CEO's employment by the Company, without cause, or by the CEO for good reason, the CEO will be entitled to a severance benefit in an amount equal to 1.75 times his base salary.

Clawback Policy

The Company has a Clawback Policy which requires reimbursement of an executive officer's performance-based compensation if the independent members of the Board determine that the executive engaged in fraudulent conduct that resulted in a restatement of financial statements filed with the Securities and Exchange Commission. The Clawback policy extends to all employees of the Company.

This policy is contained in our Corporate Governance Guidelines, which are available on our website at www.gibraltar1.com.

Tax Considerations

Beginning in 2018, Section 162(m) of the Internal Revenue Code limits the federal income tax deduction for annual individual compensation to $1,000,000 for the Company's NEOs subject to a transition rule for written binding contracts in effect on November 2, 2017 and not materially modified after that date. Prior to 2018, qualifying performance-based compensation was not subject to the deduction limit if certain requirements are met. The Section 162(m) limitation resulted in a disallowed tax deduction for compensation expense of $457,000 in 2017. Historically, the Company's compensation programs were generally designed to qualify for this performance-based exception.

Additionally, Section 409A of the Internal Revenue Code generally imposes a tax on non-qualified deferred compensation arrangements which do not meet guidelines established by regulations under the Internal Revenue Code. The Company’s non-qualified deferred compensation arrangements are intended to comply with Section 409A.