MATERION Corp
Form DEF 14A
March 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ¨

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under §240.14a-12

MATERION CORPORATION

(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)(4) and 0-11

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

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Materion Corporation

6070 Parkland Blvd.

Mayfield Heights, Ohio 44124

Notice of Annual Meeting of Shareholders

The annual meeting of shareholders of Materion Corporation will be held at Executive Caterers at Landerhaven, 6111 Landerhaven Dr., Mayfield Heights, Ohio 44124 on May 2, 2012 at 11:00 a.m., local time, for the following purposes:

(1) To elect three directors, each to serve for a term of three years and until a successor is elected and qualified;

(2) To ratify Ernst & Young LLP as the independent registered public accounting firm for Materion Corporation for the year 2012;

(3) To approve, by non-binding vote, named executive officer compensation; and

(4) To transact any other business that may properly come before the meeting.

Shareholders of record as of the close of business on March 9, 2012 are entitled to notice of the meeting and to vote at the meeting or any adjournment or postponement of the meeting.

Michael C. Hasychak

Secretary

March 30, 2012

Important your proxy is enclosed.

Please sign, date and return your proxy in the accompanying envelope.

MATERION CORPORATION

6070 Parkland Blvd.

Mayfield Heights, Ohio 44124

PROXY STATEMENT

March 30, 2012

GENERAL INFORMATION

Your Board of Directors is furnishing this proxy statement to you in connection with our solicitation of proxies to be used at our annual meeting of shareholders to be held on May 2, 2012. The proxy statement is being mailed to shareholders on March 30, 2012.

Registered Holders. If your shares are registered in your name, you may vote in person or by proxy. If you decide to vote by proxy, you may do so by telephone, over the Internet or by mail.

By telephone. After reading the proxy materials and with your proxy card in front of you, you may call the toll-free number 1-800-560-1965, using a touch-tone telephone. You will be prompted to enter the last four digits of your Social Security Number or Tax Identification Number. Then follow the simple instructions that will be given to you to record your vote.

Over the Internet. After reading the proxy materials and with your proxy card in front of you, you may access the web site at http://www.eproxy.com/mtrn. You will be prompted to enter the last four digits of your Social Security Number or Tax Identification Number. Then follow the simple instructions that will be given to you to record your vote.

By mail. After reading the proxy materials, you may mark, sign and date your proxy card and return it in the enclosed prepaid and addressed envelope.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly. Without affecting any vote previously taken, you may revoke your proxy by delivery to us of a new, later dated proxy with respect to the same shares, or giving written notice to us before or at the annual meeting. Your presence at the annual meeting will not, in and of itself, revoke your proxy.

Participants in the Savings and Investment Plan and/or the Payroll Stock Ownership Plan (PAYSOP). If you participate in the Savings and Investment Plan and/or the PAYSOP, the independent Trustee for each plan, Fidelity Management Trust Company, will vote your plan shares according to your voting directions. You may give your voting directions to the plan Trustee in any one of the three ways set forth above. If you do not return your proxy card or do not vote over the Internet or by telephone, the Trustee will not vote your plan shares. Each participant who gives the Trustee voting directions acts as a named fiduciary for the applicable plan under the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Nominee Shares. If your shares are held by a bank, broker, trustee or some other nominee, that entity will give you separate voting instructions.

At the close of business on March 9, 2012, the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting, we had outstanding and entitled to vote 20,638,376 shares of common stock.

Each outstanding share of common stock entitles its holder to one vote on each matter brought before the meeting. Under Ohio law, shareholders have cumulative voting rights in the election of directors, provided that the shareholder gives not less than 48 hours notice in writing to the President, any Vice President or the Secretary of Materion Corporation that the shareholder desires that voting at the election be cumulative, and provided further that an announcement is made upon the convening of the meeting informing shareholders that notice requesting cumulative voting has been given by the shareholder. When cumulative voting applies, each share has a number of votes equal to the number of directors to be elected, and a shareholder may give all of the shareholder s votes to one nominee or divide the shareholder s votes among as many nominees as he or she sees fit. Unless contrary instructions are received on proxies given to us, in the event that cumulative voting applies,

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all votes represented by the proxies will be divided evenly among the candidates nominated by the Board of Directors, except that if voting in this manner would not be effective to elect all the nominees, the votes will be cumulated at the discretion of the Board of Directors so as to maximize the number of the Board of Directors nominees elected.

In addition to the solicitation of proxies by mail, we may solicit the return of proxies in person and by telephone, facsimile or e-mail. We will request brokerage houses, banks and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of shares and will reimburse them for their expenses. We will bear the cost of the solicitation of proxies. We retained Georgeson, Inc., at an estimated cost of $7,500 plus reimbursement of expenses, to assist in the solicitation of proxies from brokers, nominees, institutions and individuals.

Abstentions and Broker Non-Votes. At the annual meeting, the inspectors of election appointed for the meeting will tabulate the results of shareholder voting. Under Ohio law and our code of regulations, properly signed proxies that are marked abstain or are held in street name by brokers and not voted on one or more of the items (but otherwise voted on at least one item) before the meeting will be counted for purposes of determining whether a quorum has been achieved at the annual meeting.

Your broker or other nominee will not be able to vote your shares with respect to the election of directors if you have not provided directions to your broker. Abstentions and broker non-votes will not affect the vote on the election of directors (Proposal 1).

Because the vote to ratify the appointment of Ernst & Young LLP (Proposal 2) is considered routine, your broker or other nominee will be able to vote your shares with respect to this proposal without your instructions. An abstention will have no effect on this proposal as the abstention will not be counted in determining the number of votes cast.

An abstention or broker non-vote with respect to the non-binding vote to approve named executive officer compensation (Proposal 3) will have no effect on the proposal as the abstention or broker non-vote will not be counted in determining the number of votes cast.

* * *

We know of no other matters that will be presented at the meeting; however, if other matters do properly come before the meeting, the persons named in the proxy card will vote on these matters in accordance with their best judgment.

If you sign, date and return your proxy card but do not specify how you want to vote your shares, your shares will be voted as indicated on the proxy card.

1. ELECTION OF DIRECTORS

Our articles of incorporation and code of regulations provide for three classes of directors whose terms expire in different years. At the present time, it is intended that proxies will be voted for the election of Richard J. Hipple, William B. Lawrence and Geoffrey Wild.

Your Board of Directors recommends a vote for these nominees.

William P. Madar, who is a current director in the class of directors whose term expires at the annual meeting, has not been nominated to stand for re-election at the annual meeting pursuant to the Retirement Policy contained in our Policy Statement on Significant Corporate Governance Issues. Effective as of Mr. Madar s retirement, the size of the class of directors whose term expires at this annual meeting will be reduced to three members.

If any of these nominees becomes unavailable, it is intended that the proxies will be voted as the Board of Directors determines. We have no reason to believe that any of the nominees will be unavailable. The three nominees receiving the greatest number of votes for their election will be elected as directors of Materion Corporation. However, our Board of Directors recently adopted a Majority Voting Policy whereby, in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for election is expected to tender his or her resignation following certification of the shareholder vote, subject to a 90-day review process by our Governance and Organization Committee and Board of Directors to consider whether the tendered resignation should be accepted. An abstention or broker non-vote is not treated as a vote withheld under our Majority Voting Policy. For additional details on the Majority Voting Policy, see page 11 of this proxy statement.

In July 2011, we increased the number of members of the Board of Directors from nine to 11 and appointed Geoffrey Wild and Dr. Darlene J. S. Solomon as new directors to fill the vacancies created by the increases in the size of the Board. Mr. Wild joined the class of directors whose term expires at the annual meeting, and Dr. Solomon joined the class of directors whose term expires at the 2013 annual meeting. Mr. Wild and Dr. Solomon were each recommended as a director by a search consultant retained by the Board of Directors.

The following sets forth information concerning the nominees and the directors whose terms of office will continue after the meeting:

Directors Whose Terms End in 2012

Richard J. Hipple, Chairman, President and Chief Executive Officer, Materion Corporation. In May 2006, Mr. Hipple was named Chairman and Chief Executive Officer of Materion Corporation. He has served as President since May 2005 and as Chief Operating Officer from May 2005 until May 2006. Mr. Hipple was President of Performance Alloys from May 2002 until May 2005. He joined the Company in July 2001 as Vice President of Strip Products, Performance Alloys and served in that position until May 2002. Prior to joining Materion Corporation, Mr. Hipple was President of LTV Steel Company, a business unit of The LTV Corporation, an integrated steel producer and metal fabricator. Mr. Hipple has served on the Board of Directors of Ferro Corporation since June 2007 and as Lead Director since April 2010. Mr. Hipple is 59 years old. Mr. Hipple s broad experience and deep understanding of the Company and the materials business, combined with his drive for innovation and excellence, positions him well to serve as our Chairman, President and Chief Executive Officer.

William B. Lawrence, Former Executive Vice President, General Counsel and Secretary, TRW, Inc. (Advanced technology products and services). Prior to the sale of TRW, Inc. to Northrop Grumman Corporation in December 2002, Mr. Lawrence served as TRW s Executive Vice President, General Counsel and Secretary since 1997 and held various other executive positions at TRW since 1976. Mr. Lawrence has also served on the Board of Directors of Ferro Corporation since 1999. Mr. Lawrence is 67 years old and has been a director of Materion Corporation since 2003. Mr. Lawrence s background as an Executive Vice President, General Counsel and Secretary of TRW, Inc. and as a director at Ferro Corporation provides him with the knowledge and experience to address the complex legislative, governance and financial issues facing global companies today.

Geoffrey Wild, Chief Executive Officer, AZ Electronic Materials S.A. (Specialty chemicals and materials). Mr. Wild has served as the Chief Executive Officer and a director of AZ Electronic Materials since 2010. From 2008 to 2009, Mr. Wild was President and Chief Executive Officer of Portland, Oregon-based, Cascade

Microtech, Inc. (Precision electrical measurement products and services). Prior to that time, from 2002 to 2007, Mr. Wild was Chief Executive Officer of Nikon Precision Inc. (Precision optical products). Mr. Wild served on the Board of Directors of Axcelis Technologies, Inc. until April 2011. Mr. Wild is 56 years old and he was appointed to the Board of Directors in July 2011. Mr. Wild s substantial knowledge and management experience in the global semiconductor industry, including the role of a supplier of equipment and materials to international customers, deepens our Board of Directors insight into the operational issues that global companies face. Additionally, Mr. Wild s role as a chief executive officer has exposed him to financial and accounting issues.

Directors Whose Terms End in 2013

Vinod M. Khilnani, Chairman, Chief Executive Officer and President, CTS Corporation (Electronic components and accessories). Mr. Khilnani was appointed Chairman of CTS in May 2009. He has served as President and Chief Executive Officer of CTS Corporation since July 2007. Prior to that time, he served as Senior Vice President and Chief Financial Officer since May 2001. Mr. Khilnani is 59 years old and has been a director of Materion Corporation since 2009. As the Chairman, Chief Executive Officer and President of CTS Corporation and its former Chief Financial Officer, Mr. Khilnani offers a wealth of management experience and business knowledge regarding operational, financial and corporate governance issues, as well as extensive international experience with global operations.

William R. Robertson, Retired Partner, Kirtland Capital Partners (Private equity investments). Mr. Robertson retired as Partner of Kirtland Capital Partners in December 2006. Prior to his retirement, he was a Consulting Partner since August 2005 and from September 1997 through August 2005, he was a Managing Partner of Kirtland Capital. He was President and a director of National City Corporation (Diversified financial holding company) from October 1995 until July 1997. He also served as Deputy Chairman and a director from August 1988 until October 1995. Mr. Robertson has served on Huntington Bancshares Inc. s Board of Directors since September 2009. Mr. Robertson is also a member of the Board of Managers of the Prentiss Foundation, an emeritus member of the Board of Trustees of the Cleveland Museum of Art and serves as a director of Hartland & Co. Mr. Robertson is 70 years old and has been a director of Materion Corporation since 1997. With his background and expertise in private equity and banking, Mr. Robertson brings a unique and valuable perspective on the capital markets and acquisitions to our Board of Directors.

John Sherwin, Jr., President, Mid-Continent Ventures, Inc. (Venture capital). Mr. Sherwin has been President of Mid-Continent Ventures, Inc. during the past five years. Mr. Sherwin is a director of John Carroll University, an executive in residence at Lakeland Community College and a trustee of The Cleveland Clinic Foundation. Mr. Sherwin is 73 years old and has been a director of Materion Corporation since 1981 and the Lead Director since 2005. Mr. Sherwin brings extensive business and governance experience to our Board of Directors, including a deep understanding of the Company gained in his 31 years of service on the Board of Directors, positioning him well to serve as our Lead Director.

Darlene J. S. Solomon, Ph.D., Senior Vice President and Chief Technology Officer, Agilent Technologies, Inc. (Bio-analytical and electronic measurement). Dr. Solomon has served as Senior Vice President and Chief Technology Officer of Agilent Technologies since 2006. Prior to that time she was Vice President and Director of Agilent Laboratories. Dr. Solomon joined Agilent in 1999 and served in a dual capacity as the director of the Life Sciences Technologies Laboratory and as the senior director, research and development/technology for Agilent s Life Sciences and Chemical Analysis business. Dr. Solomon is 53 years old and was appointed to the Board of Directors in July 2011. With extensive knowledge and experience in materials measurement and analysis technologies, Dr. Solomon brings to our Board of Directors valuable insight on research and development and other operational issues faced by companies focused on innovations in technology.

Directors Whose Terms End in 2014

Joseph P. Keithley, Former Chairman, Chief Executive Officer and President, Keithley Instruments, Inc. (Electronic test and measurement products). Mr. Keithley had been Chairman of the Board of Keithley Instruments, Inc. since 1991 and a member of its Board of Directors since 1986 until December 2010, when Keithley Instruments, Inc. was purchased by Danaher Corporation. He had served as Chief Executive Officer of

Keithley Instruments, Inc. since November 1993 and as its President since May 1994. He has also served on the Board of Directors of Nordson Corporation since 2001 and Chairman of that board since February 2010. Mr. Keithley has served on the Board of Directors of Axcelis Technologies, Inc. since August 2011. Mr. Keithley is 63 years old and has been a director of Materion Corporation since 1997. Mr. Keithley brings an extensive, broad-based business background from his leadership roles at Keithley Instruments, Inc. to his role on our Board of Directors. Among other things, Mr. Keithley draws upon his extensive knowledge in the global semiconductor, fiber optics, telecommunications and electronics industries garnered while at Keithley Instruments, Inc.

N. Mohan Reddy, Ph.D., Dean and Albert J. Weatherhead III Professor of Management, Weatherhead School of Management, Case Western Reserve University. Dr. Reddy was appointed Dean of the Weatherhead School of Management, Case Western Reserve University in December 2006 and was named Albert J. Weatherhead III Professor of Management, effective January 2007. Prior to that, Dr. Reddy had been Associate Professor of Marketing since 1991 and Keithley Professor of Technology Management from 1996 to 2006 at the Weatherhead School of Management, Case Western Reserve University. Dr. Reddy had served on the Board of Directors of Keithley Instruments, Inc. from 2001 until December 2010, when Keithley Instruments, Inc. was purchased by Danaher Corporation. From February 2011 to October 2011, Dr. Reddy served on the Board of Directors of Lubrizol Corporation when it was purchased by Berkshire Hathaway Inc. Dr. Reddy also serves as consultant to firms in the electronics and semiconductor industries, primarily in the areas of product and market development. Dr. Reddy is 58 years old and has been a director of Materion Corporation since 2000. Dr. Reddy s knowledge of industrial marketing, technology development and extensive global knowledge in the electronics and semiconductor industries provides valuable insight to our Board of Directors.

Craig S. Shular, Chairman, Chief Executive Officer and President, GrafTech International Ltd. (Electrical industrial apparatus). Mr. Shular was elected Chairman of the Board of GrafTech International in February 2007. He has served as Chief Executive Officer and a director since January 2003 and as President since May 2002. From August 2001 until May 2002, he served as Executive Vice President of GrafTech s largest business, Graphite Electrodes. Mr. Shular joined GrafTech as its Vice President and Chief Financial Officer in January 1999 and assumed the additional duties of Executive Vice President, Electrode Sales and Marketing in February 2000 until August 2001. Mr. Shular serves on the Board of Directors of Junior Achievement of Greater Cleveland. Mr. Shular is 59 years old and has been a director of Materion Corporation since 2008. As the Chairman, Chief Executive Officer and President and former Chief Financial Officer of GrafTech International Ltd., Mr. Shular brings a breadth of financial and operational management experience and provides the Board with a perspective of someone with all facets of a global enterprise.

CORPORATE GOVERNANCE; COMMITTEES OF THE BOARD OF DIRECTORS

We have adopted a Policy Statement on Significant Corporate Governance Issues and a Code of Conduct Policy in compliance with New York Stock Exchange and Securities and Exchange Commission requirements. These materials, along with the charters of the Audit, Compensation and Governance and Organization Committees of our Board of Directors, which also comply with applicable requirements, are available on our web site at http://materion.com/, or upon request by any shareholder to Secretary, Materion Corporation, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124. We also make our reports on Forms 10-K, 10-Q and 8-K available on our web site, free of charge, as soon as reasonably practicable after these reports are filed with the Securities and Exchange Commission. Any amendments or waivers to our Code of Conduct Policy, Committee Charters and Policy Statement on Significant Corporate Governance Issues will also be made available on our web site. The information on our web site is not incorporated by reference into this proxy statement or any of our periodic reports.

Director Independence

The New York Stock Exchange listing standards require that all listed companies have a majority of independent directors. For a director to be independent under the New York Stock Exchange listing standards, the board of directors of a listed company must affirmatively determine that the director has no material relationship with the Company, or its subsidiaries or affiliates, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company, or its subsidiaries or affiliates. Our Board of Directors has adopted the following standards, which are identical to those of the New York Stock Exchange listing standards, to assist it in its determination of director independence. A director will be determined *not* to be independent under the following circumstances:

- the director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company;

- the director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than $120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

- (a) the director is a current partner or employee of a firm that is the Company s internal or external auditor; (b) the director has an immediate family member who is a current partner of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and personally works on the Company s audit; or (d) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company s audit within that time;

- the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on that company s compensation committee; or

- the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1,000,000, or two percent of such other company s consolidated gross revenues.

Additionally, for purposes of determining whether a director has a material relationship with the Company apart from his or her service as a director, our Board of Directors has deemed the following relationships as categorically immaterial:

- the director, or an immediate family member, is a current employee, director or trustee of a tax-exempt organization and the Company s contributions to the organization (excluding Company matching of employee contributions) in any fiscal year are less than $120,000; or

the director is a director of a company that has made payments to, or received payments or deposits from, the Company for property, goods or services in the ordinary course of business in an amount which, in any fiscal year, is less than the greater of $1,000,000, or two percent of such other company s consolidated gross revenues.

Our Board of Directors has affirmatively determined that each of our directors, other than Mr. Hipple, is independent within the meaning of that term as defined in the New York Stock Exchange listing standards; a non-employee director within the meaning of that term as defined in Rule 16b-3(b)(3) promulgated under the Securities Exchange Act of 1934 (Exchange Act); and an outside director within the meaning of that term as defined in the regulations promulgated under section 162(m) of the Internal Revenue Code of 1986 (Code).

Charitable Contributions

Within the last three years, we have made no charitable contributions during any single fiscal year to any charity in which an independent director serves as an executive officer, of over the greater of $1,000,000 or 2% of the charity s consolidated gross revenues.

Non-management Directors

Our Policy Statement on Significant Corporate Governance Issues provides that the non-management members of the Board of Directors will meet during each regularly scheduled meeting of the Board of Directors. Presently Mr. Sherwin is the lead non-management director (Lead Director).

In addition to the other duties of a director under our Policy Statement on Significant Corporate Governance Issues, the Lead Director, in collaboration with the other independent directors, is responsible for coordinating the activities of the independent directors and in that role will:

- chair the executive sessions of the independent directors at each regularly scheduled meeting;
- make recommendations to the Board Chairman regarding the timing and structuring of Board meetings;
- make recommendations to the Board Chairman concerning the agenda for Board meetings, including allocation of time as well as subject matter;
- advise the Board Chairman as to the quality, quantity and timeliness of the flow of information from management to the Board;
- serve as the independent point of contact for shareholders wishing to communicate with the Board other than through management;
- interview all Board candidates, and provide the Governance and Organization Committee with recommendations on each candidate;
- maintain close contact with the Chairman of each standing committee and assist in ensuring communi-cations between each committee and the Board;
- lead the Chief Executive Officer evaluation process; and
- be the ombudsman for the Chief Executive Officer to provide two-way communication with the Board.

Board Communications

Shareholders or other interested parties may communicate with the Board of Directors as a whole, the Lead Director or the non-management directors as a group, by forwarding relevant information in writing to Lead Director, c/o Secretary, Materion Corporation, 6070 Parkland Blvd.,

Mayfield Heights, Ohio 44124. Any other communication to individual directors or committees of the Board of Directors may be similarly addressed to the appropriate recipients, c/o Secretary, Materion Corporation, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124.

Board Leadership

Currently, the Chairman of the Board of Directors also serves as the Chief Executive Officer. The Board of Directors has no policy with respect to the separation of these offices. The Board of Directors believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board of Directors to consider it each time that it elects the Chief Executive Officer. The Board of Directors recognizes that there may be circumstances in the future that would lead it to separate these offices, but it believes that there is no reason to do so at this time.

As both a director and officer, Mr. Hipple fulfills a valuable leadership role that the Board believes is essential to the continued success of the Company s business operations at this time. In the Board s opinion, Mr. Hipple s dual role enhances the Company s ability to coordinate long-term strategic direction with important business opportunities at the operational level and enhances his ability to provide insight and direction on important strategic initiatives impacting the Company and its shareholders to both management and the independent directors.

Unless the Chairman of the Board of Directors is an independent director, the independent directors periodically select from among their number one director who will serve as the Lead Director. The Lead Director works with the Chairman and Chief Executive Officer and other Board members to provide strong, independent oversight of the Company s management and affairs.

Risk Oversight

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full Board of Directors in setting the Company s business strategy is a key part of its assessment of management s appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board of Directors also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company s internal auditors. In addition, management also provides a risk management report including a financial risk assessment and enterprise risk management update and information technology contingency plans to the Audit Committee. In setting compensation, the Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with the Company s business strategy. Finally, the Company s Governance and Organization Committee conducts an annual assessment of the Board s structure for compliance with corporate governance and risk management best practices. The Company believes that the Board s role in risk oversight is consistent with the Company s leadership structure, with management having day-to-day responsibility for assessing and managing the Company s risk exposure and the Board and its committees providing oversight in connection with those efforts, with particular focus on the most significant risks facing the Company.

Audit Committee

The Audit Committee held six meetings in 2011. The Audit Committee membership consists of Mr. Lawrence, as Chairman, and Messrs. Keithley, Shular and Wild. Under the Audit Committee Charter, the Audit Committee s principal functions include assisting our Board of Directors in fulfilling its oversight responsibilities with respect to:

- the integrity of our financial statements and our financial reporting process;
- compliance with ethics policies and legal and other regulatory requirements;
- our independent registered public accounting firm s qualifications and independence;
- our systems of internal accounting and financial controls; and

the performance of our independent registered public accounting firm and of our internal audit functions.

We currently do not limit the number of audit committees on which our Audit Committee members may serve. No member of our Audit Committee serves on the audit committee of three or more public companies in addition to ours. The Audit Committee also prepared the Audit Committee report included under the heading Audit Committee Report in this proxy statement.

Audit Committee Expert, Financial Literacy and Independence

Although our Board of Directors has determined that more than one member of the Audit Committee has the accounting and related financial management expertise to be an audit committee financial expert, as defined by the Securities and Exchange Commission, it has named the Audit Committee Chairman, Mr. Lawrence, as the Audit Committee financial expert. Each member of the Audit Committee is financially literate and satisfies the independence requirements in section 303A.02 of the New York Stock Exchange listing standards.

Compensation Committee

The Compensation Committee held six meetings in 2011. Its membership consists of Messrs. Khilnani, Madar, Robertson and Sherwin and Drs. Reddy and Solomon. During 2011, Dr. Reddy served as Chairman of the committee through late July and Mr. Khilnani has served since then. The committee may, at its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee; provided that such subcommittee has a published charter in accordance with the rules of the New York Stock Exchange. In particular, the committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the committee who are (a) Non-employee Directors for the purposes of Rule 16b-3 of the Exchange Act, as in effect from time to time, and (b) outside directors for the purposes of section 162(m) of the Code. The committee s principal functions include:

- reviewing and approving executive compensation, including severance payments;
- overseeing and recommending equity and non-equity incentive plans;
- overseeing regulatory compliance with respect to compensation matters;
- advising on senior management compensation; and
- reviewing and discussing the Compensation Discussion and Analysis (CD&A) and Compensation Committee Report.

For additional information regarding the operation of the Compensation Committee, see the Compensa-tion Discussion and Analysis in this proxy statement.

Governance and Organization Committee

The Governance and Organization Committee held five meetings in 2011. The Governance and Organization Committee membership consists of Mr. Sherwin, as Chairman, and Messrs. Keithley, Khilnani, Lawrence, Madar, Robertson, Shular and Wild and Drs. Reddy and Solomon. All the members are independent in accordance with the New York Stock Exchange listing requirements. The Committee s principal functions include:

- evaluating candidates for board membership, including any nominations of qualified candidates submitted in writing by shareholders to our Secretary;
- making recommendations to the full Board of Directors regarding directors compensation;
- making recommendations to the full Board of Directors regarding governance matters;

overseeing the evaluation of the Board and management of the Company;

assisting in management succession planning; and

reviewing related party transactions.

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As noted above, the Governance and Organization Committee is involved in determining compensation for our directors. The Governance and Organization Committee administers our equity incentive plans with respect to our directors, including approval of grants of stock options and other equity or equity-based awards, and makes recommendations to the Board of Directors with respect to incentive compensation plans and equity-based plans for directors. The Governance and Organization Committee periodically reviews director compensation in relation to comparable companies and other relevant factors. Any change in director compensation must be approved by the Board of Directors. Other than in his capacity as a director, no executive officer other than the Chief Executive Officer participates in setting director compensation. From time to time, the Governance and Organization Committee or the Board of Directors may engage the services of a compensation consultant to provide information regarding director compensation at comparable companies.

Nomination of Director Candidates

The Governance and Organization Committee will consider candidates recommended by shareholders for nomination as directors of Materion Corporation. Any shareholder desiring to submit a candidate for consideration by the Governance and Organization Committee should send the name of the proposed candidate, together with biographical data and background information concerning the candidate, to the Governance and Organization Committee, c/o Secretary, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124. The Governance and Organization Committee did not receive any recommendation for a candidate from a shareholder or shareholder group as of March 5, 2012.

In recommending candidates to the Board of Directors for nomination as directors, the Governance and Organization Committee s charter requires it to consider such factors as it deems appropriate, consistent with our Policy Statement on Significant Corporate Governance Issues. These factors are as follows:

- broad-based business, governmental, non-profit, or professional skills and experiences that indicate whether the candidate will be able to make a significant and immediate contribution to the Board s discussion and decision-making in the array of complex issues facing the Company;
- exhibited behavior that indicates he or she is committed to the highest ethical standards and the values of the Company;
- special skills, expertise and background that add to and complement the range of skills, expertise and background of the existing directors;
- whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all our shareholders and other stakeholders in reaching decisions;
- a global business and social perspective, personal integrity and sound judgment; and
- time available to devote to Board activities and to enhance their knowledge of the Company.

Although the Company does not have a formal policy regarding diversity, as part of the analysis of the foregoing factors, the Governance and Organization Committee considers whether the candidate enhances the diversity of the Board of Directors. Such diversity includes professional background and capabilities, knowledge of specific industries and geographic experience, as well as the more traditional diversity concepts of race, gender and national origin.

The Governance and Organization Committee s evaluation of candidates recommended by shareholders does not differ materially from its evaluation of candidates recommended from other sources.

The Governance and Organization Committee utilizes a variety of methods for identifying and evaluating director candidates. The Governance and Organization Committee regularly reviews the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance and Organization Committee considers various potential candidates for director. Candidates may come to the attention of the Governance and Organization Committee through current Board members, professional search firms, shareholders or other persons.

A shareholder of record entitled to vote in an election of directors who timely complies with the procedures set forth in our code of regulations and with all applicable requirements of the Exchange Act and the rules and regulations thereunder, may also directly nominate individuals for election as directors at a shareholders meeting. Copies of our code of regulations are available by a request addressed to Secretary, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124.

To be timely, notice of a shareholder nomination for an annual meeting must be received at our principal executive offices not fewer than 60 nor more than 90 days prior to the date of the annual meeting. However, if the date of the meeting is more than one week before or after the first anniversary of the previous year s meeting and we do not give notice of the meeting at least 75 days in advance, nominations must be received within ten days from the date of our notice.

Majority Voting Policy

In February 2012, our Board of Directors adopted a Majority Voting Policy whereby, in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for election, which we refer to as a Majority Withheld Vote, is expected to tender his or her resignation following certification of the shareholder vote. In such an event, the Governance and Organization Committee will consider the tendered resignation and make a recommendation to the Board of Directors. The Board of Directors will act on the Governance and Organization Committee s recommendation within 90 days following certification of the shareholder vote. Any director who tenders his or her resignation pursuant to this policy will not participate in the Governance and Organization Committee s recommendation or Board of Directors action regarding whether to accept or reject the tendered resignation.

However, if each member of the Governance and Organization Committee received a Majority Withheld Vote in the same election, then the Board of Directors will appoint a committee comprised solely of independent directors who did not receive a Majority Withheld Vote at that election to consider each tendered resignation offer and recommend to the Board of Directors whether to accept or reject each resignation. Further, if all of the director nominees received a Majority Withheld Vote in the same election, the Board of Directors will appoint a committee comprised solely of independent directors to consider each tendered resignation offer and recommend to the Board of Directors whether to accept or reject each resignation.

Director Attendance

Our Board of Directors held seven meetings in 2011. All of the directors who were directors in 2011 attended at least 75% of the Board and assigned committee meetings during 2011. Our policy is that directors are expected to attend all meetings including the annual meeting of shareholders. All of our directors attended last year s annual meeting of shareholders.

2011 DIRECTOR COMPENSATION

Annual compensation for non-employee directors for 2011 was comprised of cash compensation, consisting of annual retainer fees, and equity compensation, consisting of restricted stock units. Each of these components is described in more detail below:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Total ($)
Albert C. Bersticker(1)	35,000		35,000
Joseph P. Keithley	70,000	65,002(3)	135,002
Vinod M. Khilnani	70,000	65,002(3)	135,002
William B. Lawrence	80,000	65,002(3)	145,002
William P. Madar	65,000	65,002(3)	130,002
William G. Pryor(1)	35,000		35,000
N. Mohan Reddy	72,500	65,002(3)	137,502
William R. Robertson	65,000	65,002(3)	130,002
John Sherwin, Jr.	85,000	65,002(3)	150,002
Craig S. Shular	70,038(2)	65,002(3)	135,040
Darlene J. S. Solomon	35,000	100,009(4)	135,009
Geoffrey Wild	32,500	100,009(4)	132,509

(1) Messrs. Bersticker and Pryor s term of office expired at the May 4, 2011 annual meeting of shareholders and they did not stand for re-election under the Company s Retirement Policy.

(2) Pursuant to the 2006 Non-employee Director Equity Plan as amended on May 4, 2011 (2006 A&R Director Plan), Mr. Shular elected to defer 100% of his compensation in the form of deferred stock units in 2011.

(3) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock awards. See Note K to the Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2011 for the assumptions used in calculating such expense. These directors were awarded 1,654 restricted stock units, with a grant date fair value of $39.30 per share, pursuant to the 2006 A&R Director Plan.

(4) Dr. Solomon and Mr. Wild each received 2,481 shares of common stock, which were granted upon appointment to the Board of Directors on July 27, 2011 as described below under Equity Compensation . The grant date fair value of these shares on the date of grant under FASB ASC Topic 718 was $40.31 per share.

As of December 31, 2011, the aggregate number of stock options outstanding and the aggregate number of stock awards subject to forfeiture were as follows:

	Stock Options	Restricted Stock Units
Albert C. Bersticker		
Joseph P. Keithley		1,654
Vinod M. Khilnani		1,654
William B. Lawrence	9,000	1,654
William P. Madar	6,000	1,654
William G. Pryor	9,000	
N. Mohan Reddy		1,654
William R. Robertson		1,654
John Sherwin, Jr.		1,654
Craig S. Shular		1,654

Darlene J. S. Solomon
Geoffrey Wild

Annual Retainer Fees

Non-employee directors receive an annual retainer fee in the amount of $65,000. Non-employee directors who chair a committee receive an additional $5,000 annually, with the exception of the Chairman of the Compensation Committee (Mr. Khilnani in 2011), who receives an additional $10,000 annually, and the Chairman of the Audit Committee (Mr. Lawrence in 2011), who receives an additional $15,000 annually. The Lead Director (Mr. Sherwin in 2011) receives an additional $15,000 annually. Members of the Audit Committee, with the exception of the Chairman, receive an additional $5,000 annually.

Equity Compensation

Under the 2006 A&R Director Plan, non-employee directors who continue to serve as a director following an annual meeting of shareholders receive $65,000 worth of restricted stock units, an increase of $5,000 effective May 2011, which will be paid out in common stock at the end of a one-year restriction period unless the participant elects that the shares be received in the form of deferred stock units. These restricted stock units are automatically granted on the day following the annual meeting. The number of restricted stock units granted is equal to $65,000 divided by the closing price of our common stock on the day of the annual meeting. In the event a new director is elected or appointed, common stock will be granted on the first business day following the election or appointment to the Board of Directors. This grant of common stock will be equal to $100,000 divided by the closing price of our common stock on the day the director is elected or appointed to the Board of Directors.

Deferred Compensation

Non-employee directors may defer all or a part of their annual retainer fees in the form of deferred stock units under the 2006 A&R Director Plan until ceasing to be a member of the Board of Directors. A director may also elect to have restricted stock units or other stock awards made under the 2006 A&R Director Plan deferred in the form of deferred stock units.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of Materion Corporation s common stock by each person known by Materion Corporation to be the beneficial owner of more than 5% of the common stock, by each present director of Materion Corporation, by each of the Chief Executive Officer, Chief Financial Officer and other most highly compensated executive officers (each named executive officer or NEO) of Materion Corporation and by all directors and executive officers of Materion Corporation as a group, as of February 15, 2012, unless otherwise indicated. The shareholders listed in the table have sole voting and investment power with respect to shares beneficially owned by them, unless otherwise indicated. Shares that are subject to stock options and stock appreciation rights (SARs) that may be exercised within 60 days of February 15, 2012 are reflected in the number of shares shown and in computing the percentage of Materion s common stock beneficially owned by the person who owns those stock options and SARs.

Non-officer Directors	**Number of Shares**	**Percent of Class**
Joseph P. Keithley	24,270(2)	*
Vinod M. Khilnani	14,427(2)	*
William B. Lawrence	20,612(1)(2)	*
William P. Madar	31,113(1)(2)	*
N. Mohan Reddy	28,195(2)	*
William R. Robertson	20,401(2)	*
John Sherwin, Jr.	20,295(2)(3)	*
Craig S. Shular	23,046(2)	*
Darlene J. S. Solomon	2,481	*
Geoffrey Wild	2,481(2)	*
Named Executive Officers		
Richard J. Hipple	199,171(1)	*
John D. Grampa	105,256(1)	*
Daniel A. Skoch	105,300(1)	*
Gregory R. Chemnitz	28,483(1)	*
All directors and executive officers as a group (including the Named Executive Officers) (14 persons)	625,531(4)	3.0%
Other Persons		
GAMCO Asset Management Inc.	1,580,000(5)	7.6%
One Corporate Center		
Rye, NY 10580		
BlackRock, Inc.	1,569,034(6)	7.6%
40 East 52nd Street		
New York, NY 10022		
Heartland Advisors, Inc	1,349,910(7)	6.5%
789 North Water Street		
Milwaukee, WI 53202		
The Vanguard Group, Inc	1,068,694(8)	5.2%
100 Vanguard Blvd.		
Malvern, PA 19355		

* Less than 1% of common stock.

(1) Includes shares covered by outstanding options and SARs exercisable within 60 days as follows: Mr. Hipple 124,949; Mr. Grampa 77,577; Mr. Skoch 76,107 and Mr. Chemnitz 18,174 and options exercisable within 60 days as follows: Mr. Lawrence 9,000 and Mr. Madar 6,000.

(2) Includes deferred shares under the Deferred Compensation Plans for Non-employee Directors as follows: Mr. Keithley 17,908; Mr. Khilnani 10,529; Mr. Lawrence 3,852; Mr. Madar 5,974; Dr. Reddy 19,456; Mr. Robertson 9,789; Mr. Sherwin 7,101; Mr. Shular 19,148 and Mr. Wild 2,481.

(3) Includes 1,429 shares owned by Mr. Sherwin s children, of which Mr. Sherwin disclaims beneficial ownership.

(4) Includes 311,807 shares subject to outstanding options and SARs held by officers and directors and exercisable within 60 days.

(5) A Schedule 13D filed with the Securities and Exchange Commission on September 28, 2011 indicates that, as of September 27, 2011: (a) Gabelli Funds, LLC had sole voting and dispositive power with respect to 371,000 shares; (b) GAMCO Asset Management Inc. had sole voting power with respect to 948,200 shares and sole dispositive power with respect to 1,043,200 shares; (c) Teton Advisors, Inc. had sole voting and dispositive power with respect to 160,800 shares; and (d) Gabelli Securities, Inc. (GSI) had sole voting and dispositive power with respect to 5,000 shares. The Schedule 13D further indicates that it was being filed by Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer and that he, GSI and certain other entities named therein may be deemed to have beneficial ownership of the shares owned beneficially by each of the foregoing entities as well as certain other persons or entities named therein.

(6) BlackRock, Inc., reported on a Schedule 13G filed with the Securities and Exchange Commission on February 10, 2012 that as of December 31, 2011, it had sole voting and sole dispositive power with respect to 1,569,034 shares.

(7) Heartland Advisers, Inc., an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E), reported on a Schedule 13G filed with the Securities and Exchange Commission on February 10, 2012, that as of December 31, 2011, it had shared voting and shared dispositive power with respect to 1,349,910 shares.

(8) The Vanguard Group, Inc., an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E), reported on a Schedule 13G filed with the Securities and Exchange Commission on February 9, 2012, that as of December 31, 2011, it had sole voting and shared dispositive power with respect to 29,525 shares and sole dispositive power with respect to 1,039,169 shares. The amount beneficially owned totals 1,068,694 shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, officers and persons who own 10% or more of our common stock to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission. Directors, officers and 10% or greater shareholders are required by Securities and Exchange Commission regulations to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of copies of forms that we have received, and written representations by our directors, officers and 10% or greater shareholders, all of our directors, officers and 10% or greater shareholders complied with all filing requirements applicable to them with respect to transactions in our equity securities during the fiscal year ended December 31, 2011.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

This Executive Summary provides a high level overview of the 2011 outcomes of our compensation program for our named executive officers (NEOs) and should be read in conjunction with the complete Compensation Discussion and Analysis (CD&A). For 2011, our NEOs include Messrs. Richard J. Hipple, Chairman, President and Chief Executive Officer; John D. Grampa, Senior Vice President Finance and Chief Financial Officer; Daniel A. Skoch, Senior Vice President Administration; and Gregory R. Chemnitz, Vice President, General Counsel. The Executive Summary provides an at-a-glance illustration of our strong linkage between pay and performance and discusses significant changes made over the past several years to our executive pay programs to update for best practices.

2011 Company Performance

During 2011, our financial performance continued to recover from the operating loss in 2009 of $19.5 million, although operating profit of $57.1 million in 2011 was less than the operating profit of $73.6 million in 2010. Our share price on December 30, 2011 of $24.28 decreased from the closing price of $38.64 on December 31, 2010.

2011 Compensation Decisions

The impact of our financial and shareholder return performance in 2011 on our executive compensation program for our NEOs is as follows:

- Salaries The values associated with certain discontinued perquisite programs were added to NEO salaries at the beginning of 2011;

- Management Performance Compensation Plan (MPCP) Below target annual incentives were paid for 2011, mostly attributable to our performance against our adjusted operating profit goal and achievement of our relative pre-tax return on invested capital (ROIC) performance objective measured against our peer group;

- Long-Term Equity Awards Stock appreciation rights (SARs) and restricted stock unit (RSUs) grants were made in May 2011 based on targeting total compensation at the market median which is aligned with our business performance in which we outperformed our peers;

- Supplemental Retirement Benefit Plan developed and implemented an unfunded, non-qualified deferred compensation plan (the Supplemental Retirement Benefit Plan (SRBP)) during 2011 as a replacement for our prior special awards program both programs are designed to provide retirement benefits not provided under the qualified pension plan due to tax law provisions reducing such benefits; and

- 2012 Long-term Equity Awards developed a new long-term performance-based incentive plan (New LTIP), for implementation during 2012, designed to measure our total shareholder return performance versus that of a peer group. The New LTIP will provide another performance-based element of total compensation and is not additional compensation but rather a reallocation of values from the existing SARs and RSU plans.

Our Committee believes these decisions served to enhance our pay-for-performance, particularly going forward in 2012 and beyond, and to make our other additional, retirement-oriented benefits more understandable for our NEOs, enhancing the transparency of our disclosures.

Corporate Governance Changes for 2011 and 2012

During 2010, the Compensation Committee made a number of executive pay and related corporate governance changes, many of which were effective in 2011, with some changes scheduled to occur in 2012. These changes included:

excise tax gross-ups expired and were eliminated in the context of a change in control as of February 2012 and we do not intend to enter into any new employment agreements containing an excise tax gross-up provision;

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eliminating all executive perquisite programs for the NEOs, including club dues and financial planning, as well as contributions to the Executive Deferred Compensation Plan II (EDCP II) for NEOs with the values of such amounts added to salaries at the beginning of 2011;

implementing a double trigger for all new equity grants beginning in 2011 which will require both a change in control and a subsequent employment termination to take place prior to the vesting of the equity associated with the grants in the event of a change in control. This new provision replaces the current single trigger which only required a change in control to occur. We also increased the change in control beneficial ownership trigger from 20% to 30%;

maintaining our allocation of our direct pay programs for the NEOs (salaries, annual and long-term incentives) along a continuum that provided higher level executives with relatively greater performance-based incentive opportunities and relatively lower salaries the reallocation impacted all of the NEOs as well as five additional executives;

reducing the term of new SARs grants from ten years to seven years beginning with the grants made in May 2011;

implementing share retention guidelines for the Company s nine senior executives (including all of the NEOs) requiring the retention of 50% of the after-tax value of equity grants for a period of five years after exercise/vesting; and

implementing a formal clawback policy that goes beyond the existing provisions contained in our equity award agreements and mandates of the Sarbanes-Oxley Act of 2002. Although clawbacks are not yet required under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we adopted a clawback policy in response to anticipated regulations. When final regulations for clawbacks are promulgated by the SEC, we will modify our policy accordingly to ensure compliance with the new regulations.

2011 Say-on-Pay Vote

At our 2011 annual meeting of shareholders, we received approximately 78% approval, based on the total votes cast, for our initial advisory Say-on-Pay proposal to approve the compensation of our named executive officers. Our shareholders also recommended that we hold advisory Say-on-Pay votes every year. After consideration of the 2011 voting results, and based upon its prior recommendation, our Board has adopted our shareholders recommendation and will hold Say-on-Pay votes every year. The Committee also considered the 2011 voting results at its meetings, and while the Committee believes the voting results demonstrate significant support for our overall executive pay program, the Committee remains dedicated to continuous improvement both to the existing executive pay programs and the governance environment surrounding the overall program. As a result of its considerations, the Committee continued implementation of the executive pay and corporate governance changes described above, which changes the Committee believes better align the Company s executive compensation program with best practices in the competitive market.

Compensation Philosophy and Objectives

Our long-standing compensation philosophy has three key objectives:

attract, motivate and retain key executives with the ability to profitably grow our business portfolio;

build a pay-for-performance environment targeted at the competitive market; and

provide opportunities for share ownership to align the interests of our executives with our shareholders.

We achieved the following objectives in 2011:

we continued to refine our pay-for-performance environment to motivate our NEOs through the use of incentive plans, including the cash-based MPCP, SARs grants and the New LTIP. The changes include an increased use of relative performance measures versus the peer group or a market index. Our pay-for-performance philosophy is significant in that we only pay incentives when warranted by financial performance, as demonstrated by the fact that our MPCP and our prior LTIP plans have paid out only about 50% of the time in the past ten years. We believe this set of outcomes over a long time period demonstrates the degree of difficulty of the performance targets as well as the past cyclicality of our businesses;

we provided MPCP payout opportunities at levels above the market median and our equity grants, including SARs, RSUs and the New LTIP, are targeted to result in payouts at levels below the market median, offsetting the above-market annual incentive opportunities in the MPCP. Our rationale for higher MPCP opportunities and lower than market equity grants is driven by the difficulty we have in controlling the long-term cyclicality of our various business units and our related ability to forecast future financial performance accurately for the purposes of long-term incentive plans (i.e., plans with a performance period longer than one year); and

we eliminated for 2011 any subjective, but measurable, individual performance goals in the MPCP for our NEOs, leaving the entire MPCP based on the attainment of objective financial performance goals (with the exception of Mr. Chemnitz who, because he became an NEO during 2011, had individual performance goals, although we eliminated them for 2012).

Overall, our executive compensation programs are targeted, in total, at the market median, recognizing that individual NEO s compensation may be higher or lower based on experience, individual performance and other factors.

The Compensation Committee and its Independent Consultant

All of the members of the Compensation Committee, which we refer to in this Compensation Discussion and Analysis as the Committee , are independent, non-employee directors as defined by the rules of the New York Stock Exchange. The Committee makes policy and strategic recommendations to the Board and has authority delegated from the Board to:

implement executive pay decisions;

design the base pay, incentive pay, and benefits for the top fourteen executives; and

oversee our equity incentive plans.

The Committee met six times in 2011 and most meetings included an executive session during which management was not present. Most compensation decisions are finalized in the first quarter of each fiscal year. The Compensation Committee Charter, which discusses the Committee s responsibilities on a more comprehensive basis, is available at http://materion.com/ and is reviewed on an annual basis to ensure it continues to match changing corporate governance requirements and expectations.

In determining compensation elements and performance goals for the NEOs, the Committee relies on several resources, including the services of Pearl Meyer & Partners (PM&P), an independent compensation consultant that was engaged by, and reports directly to, the Committee and which provides only executive compensation services to the Company.

The Committee retained the services of PM&P in 2010 to conduct a competitive pay analysis for our top fourteen executives, including the NEOs, for which the Committee is responsible, as well as an additional eleven executives important to our ongoing operations. In addition, the Committee retained PM&P to review the overall executive incentive structure and make recommendations for changes that would be effective in the 2011 fiscal year. The Committee relied on this information for its decisions going forward in 2012.

The Committee also received input from the CEO with respect to salaries, incentives and total pay for the other NEOs, and input from the other NEOs for the other ten executives who are part of the Committee s responsibility, but all compensation decisions for these individuals are ultimately made by the Committee. In addition, the Committee reviewed tally sheets of overall compensation element values and totals, primarily to identify any competitive issues, gain an understanding of the relative dollar values of each compensation element and to understand the magnitude of total compensation. Finally, the Committee reviewed other business documents such as budgets, financial statements and management reports on our business activities in making its decisions. Compensation for independent directors is administered by the Governance and Organization Committee.

Benchmarking

In setting base salary and total pay targets, the Committee relied on certain benchmark data provided by PM&P in 2010. This data consisted of: (1) survey information published by CHiPS (Executive and Senior Management Total Compensation Survey (2009)), Mercer Human Resource Consulting (U.S. Executive Benchmark Database (2009)) and other public and private executive compensation pay surveys, with each survey containing several hundred participants and no single company being relied upon for data in any significant manner; and (2) a selected peer group of companies.

The Committee used the information collected from the published surveys to determine market median salary and target annual and long-term award amounts to match our pay philosophy. The target for both salary and total direct pay (the sum of salary and target annual and long-term incentives) was the median of the companies represented in the published survey data provided by PM&P. Overall, total compensation was within 7% to 13% of the median for the NEOs.

The Committee selected the peer group of companies used in the pay analysis, with PM&P s assistance and input from management, by applying criteria to identify companies of similar size, complexity and in similar/aspirational positions on end users supply chains, as well as competitors for executive talent. The peer group had:

- reported 2009 annual revenue generally between 50% and 200% of our revenue for 2009;
- business-to-business operations, with sales to other companies rather than the ultimate consumer;
- a durable goods manufacturing focus; and
- an orientation toward specialty products and advanced materials, with an emphasis on consumer electronics.

The members of the peer group and their 2009 revenue, in millions, were as follows:

Company	Revenue	Company	Revenue
Cabot Corporation	$ 2,243	Kemet Corporation	$ 736
Ferro Corporation	1,658	Novellus Systems	639
Carpenter Technology Corporation	1,362	Integrated Device Technology, Inc.	536
Stepan Company	1,276	CTS Corporation	499
Atmel Corporation	1,217	Haynes International Inc.	439
Hexcel Corporation	1,108	Coherent Inc.	436
RF Micro Devices Inc.	978	RTI International Metals Inc.	408
Minerals Technologies Inc.	907	Hutchinson Technology Inc.	408
OM Group, Inc.	872	Ceradyne Inc.	401
Skyworks Solutions Inc.	803	Pulse Electronics Corporation	399

The median peer group 2009 revenue was $770 million, comparable to our 2009 revenue of approximately $715 million.

A new peer group was selected in 2012 (see below). This new peer group was primarily chosen for the purposes of providing a comparison group for our New LTIP which measures our shareholder return relative to that of our peers. This peer group will be used for the ROIC portion in 2012 as well as the LTIP Total Shareholder Return (TSR) metric. For the 2012 peer group, 15 of the companies of the old group remained, while five companies (Carpenter Technology Corporation, Hexcel Corporation, Hutchinson Technology Inc., Pulse Electronics Corporation and Stepan Company) were replaced by five other companies (A. M. Castle, Inc., Kraton Performance Polymers Inc., PolyOne Corporation, Quaker Chemical Corporation and Rogers Corporation). The replacement companies within this peer group were selected from the S&P SmallCap 600 Index and belong to the Materials and Information Technology GIC Economic Sectors. Each had securities that were highly correlated to Materion s, meaning, when movement occurred in our stock price, the peer company s stock would move in the same direction.

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The new peer group and their 2010 revenue, in millions, were as follows:

Company	Revenue	Company	Revenue
Cabot Corporation	$ 2,716	A. M. Castle Inc.	$ 944
PolyOne Corporation	2,621	Kemet Corporation	736
Ferro Corporation	2,102	Coherent Inc.	605
Atmel Corporation	1,644	CTS Corporation	553
Novellus Systems Inc.	1,349	Quaker Chemical Corporation	544
Kraton Performance Polymers Inc.	1,228	Integrated Device Technology, Inc.	536
OM Group Inc.	1,197	RTI International Metals Inc.	432
Skyworks Solutions	1,072	Ceradyne Inc.	403
Minerals Technologies Inc.	1,022	Haynes International Inc.	382
RF Micro Devices Inc.	978	Rogers Corporation	379

The Committee used the median pay data among CEOs and CFOs of the former peer group as an additional checkpoint in determining salaries and targets for annual and long-term awards within a competitive total compensation pay opportunity for the executives. The peer group data showed our CEO and CFO at the 41st and 45th percentiles, respectively, for total compensation, within a competitive range of the market median target. This peer group is also used to determine achievement of the ROIC measure under our MPCP, as discussed below.

Total Compensation Mix for 2011

Our major direct compensation components consist of salary, an annual cash incentive and equity-based, long-term incentives. The following table illustrates the relative pay mix, based on initial award values, for our NEOs if the target levels for the 2011 MPCP were achieved and equity grants were made at target rates. For simplicity and to illustrate the Committee s key goals and objectives, we have only included the major direct pay programs:

				Equity Incentives		
Name	Title	Salary	MPCP at Target	Performance (SARs)	Retention (RSUs)	Total
		Column 1	Column 2	Column 3	Column 4	Column 5
Richard J. Hipple	Chairman, President and CEO	22.2%	36.4%	20.7%	20.7%	100.0%
John D. Grampa	Senior VP Finance and CFO	34.8%	32.6%	16.3%	16.3%	100.0%
Daniel A. Skoch	Senior VP Administration	35.6%	32.4%	16.0%	16.0%	100.0%
Gregory R. Chemnitz	VP, General Counsel	39.9%	29.5%	15.3%	15.3%	100.0%
Dollar-based Average		28.9%	34.1%	18.5%	18.5%	100.0%

Note: The basis for the calculations is the salary that was in place in 2011 for each NEO.

Our long-standing pay-for-performance philosophy has caused the Committee to:

- set salaries (Column 1 above) as a smaller part of total compensation for the NEOs; and
- provide a greater portion of the NEOs total pay in equity-based pay that more closely aligns management s interests with those of our shareholders, including time-based RSUs (Column 4 above) and SARs grants (Column 3 above). In 2011, SARs grants represented about 50% of the equity opportunities offered to the NEOs.

Overall, the table above illustrates the following:

- cash-based pay, as well as short-term pay (the combination of salaries and MPCP or Columns 1 and 2 above), is about 63% of the total, with equity-based, long-term oriented pay representing the other 37%; and

fixed pay (salaries and RSUs or Columns 1 and 4 above) averages about 47% of the total versus 53% for performance-based pay.

The pay mixes noted above are different from the market median data derived from the competitive pay analysis as we continued with our philosophy, which began in 2009, of moving a portion of the equity grant value into the MPCP, which resulted in a higher proportion of targeted pay comprised of annual incentives and a lower proportion in equity incentives than most companies. Specifically, in 2009, we discontinued the LTIP we had in place for a number of years, which provided pay for three-year financial performance, and shifted 50% of its value to the MPCP with the remaining 50% being split between SARs and RSU grants, such that SARs and RSU grants represented roughly equal values.

We undertook this change in 2009, continued with it in 2010 and made further changes in 2011 (as discussed in more detail below) because of the ongoing difficulty of reliably forecasting three-year financial performance. Our lack of precision on this issue resulted in a significant number of prior LTIP awards either not paying out at all, indicating performance often well below the threshold levels, or paying at maximum, indicating performance that was often well above maximum. We are more confident in our ability to forecast annual financial performance through the MPCP, while SARs and RSUs grants do not require forecasting future financial performance, and instead their ultimate value is linked to how well our stock performs and how much our shareholders benefit. These changes generally maintained the level of pay-for-performance in our overall executive compensation program.

Executive Compensation Elements

To meet our objectives and reward executives for demonstrating the desired actions and behaviors, we compensate our executive officers through:

- salary;
- MPCP awards;
- equity awards;
- payments upon severance and change in control;
- retirement and deferred compensation benefits; and
- health and welfare benefits.

The following is an explanation of the reasons each pay element is included in the total compensation package of an executive; the intended value, targeted competitive level and targeted portion of total compensation for each pay element; the reasons behind that targeted value, competitive level and proportion of total pay and the interaction, if any, of each pay element with the other pay elements.

Base Salary

In late 2010, the Committee considered and approved salary increases, effective as of January 1, 2011 for the NEOs. The salaries approved for Messrs. Hipple, Grampa, Skoch and Chemnitz for 2011 are $755,000 (reflecting an increase of $50,000); $400,000 (reflecting an increase of $25,000); $373,000 (reflecting an increase of $28,000) and $323,000 (reflecting an increase of $23,000), respectively. These increases, which consisted of the value of discontinued perks and the EDCP II contributions, place each executive s salary at or slightly above the market median, as defined in the 2010 PM&P study.

2011 MPCP

We established annual performance goals for the MPCP based solely on objective financial performance goals for 2011. Subjective personal objectives for the existing NEOs were eliminated for 2011. The entire MPCP opportunity is now based on objective financial goals, with the exception of Mr. Chemnitz. These increases place each executive s salary at or slightly above the market median, as defined in the 2010 PM&P study, and reflect the addition of the value of discontinued perquisite programs to the 2010 salaries.

Target incentives as a percentage of salaries for 2011 were set at 164% for Mr. Hipple, 94% for Mr. Grampa, 91% for Mr. Skoch and 74% for Mr. Chemnitz. These targets were arrived at by the allocation

method described above for determining appropriate amounts of annual and long-term incentives and are reflective of the partial reallocation of equity incentives completed in 2009. The above figures are allocated to several performance measures as follows:

		Performance Measures as a % of Salary			
Name	**Title**	**Relative Return on Invested Capital**	**Individual Performance**	**Operating Profit**	**Total MPCP Target**
Richard J. Hipple	Chairman, President and CEO	47.0%		117.0%	164.0%
John D. Grampa	Senior VP Finance and CFO	27.0%		67.0%	94.0%
Daniel A. Skoch	Senior VP Administration	26.0%		65.0%	91.0%
Gregory R. Chemnitz	VP, General Counsel	16.0%	7.0%	51.0%	74.0%

The MPCP targets are above the market median, reflecting our compensation philosophy of providing a greater emphasis on annual incentives versus equity incentives.

Awards for individual goals are payable only if threshold adjusted operating profit performance is achieved and overall payouts are capped at 200% of target.

The operating profit goals for 2011 for the NEOs were based on the achievement of overall adjusted operating profit as well as the achievement of operating profit targets at each of the Company s major business units. The adjusted operating profit is derived by removing the EIS Optics Ltd. results of operations and related acquisition costs from our operating profit. Fifty percent of the overall opportunity was based on the Company s overall adjusted operating profit, which was $60.3 million for 2011 as compared to a target of $71.2 million, resulting in a payout of 34.7% on that portion of the opportunity. The consolidated adjusted operating profit of the Company s major business units on a weighted basis made up the other 50% of the overall opportunity. For 2011, the business units on a consolidated weighted basis achieved a performance level of 77% on that portion of the opportunity, which was under target but higher than threshold. As a result, the total payout for the NEOs was 55.9% which was under target but higher than the threshold.

We measure the change in ROIC over the course of the trailing four quarters ended on September 30, 2011 (i.e., the fourth quarter of 2010 and the first three quarters of 2011) in order to determine our ROIC performance versus the four quarters ended on September 30, 2010. We determine our rank within the peer group, which then correlates to a percentage of target payout scale.

For 2011, a rank of 11 of 21 (the twenty peer companies noted above plus the Company) correlates to a target payout, while a rank of 1 correlates to a maximum payout at 200% of target and a rank of 16 generates a threshold payout at 50% of target. A rank below 16 does not generate a payout. For 2011, the Company achieved a ranking of 12, correlating to a 90% of target payout. The Company s actual adjusted performance was a gain of 2.3% in ROIC versus a median (rank: 11) of a gain of 4.1%, with the threshold representing a loss of 1.7%.

The table below shows the total payments made from the MPCP based on the achievement of the relative ROIC measure and operating profit goals:

		MPCP Target		Payouts by Performance Measure			
Name	**Title**	**%**	**$**	**Adjusted Operating Profit**	**Relative ROIC**	**Individual Objectives**	**Total MPCP Payout**
Richard J. Hipple	Chairman, President and CEO	164%	$ 1,238,200	$ 493,793	$ 319,365		$ 813,158
John D. Grampa	Senior VP Finance and CFO	94%	376,000	149,812	97,200		247,012
Daniel A. Skoch	Senior VP Administration	91%	339,430	135,530	87,282		222,812
Gregory R. Chemnitz	VP, General Counsel	74%	239,020	92,084	46,512	$ 32,300	170,896

The objectives for Mr. Chemnitz in 2011 included the following: (1) continue development and implementation of improvements to the Company s legal and ethics compliance program; (2) develop and implement an improved crisis communications program; (3) manage the Company s acquisition efforts; and (4) manage outstanding litigation involving the Company. All of these objectives were met in 2011.

Equity Awards

General

The relative values of total compensation among comparable companies in the survey data are the most important determining factors in setting the long-term incentive amounts, along with consideration of the experience, responsibilities and performance of the executive. Our equity award program is targeted at levels below the market median for comparable long-term incentive programs among our pay survey group and peer group, offsetting the higher than median targets we have set for the MPCP. The equity grants currently held by each NEO are not taken into consideration in making new grants to that NEO.

Grants Made in 2011

The equity program for 2011 had two components, including:

- SARs grants, which comprised about 50% of the total equity value. SARs are granted at fair market value and gain value based on increases in the Company s share price and, consequently, the total return achieved for shareholders. SARs vest three years after the grant date, have a term of seven years and are settled in shares; and

- time-based RSUs, which comprise the remaining 50% of the equity value. These shares are designed for retention purposes and are earned by NEOs based on the passage of time and continued employment. The RSUs vest after three years of service.

The table below shows the equity grants and their associated values for 2011 for the NEOs:

		Equity Grants		Equity Grant Values	
Name	**Title**	**SARs**	**RSUs**	**SARs**	**RSUs**
Richard J. Hipple	Chairman, President and CEO	38,474	20,311	$ 825,998	$ 798,222
John D. Grampa	Senior VP Finance and CFO	10,301	5,438	221,152	213,713
Daniel A. Skoch	Senior VP Administration	9,197	4,855	197,450	190,802
Gregory R. Chemnitz	VP, General Counsel	6,814	3,597	146,290	141,362

The Committee is solely responsible for the grant of equity awards. The awards traditionally are granted in February after the Company s annual earnings have been announced, although for 2011, the SARs and RSUs grants were made in May after shareholders approved additional shares for the 2006 Stock Incentive Plan, as amended in May 2011 (2006 A&R Plan). In February 2007, the Committee adopted Stock Award Administrative Procedure Guidelines related to the various forms of equity grants designed to formalize the process of establishing the date of grant, grant prices at fair market value and other administrative practices appropriate to equity grants to executives.

All equity awards made in 2011 were granted pursuant to the 2006 Plan. NEOs are required to forfeit outstanding awards and pay back any amounts realized from equity grants if they engage in activity deemed to be detrimental to the Company, as defined in the equity award agreements.

Severance Payments and Payments Upon a Change in Control

Mr. Hipple, Mr. Grampa and Mr. Skoch are parties to Severance Agreements that provide two-year severance benefits in the event of involuntary termination of employment by us, other than for cause or gross misconduct, or due to resignation as a result of a reduction in salary or incentive pay opportunity, provided that such a reduction in salary or incentive pay opportunity is not part of a general reduction in compensation opportunity for all officers. These Severance Agreements were adopted to retain top level executives.

The Severance Agreements also provide each NEO mentioned above with benefits in specified circumstances following a change in control. The triggering events for a change in control are described in the section entitled Other Potential Post-employment Payments and were designed to be competitive and appropriate based primarily on advice from legal counsel as well as the experience of our directors. If the NEO

resigns for defined Good Reason , or his employment is terminated by the Company for reasons other than for cause during the three years following a change in control, he will receive three-year severance benefits, as described under Other Potential Post-employment Payments .

The Committee adopted a gross-up provision in February 2007 for the parachute tax under the Internal Revenue Code section 280G in the context of a change in control. At that time, the Committee determined that a gross-up feature was appropriate because the CEO was new to his role and the cap would be determined by his compensation in a lesser capacity. Based on this logic, the Committee also included a sunset provision in the gross-up feature so that it would automatically end five years after adoption this provision expired in February 2012. In addition, the Committee confirmed its intent not to enter into any new Severance Agreements that included such a provision in the future.

The Committee believes the Severance Agreements are an important part of the competitive executive compensation package because they help ensure the continuity and stability of executive management and provide protection to the NEOs. The Committee also believes the Severance Agreements reduce the NEOs interest in working against a potential change in control and help to minimize interruptions in business operations by reducing any concerns they have of being terminated prematurely and without cause during an ownership transition. The Company benefits from these agreements in that in exchange for the protections offered, each NEO agrees to:

- refrain from competing while employed or for two years after an involuntary termination of employment;
- refrain from soliciting any employees, agents or consultants to terminate their relationship with us;
- protect our confidential information; and
- assign to the Company any intellectual property rights to any discoveries, inventions or improvements made while employed by us or within one year after his employment terminates.

Retirement Benefits

We provide a variety of plans and benefits to our NEOs that fall under the heading of retirement and deferred compensation benefits, including the:

- Materion Corporation Pension Plan (Pension Plan);
- Materion Corporation Supplemental Retirement Benefit Plan (SRBP);
- Materion Corporation Savings and Investment Plan (401(k) Plan); and
- Materion Corporation Executive Deferred Compensation Plan II (EDCP II).

The special awards plan was designed to make up for Code limitations associated with the Pension Plan for the NEOs, but was eliminated at the end of 2010, with the SRBP assuming the same role beginning in 2011. The Committee believes each of these programs is necessary from a competitive viewpoint and for retention purposes.

Pension Plan

The Pension Plan is the primary vehicle for providing retirement compensation to all employees and is a tax-qualified defined benefit pension plan. All the NEOs participate in the Pension Plan. Before June 1, 2005, the benefit formula was 50% of the final average earnings over the highest five consecutive years minus 50% of the annual Social Security benefit with the result prorated for service of less than 35 years. Effective as of May 31, 2005, we froze the benefit under the prior formula for all employees, including the NEOs.

Beginning June 1, 2005, the Pension Plan formula was reduced for all participants, including the NEOs, to 1% of each year s compensation, as defined in the Pension Plan. The retirement benefit for these individuals will be equal to the sum of that earned as of May 31, 2005 and that earned under the new formula for service after May 31, 2005. However, because the amount of compensation that may be included in the formula for calculating pension benefits and the amount of benefit that may be accumulated in the Pension Plan are limited by the Code, the NEOs will not receive a Pension Plan benefit equal to 1% of their total pay.

The tax code limitations associated with the Pension Plan are taken into account by the Committee in determining amounts intended to supplement retirement income for the NEOs, such as the SRBP described below. The benefit accumulated under the Pension Plan does not affect any other element of compensation for the NEOs, except to the extent it is included in the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments .

SRBP

The Committee and the Board of Directors approved the SRBP in September 2011. The SRBP is an unfunded, nonqualified deferred compensation plan that provides retirement benefits for a select group of management or highly compensated employees to supplement the pension benefits paid to them from the Pension Plan. As noted above, the Pension Plan is the primary vehicle for providing retirement compensation to employees, including the NEOs.

Through 2010, the Committee made special awards to NEOs to provide supplemental retirement compensation because of the tax code limitations associated with the Pension Plan, which prevent NEOs from receiving the full benefit of the Pension Plan. Special awards were current, taxable annual payments made to the NEOs to take the place of a traditional supplemental executive retirement plan**.** The Committee elected to replace the special awards with the SRBP because the circumstances that gave rise to the special awards concept have changed and become more favorable to the use of a traditional supplemental executive retirement plan. The SBRP was effective as of September 13, 2011 and the initial participants include the NEOs, except for Mr. Chemnitz, as well as other members of senior management.

A participant s benefit under the SRBP will be the amount of the participant s Prevented Benefits (as described below), reduced by a participant s designated Offset Amount (that which was paid in prior years as special award payments), as set forth in the SRBP. A participant s interest in benefits payable under the SRBP will be vested and non-forfeitable to the same extent and in the same manner as benefits are vested and non-forfeitable under the Pension Plan. The benefits payable under the SRBP will be paid to a participant in a single sum payment on or about the first day of the third month next following the date of his separation from service, or in certain cases as necessitated by tax law provisions, the first business day of the month that is at least six months after his separation from service.

Prevented Benefits for purposes of the SRBP means the difference, expressed as a single sum, between the regular pension benefits payable to a participant under the Pension Plan and the regular pension benefits that would be so payable to the participant under the Pension Plan if such benefits were determined including in compensation any compensation that was deferred on an elective basis under any non-qualified deferred compensation plan or agreement with an employer and without regard to limitations on covered compensation and benefit amounts imposed by the Internal Revenue Code of 1986, as amended, and taking into account any special calculation provisions for a participant as set forth on Schedule I to the SRBP. Currently, Schedule I of the SRBP contains such special calculation provisions for Mr. Hipple, as discussed below in the narrative disclosure for the 2011 Pension Benefits Table.

401(k) Plan

The 401(k) Plan is a tax-qualified defined contribution plan. All of the NEOs participate in this plan as part of their competitive total compensation package. The 401(k) Plan offers the NEOs and all other employees the opportunity to defer income. In addition, we made a matching contribution to each employee equal to 25% of the first 6% of compensation deferred by the employee.

This compensation element is tax-deferred and is not intended to affect the value of any other compensation element, but the amount of contributions that may be made under the 401(k) Plan may affect calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments .

EDCP II

In 2004, the Committee established the EDCP II to replace the Key Employee Share Option Plan (KESOP), which is described in the section entitled 2011 Nonqualified Deferred Compensation . The EDCP II provides an opportunity for the NEOs to defer a portion of their compensation.

During 2010, the Committee elected to eliminate the Company contribution for the NEOs for 2011 and beyond. Estimated amounts for this benefit were calculated and added to each NEO s salary. The Committee made this change

primarily to simplify investor understanding of the overall executive pay program by having as few programs as possible going forward, with the vast majority of executive pay concentrated in salary and annual and equity incentives. The amounts added to salary for Messrs. Hipple, Grampa, Skoch and Chemnitz to replace the estimated EDCP II amounts were $23,000, $7,000, $6,000 and $4,000, respectively, effective as of January 1, 2011.

Health and Welfare Benefits

The NEOs participate in group life, health and disability programs provided to all salaried employees. Except for periodic executive physicals, no other special health or welfare benefits are provided for the NEOs.

Perquisites

Effective for 2011 and beyond, the Committee elected to add the amounts associated with historical perquisites into the salaries of the NEOs and eliminate any future payments for perquisites. This process was undertaken to simplify the executive pay structure. The amounts added to salary in 2011 for perquisites for Messrs. Hipple, Grampa, Skoch and Chemnitz were $27,000, $18,000, $22,000 and $19,000, respectively.

Accounting and Tax Effects

The Committee considers both the financial reporting and the taxation of compensation elements in its decision-making process. The Committee seeks a balance between the Company s best interests, fair treatment for the executives and minimizing taxation of the compensation offered to the executive while maximizing immediate deductibility.

The Committee is also aware of Internal Revenue Code section 162(m), which limits deductions for certain compensation paid to individual NEOs (with the exception of the CFO) in excess of $1 million. In response, the Committee designs much of the total compensation package of the NEOs to qualify for the exemption of performance-based compensation from the deductibility limit. However, the Committee reserves the right to design and use compensation instruments that may not be deductible within the rules of Internal Revenue Code section 162(m), if those instruments are in the Company s best interests.

2012 Compensation Changes

The Committee made several changes to the total compensation mix in 2011 and this mix was maintained for 2012, with the exception of a reallocation of long-term equity-based incentives across three separate vehicles rather than just SARs and RSUs, reflecting the implementation of the New LTIP. The Committee implemented the New LTIP in 2012 with the following characteristics:

- a three-year performance period between January 1, 2012 and December 31, 2014;
- a relative performance measure that compares Materion s total shareholder return (TSR) to a peer group of publicly traded companies;
- the peer group will consist of twenty companies of similar industry and size as Materion;
- a performance schedule in which 50% of the targeted award will be earned when Materion s TSR is at the 25th percentile of the peer group, 100% of target is earned at the 50th percentile and 200% of target is earned at the 80th percentile;
- TSR measurement will be based on the average daily closing share price over a 30-day period at the beginning and end of the three-year performance cycle; and
- long-term incentives for 2012 were reallocated from the 2011 allocations of about 50% each between SARs and RSUs to a 33% allocation each across SARs, RSUs and the New LTIP, with total values for equity grants staying roughly equivalent to 2011.

The Committee chose to make this change in order to have an equity-based incentive that was strongly performance-based and that reflects the continued evolution of the Company s pay philosophy and supporting pay programs.

The table below illustrates the overall allocations of the direct pay components of the pay program for the NEOs for 2012:

				Annual Incentives		Long-term Incentives			
Name	Title	Market Median Total Direct Compensation(1) Column 1	2012 Salary(2) Column 2	Adjusted Op. Profit Measure(3) Column 3	Rel. ROIC Measure(3) Column 4	SARs(4) Column 5	New LTIP(4) Column 6	RSUs(4) Column 7	Target Total Direct Compensation Column 8
Richard J. Hipple	Chairman, President and CEO	$ 3,510,000	$ 779,900	$ 912,500	$ 366,600	$ 483,500	$ 483,500	$ 483,500	$ 3,509,500
John D. Grampa	Senior VP Finance and CFO	1,190,000	413,200	276,800	111,600	129,500	129,500	129,500	1,190,100
Daniel A. Skoch	Senior VP Administration	1,085,000	385,300	250,400	100,200	115,600	115,600	115,600	1,082,700
Gregory R. Chemnitz	VP, General Counsel	835,000	333,700	186,900	60,100	85,600	85,600	85,600	837,500
Total		**$ 6,620,000**	**$ 1,912,100**	**$ 1,626,600**	**$ 638,500**	**$ 814,200**	**$ 814,200**	**$ 814,200**	**$ 6,619,800**

(1) Provided by PM&P in 2010 executive compensation review, updated by about 3.3% to a 2012 timeframe.

(2) 2012 salaries as approved by the Committee in late 2011.

(3) Allocations/payouts assuming target performance. Performance above or below target will result in different payouts.

(4) Expected/estimated grant values allocated equally across SARs, RSUs and the New LTIP.

The Committee s objectives and rationale for the above pay program include:

- the Committee s primary concern was to focus on the larger direct pay programs such as salaries, annual and long-term/equity incentives, which are more easily understood by shareholders;

- the rationale for the allocation methodology chosen for the annual and long-term/equity incentives was to provide for relatively greater emphasis on long-term/equity incentives for the CEO, Mr. Hipple, on which he is perceived to have the greatest impact, and relatively more emphasis on annual incentives for the remaining NEOs (Messrs. Grampa, Skoch and Chemnitz) in which their impact is greater. The Committee continued this process with the group of executives directly below the NEOs by further reducing the percentage allocated to long-term/equity incentives and increasing the percentage allocated to annual incentives;

- the Committee decided that two outcomes were important in the performance measure allocation within the 2012 MPCP:

  - the majority of the MPCP should be based on the adjusted operating profit goal because this represented the NEOs primary area of responsibility; and

a secondary portion of the MPCP should be allocated to performance against a peer group, primarily because of the cyclical nature of many of the Company s businesses and its overall results and the desire to be able to reward executives for outstanding relative performance when absolute performance may dictate a different outcome.

the Committee decided on an equal split between SARs, RSUs and the New LTIP to appropriately balance several key objectives, as follows:

SARs motivating the Company s share price performance going forward;

New LTIP motivating the Company s share price performance against a peer group of companies likely regarded by investors as alternative investments; and

RSUs executive retention.

The Committee viewed these objectives as equally important and each instrument is the primary motivator for achievement of those objectives.

Overall, the Committee wanted to ensure an appropriate allocation to the major pay programs based on targeting objectives considered important to the Company.

New Share Retention Guidelines

The Committee implemented new share retention guidelines beginning in 2011 that require 50% of the net after-tax shares acquired by executives through the exercise of stock options and SARs and the vesting of RSUs be retained by the NEO for five years after such event. Any other unencumbered common shares beneficially owned by the executives will count in the determination of whether that executive satisfies the minimum ownership requirements created by the retention ratio, including any shares owned in the Company s 401(k) plan and any shares that the executives hold prior to adoption of this policy. Upon the implementation of these guidelines, the Committee eliminated a previous informal requirement that executives hold for seven years 100% of the net after-tax shares acquired upon the vesting of RSUs. The Committee believes the implementation of formal share retention guidelines will help to further ensure that the interests of the NEOs and shareholders are aligned.

Anti-hedging Policy

In our Insider Trading Policy, we have prohibited insiders from purchasing any financial instrument or engaging in any other transaction, such as a prepaid variable forward contract, equity swap, collar or exchange fund, that is designed to hedge or offset any decrease in the market value of the Company securities.

New Clawback Policy for 2011

As noted above, the Committee also elected to implement a formal clawback policy for the NEOs in advance of final regulations from the SEC. This policy is in addition to the clawback provisions contained in our equity award agreements that require NEOs to forfeit outstanding awards and pay back any amounts from equity grants if they engage in activity deemed to be detrimental to the Company. The Committee elected to implement aspects of this policy early because it believes a clawback policy represents an important protection for shareholders and is viewed favorably from a corporate governance standpoint. The clawback policy covers equity awards and the MPCP. This policy was amended in 2012 to include income in 2012 and later years and the Committee expects to amend it again when SEC final regulations become available.

Compensation Policies and Practices to Risk Management

In setting compensation, the Committee considers the risks to Materion s shareholders and to the achievement of our goals that may be inherent in the compensation program. Although a significant portion of our executives compensation is performance-based and at-risk, we believe our executive and employee compensation plans are appropriately structured and are not reasonably likely to result in a material adverse effect to the Company.

In its review the Committee noted that:

- incentive programs provide for balance in that performance measures and goals were tied to the Company s strategic objectives, achievable financial performance centered on the Company s expecta-tions, relative performance against a peer group of companies and specific individual goals;

- a significant portion of variable compensation is delivered in equity (SARs, RSUs and, for 2012, performance-based restricted stock units and performance shares) with multi-year vesting. The Company believes that equity compensation helps reduce compensation risk by balancing financial or strategic goals against any other factors management may take into consideration to ensure long-term shareholder value;

- limited upside opportunity on incentive awards further ensures that management does not have any incentive to pursue short-term financial performance at the expense of long-term shareholder value;

- the Company implemented extended scope share retention guidelines to encourage a focus on long-term growth rather than short-term gains; and

the Company extended the scope of our clawback policy to recoup from culpable NEOs any gains that are later found to be based on erroneous financial statements.

COMPENSATION COMMITTEE REPORT

We have reviewed and discussed with management the foregoing Compensation Discussion and Analysis. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the year ended December 31, 2011.

The foregoing report has been furnished by the Compensation Committee of the Board of Directors.

Vinod M. Khilnani (Chairman)

William P. Madar

N. Mohan Reddy

William R. Robertson

John Sherwin, Jr.

Darlene J. S. Solomon

Notwithstanding anything to the contrary as set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate future filings, including this proxy statement, in whole or in part, the foregoing Compensation Committee Report shall not be incorporated by reference into any such filings other than our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

2011 SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the compensation of our Chief Executive Officer and our other named executives (NEOs) who served in such capacities during the fiscal year ended December 31, 2011:

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)(5)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(6)	All Other Compensation ($)(7)	Total ($)
Richard J. Hipple	2011	754,038		798,222	825,998	813,158	206,712	3,933	3,402,061
Chairman, President	2010	704,634	168,450	419,384	615,717	1,694,961	40,506	31,304	3,674,956
and Chief Executive Officer	2009	674,650	168,450	489,941	705,932	413,829	49,034	34,555	2,536,391
John D. Grampa	2011	399,519		213,713	221,152	247,012	122,856	4,071	1,208,323
Sr. Vice President Finance	2010	374,511	93,100	126,081	185,112	519,000	68,266	19,725	1,385,795
and Chief Financial Officer	2009	339,900	78,315	139,518	201,027	129,558	58,982	17,556	964,856
Daniel A. Skoch	2011	372,461		190,802	197,450	222,812	351,887	4,821	1,340,233
Sr. Vice President	2010	344,732	131,770	116,013	170,304	446,206	112,204	27,735	1,348,964
Administration	2009	324,450	131,770	133,184	191,888	118,755	88,010	26,585	1,014,642
Gregory R. Chemnitz	2011	322,558		141,362	146,290	170,896	27,560	3,813	812,479
Vice President,	2010	299,877		77,590	113,916	336,060	21,107	15,429	863,979
General Counsel	2009	288,632		87,884	131,567	89,060	16,285	19,850	633,278

(1)

For 2011, Salary includes deferred compensation under the 401(k) Plan in the amount of $22,000 for each of Messrs. Hipple, Grampa, Skoch and Chemnitz.

(2) The amounts reported for 2010 and 2009 represent special awards authorized by the Compensation Committee in its discretion in lieu of a supplemental retirement benefit plan. These special awards were discontinued after 2010 due to the adoption of the Materion Corporation Supplemental Retirement Benefit Plan.

(3) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for restricted stock units granted during 2011 to each NEO. See Note K to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year

ended December 31, 2011 for the assumptions used in calculating the fair value. See the 2011 Grants of Plan Based Awards table for information on awards made in 2011. Please also note that in the 2010 proxy statement for the 2010 annual meeting of shareholders, the 2009 Summary Compensation Table contained amounts for Messrs. Hipple, Grampa and Skoch of $887,692, $268,320 and $256,246, respectively, that were included in the 2009 Stock Awards when they should have been included in the 2007 Stock Awards. The amounts above have been corrected.

(4) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock appreciation rights granted to each NEO during 2011. See Note K to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for the assumptions used in calculating the fair value. See the 2011 Grants of Plan Based Awards table for information on awards made in 2011.

(5) The amounts in this column for 2011 represent the payments made to the NEOs under the Management Performance Compensation Plan.

(6) The amounts in this column for 2011 represent the change in pension and SRBP values and earnings in excess of 120% of the applicable federal rate in effect during 2011 for the KESOP and EDCP II Plans discussed in this proxy statement. The amounts for the change in pension value and the earnings in excess of 120% of the applicable federal rate in effect during 2011 are as follows:

	Pension ($)	SRBP ($)	KESOP/ EDCP II ($)	Total ($)
Richard J. Hipple	51,953	153,742	1,017	206,712
John D. Grampa	67,689	55,167		122,856
Daniel A. Skoch	120,727	231,160		351,887
Gregory R. Chemnitz	27,560			27,560

(7) For each NEO, All Other Compensation for 2011 includes group life insurance premiums and the Company match to the 401(k) plan and to the Health Savings Account for Mr. Skoch.

2011 GRANTS OF PLAN BASED AWARDS

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)(1)**	**(#)(2)**	**($/Sh)**	**($)(3)**
Richard J. Hipple	2/1/2011		1,238,200	2,476,400							
	5/4/2011							20,311			798,222
	5/4/2011								38,474	39.30	825,998
John D. Grampa	2/1/2011		376,000	752,000							
	5/4/2011							5,438			213,713
	5/4/2011								10,301	39.30	221,152
Daniel A. Skoch	2/1/2011		339,430	678,860							
	5/4/2011							4,855			190,802
	5/4/2011								9,197	39.30	197,450
Gregory R. Chemnitz	2/1/2011		239,020	478,040							
	5/4/2011							3,597			141,362
	5/4/2011								6,814	39.30	146,290

(1) This column shows the restricted stock units that were granted in 2011. These RSUs will vest in three years from the date of grant, provided these executives are continuously employed three years from the date of grant.

(2) This column shows the SARs that were granted in 2011. These SARs become fully exercisable and vest 100% after three years.

(3) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock and option awards. See Note K to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for the assumptions used in calculating the fair value.

Executive Employment Arrangements

None of the NEOs have an employment agreement. However, each NEO has a Severance Agreement that provides the executive with three-year severance benefits upon termination or significant change in the duties of the executive as a result of a change in control as defined in the agreement, and, except for Mr. Chemnitz, two-year severance benefits in the event of certain involuntary terminations. Discussion of the payouts provided for under various termination situations is set forth in the section Other Potential Post-employment Payments below.

Non-equity Incentive Plan Compensation

For 2011, base salaries and bonuses (including amounts deferred to the 401(k) Plan) as a percentage of total compensation shown in the 2011 Summary Compensation Table were 22% for Mr. Hipple, 33% for Mr. Grampa, 28% for Mr. Skoch and 40% for Mr. Chemnitz.

Stock and Option Awards

Stock and option awards under the 2006 A&R Plan were made during 2011 in the form of SARs and restricted stock units. Descriptions and the reason for these types of grants are in the CD&A.

2011 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (1)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(2)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(3)**
Richard J. Hipple	8,700		24.03	5/2/2016		
	15,000		44.72	2/15/2017		
	11,102		27.78	2/15/2018		
		90,147	15.01	2/10/2019		
		53,515	21.24	2/22/2020		
		38,474	39.30	5/4/2018		
					72,697	1,765,083
	34,802	182,136				
John D. Grampa	15,000		17.075	2/3/2014		
	15,000		17.68	2/8/2015		
	14,000		24.03	5/2/2016		
	4,550		44.72	2/15/2017		
	3,356		27.78	2/15/2018		
		25,671	15.01	2/10/2019		
		16,089	21.24	2/22/2020		
		10,301	39.30	5/4/2018		
					20,669	501,843
	51,906	52,061				
Daniel A. Skoch	15,000		17.075	2/3/2014		
	15,000		17.68	2/8/2015		
	14,000		24.03	5/2/2016		
	4,400		44.72	2/15/2017		
	3,203		27.78	2/15/2018		
		24,504	15.01	2/10/2019		
		14,802	21.24	2/22/2020		
		9,197	39.30	5/4/2018		
					19,190	465,933
	51,603	48,503				
Gregory R. Chemnitz	1,373		27.78	2/15/2018		
		16,801	15.01	2/10/2019		
		9,901				