MODINE MANUFACTURING CO
Form DEF 14A
June 17, 2014

SCHEDULE 14A INFORMATION

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

Filed by the Registrant þ

Filed by a Party Other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-2

Modine Manufacturing Company
(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.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

June 17, 2014

1500 DeKoven Avenue
Racine, Wisconsin 53403-2552

Notice of Annual Meeting of Shareholders

| | |
|---|---|
| Date: | Thursday, July 17, 2014 |
| Time: | 9:00 a.m. |
| Place: | The Pfister Hotel<br>424 East Wisconsin Avenue<br>Milwaukee, Wisconsin 53202 |
| Record Date: | May 30, 2014 |

Matters to vote on:

1. Election of the Company-nominated slate of three directors for terms expiring in 2017;

2. Amendment and Restatement of 2008 Incentive Compensation Plan;

3. Advisory vote to approve the Company's named executive officer compensation;

4. Ratification of the appointment of the Company's independent registered public accounting firm;

5. Consideration of any other matters properly brought before the shareholders at the meeting.

By order of the Board of Directors,

Margaret C. Kelsey
Vice President, Legal and Corporate
Communications, General Counsel and Secretary

June 17, 2014

Your vote at the annual meeting is important to us. Please vote your shares of common stock by calling a toll-free telephone number, logging onto the Internet or by completing the enclosed proxy card and returning it in the enclosed envelope. This proxy statement is solicited on behalf of the Board of Directors for use at the 2014 Annual Meeting of Shareholders. This proxy statement and accompanying proxy card are first being sent to shareholders on or about June 17, 2014.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on July 17, 2014 – the Notice and Proxy Statement and 2014 Annual Report on Form 10-K are available at www.proxyvote.com and www.modine.com.

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ITEM 1 – ELECTION OF DIRECTORS

The Board of Directors (the “Board of Directors” or the “Board”) of Modine Manufacturing Company (the “Company” or “Modine”) nominated three current members of the Board, David J. Anderson, Larry O. Moore and Marsha C. Williams, to stand for election at the 2014 Annual Meeting of Shareholders. If elected, each director would serve until the 2017 Annual Meeting of Shareholders and the election of his or her successor. The persons appointed as proxies will vote “FOR” the election of these nominees, unless instructions to the contrary are given to them. The nominees have indicated that they are able and willing to serve as directors. While it is not anticipated that any of the nominees will be unable to take office, if that happens, the proxies will vote “FOR” the substitute nominee(s) designated by the Board of Directors.

The Company’s Bylaws provide that each director shall retire at the close of the term in which he or she attains the age of 70 years, except that the provision shall not apply to any director who has been exempted from it by a resolution passed by a two-third’s vote of the Board of Directors.

The Company’s Amended and Restated Articles of Incorporation provide that the Board of Directors shall be divided into three classes, as nearly equal in number as possible, serving staggered three-year terms. The Board of Directors currently consists of eight members with three classes of two, three and three directors each.

In accordance with the Company’s Bylaws, a director shall hold office until the end of such director’s term and until the director’s successor shall have been elected, there is a decrease in the number of directors, or until his or her death, resignation or removal. Vacancies may be filled by the shareholders or the remaining directors. See Selection of Nominees to the Board of Directors below.

Qualifications of Modine’s Board of Directors

Qualifications of Modine’s Board of Directors as a Governing Entity

Modine’s Board consists of proven business and technology leaders from various industries, disciplines and end markets, who know Modine, its products and its businesses well. For a number of the members of the Board, that knowledge has been gained or enhanced from years of service as members of Modine’s Board. For most individuals who joined the Board more recently, that knowledge was gained in employment with industry leaders in markets important to the Company - commercial vehicle original equipment manufacturers (“OEMs”), off-highway OEMs and developers and manufacturers of commercial HVAC products. The Board benefits from the interplay among a technologist at an internationally recognized university; the President of a division of a large public company; former Chief Financial Officers of large, complex public companies; former managers of international public companies; Modine’s Chief Executive Officer; and former executives of OEMs in the Company’s markets, as well as the experience brought by those who serve on other public company Boards. Modine’s Board consists of dedicated individuals with high integrity and discipline and who have a strong desire to use their skills to govern Modine in a responsible manner.

Individual Qualifications of the Members of Modine’s Board of Directors

The Board of Directors’ Corporate Governance and Nominating Committee (the “Nominating Committee”), a committee consisting of all of the independent directors of the Company, has determined that the Board needs certain specialized expertise as well as broad leadership experience to direct the Company to achieve its strategic goals. The Nominating Committee considers the following qualities and experiences to be necessary for the proper functioning of a Board of a responsible, global, technology-driven company:

- Business operations leadership;

- Relevant industry experience;
- Global business experience;
- Financial expertise;
- Technological expertise;
- Corporate governance expertise; and
- Financial markets experience.

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A description of the qualities provided by each Board member who will continue in service after the 2014 Annual Meeting of Shareholders is included below with the description of the individual's experience and public company directorships, all as of May 30, 2014.

Board Skills Matrix

The chart below summarizes the specific qualifications, attributes, and skills for each director. An "X" in the chart below indicates that the item is a specific reason that the director was nominated to serve on the Board. The lack of an "X" does not mean that the director does not possess that qualification or skill. Rather, an "X" indicates a specific area of focus or expertise of a director on which the Board currently relies.

| | Required Expertise | | | | | | |
|---|---|---|---|---|---|---|---|
| Board of Directors | Business Operations Leadership | Relevant Industry Experience | Global Business Experience | Financial Expertise | Technological Expertise | Corporate Governance Expertise | Financial Markets Experience |
| Mr. Burke | X | X | X | | X | X | |
| Mr. Anderson | X | X | X | | | X | |
| Mr. Cooley | | | X | X | | X | X |
| Dr. Garimella | | | | | X | | |
| Mr. Moore | X | X | X | | | | |
| Mr. Patterson | X | X | X | | | X | |
| Ms. Williams | | | X | X | | X | X |
| Ms. Yan | X | X | X | | X | | |

2014 Nominees for Director

The Nominating Committee nominated Messrs. David J. Anderson and Larry O. Moore and Ms. Marsha C. Williams for election as directors. Messrs. Anderson and Moore and Ms. Williams are considered independent under the New York Stock Exchange ("NYSE") corporate governance rules.

The Board of Directors recommends a vote "FOR" Messrs. David J. Anderson and Larry O. Moore and Ms. Marsha C. Williams.

Vote Required for Approval

Directors in an uncontested election are elected by a majority of the votes cast by holders of shares of the Company's common stock entitled to vote in the election at a shareholder meeting at which a quorum is present. Because abstentions and broker non-votes are not considered votes cast, they will not have an effect on the vote.

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| Name | Principal Occupation, Directorships and Qualifications | |
|---|---|---|
| Nominees to be Elected for Terms Expiring in 2017: | | |
| David J. Anderson<br>Age 66<br>Director since 2010 | Current Position: | Retired. |
| | Experience: | Mr. Anderson retired as President and Chief Executive Officer of Sauer-Danfoss Inc., a worldwide leader in the design, manufacture and sale of engineered hydraulic, electric and electronic systems and components. Mr. Anderson served in this capacity and as a director of Sauer-Danfoss Inc. from 2002 until his retirement in 2009. Prior to that time, he served in various senior leadership positions in strategic planning, business development and sales and marketing. |
| | Public Company Directorships: | MTS Systems Corporation (Chairman);<br>Schnitzer Steel Industries Inc.; and<br>Sauer-Danfoss Inc. (July 2002 - June 2009; Executive Director and Co-Vice Chairman (June 2008 – June 2009)) |

Specific Attributes and Skills for Mr. Anderson:

| Expertise | Discussion of Skills and Attributes |
|---|---|
| Business Operations Leadership | Mr. Anderson gained his business operations leadership experience as President and CEO of Sauer-Danfoss Inc. where he gained his significant understanding of successful leadership of a growing, global, high-technology, industrial company. |
| Relevant Industry Experience | Sauer-Danfoss Inc., a company at which Mr. Anderson spent 25 years of his career, develops, manufactures and markets advanced systems for the distribution and control of power in mobile equipment. Over the course of his career with Sauer-Danfoss Inc., Mr. Anderson became thoroughly familiar with the market for products to industrial OEMs. |
| Global Business Experience | Mr. Anderson has significant global experience having led the post-merger integration of Sauer-Sandstrand and Danfoss Fluid Power into its end state of 26 manufacturing sites in 11 countries. |
| Corporate Governance Expertise | Mr. Anderson currently serves on the board of two international public companies, and formerly served on the board of Sauer-Danfoss Inc. |

| | | |
|---|---|---|
| Larry O. Moore<br>Age 64<br>Director since 2010 | Current Position: | Retired. |
| | Experience: | Mr. Moore retired as Senior Vice President, Module Centers & Operations of Pratt & Whitney, a division of United Technologies and a manufacturer of aircraft engines. Mr. Moore served in this capacity from 2002 until his retirement in 2009. Prior to joining Pratt & Whitney, Mr. Moore served in various management positions with Cummins and Ford Motor Company. |

Specific Attributes and Skills for Mr. Moore:

| Expertise | Discussion of Skills and Attributes |
|---|---|

| | |
|---|---|
| Business Operations Leadership | Mr. Moore gained his business operations leadership experience, including experience in low cost country sourcing and operational excellence, at United Technologies where he served as Senior Vice President, Module Centers & Operations of Pratt & Whitney, and at Cummins where he served in various operations management positions. |
| Relevant Industry Experience | Mr. Moore has a deep understanding of the diesel engine markets for off-highway and commercial truck markets gained over his 23-year career in various positions with Volkswagen of America, Inc., General Motors |

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|---|---|
| | Corporation, Ford Motor Company as well as Cummins and Pratt & Whitney. |
| Global Business Experience | Mr. Moore has extensive experience working with global industrial companies. |

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|---|---|---|
| Marsha C. Williams<br>Age 63<br>Director since 1999 | Current Position: | Retired. |
| | Experience: | Ms. Williams retired as Senior Vice President and Chief Financial Officer of Orbitz Worldwide, Inc., an online travel company (July 2007 - December 2010). Prior to joining Orbitz Worldwide, Inc., Ms. Williams was Executive Vice President and Chief Financial Officer (2002 – February 2007) of Equity Office Properties Trust, a real estate investment trust. Prior to that time, Ms. Williams was Chief Administrative Officer of Crate and Barrel and served as Vice President and Treasurer of Amoco Corporation; Vice President and Treasurer of Carson Pirie Scott & Company; and Vice President of The First National Bank of Chicago. |
| | Public Company Directorships: | Chicago Bridge & Iron Company N.V.;<br>Fifth Third Bancorp (Lead Director); and<br>Davis Funds |

Specific Attributes and Skills for Ms. Williams:

| Expertise | Discussion of Skills and Attributes |
|---|---|
| Global Business Experience | Ms. Williams was an officer of Orbitz Worldwide, Inc. and is currently a director of several public companies with global operations. In these roles, Ms. Williams has accumulated extensive knowledge of global finance, capital management, internal controls and human resources. |
| Financial Expertise | As the Vice President and CFO of Orbitz Worldwide, Inc. and Executive Vice President and CFO of Equity Office Properties Trust, Ms. Williams gained significant financial acumen relating to complex, global companies. |
| Corporate Governance Expertise | Ms. Williams serves on the board of several public companies, and is the Lead Director of the Fifth Third Bancorp Board of Directors. |
| Financial Markets Experience | As the former Vice President and CFO of Orbitz Worldwide, Inc., Executive Vice President and CFO of Equity Office Properties Trust, and Lead Director of Fifth Third Bancorp, Ms. Williams has significant experience in the financial markets in which the Company competes for financing. |

Directors Continuing in Service for Terms Expiring in 2016:

| | | |
|---|---|---|
| Thomas A. Burke<br>Age 57<br>Director since 2008 | Current Position: | President and Chief Executive Officer of the Company since 2008. |
| | Experience: | Mr. Burke joined Modine in May 2005 as Executive Vice President and subsequently served as Executive Vice President and Chief Operating Officer (July 2006 – March 2008). Prior to joining Modine, Mr. Burke worked for five years in various management positions with Visteon Corporation, a leading supplier of parts and systems to automotive manufacturers, including as Vice President of North American Operations (2002 – May 2005) and Vice President, European and South American Operations (2001 – 2002). Prior to working at Visteon Corporation, Mr. Burke worked in positions of increasing responsibility at Ford Motor Company. |
| | Public Company Directorships: | USG Corporation |

Specific Attributes and Skills for Mr. Burke:

| Expertise | Discussion of Skills and Attributes |
|---|---|
| Business Operations Leadership | Mr. Burke serves as the President and Chief Executive Officer of the Company. |
| Relevant Industry Experience | Mr. Burke has unique knowledge of the challenges, risks and opportunities facing a global supplier of thermal management products to global customers gained through his experience with the Company as well as at Visteon Corporation and Ford Motor Company. Mr. Burke's membership on the Board and leadership of the Company's Executive Council help to ensure that the Board is linked to the Company's management and operations. |
| Global Business Experience | Mr. Burke's extensive operational managerial experience at Ford Motor Company, Visteon Corporation and the Company provide him with significant insight and experience in the operations, challenges and complex issues facing global manufacturing businesses. |
| Technological Expertise | Mr. Burke has a strong background in and knowledge of thermal management technology. |
| Corporate Governance Expertise | Mr. Burke has gained significant corporate governance experience in his role as President and Chief Executive Officer of the Company. |

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|---|---|---|
| Charles P. Cooley<br>Age 58<br>Director since 2006 | Current Position: | Retired. |
| | Experience: | Mr. Cooley retired as Senior Vice President and Chief Financial Officer of The Lubrizol Corporation, a specialty chemical company (April 2009 – September 2011). Mr. Cooley joined The Lubrizol Corporation as Vice President and Chief Financial Officer (April 1998 – July 2005) and subsequently served as its Senior Vice President, Treasurer and Chief Financial Officer (July 2005 – April 2009). Prior to joining The Lubrizol Corporation, Mr. Cooley was Assistant Treasurer of Corporate Finance, Atlantic Richfield Company (ARCO) and Vice President, Finance, ARCO Products Company. |
| | Public Company Directorships: | KeyCorp |

Specific Attributes and Skills for Mr. Cooley:

| Expertise | Discussion of Skills and Attributes |
|---|---|
| Global Business Experience | Mr. Cooley served as the Chief Financial Officer of The Lubrizol Corporation, a company with extensive operations throughout the world. |
| Financial Expertise | Mr. Cooley has substantial experience as the Chief Financial Officer of The Lubrizol Corporation including extensive knowledge of complex accounting issues, capital management and internal controls. |
| Corporate Governance Expertise | In his role as Chief Financial Officer of The Lubrizol Corporation, Mr. Cooley gained significant experience implementing effective corporate governance practices. In addition, Mr. Cooley serves on the board of another public company. |
| Financial Markets Experience | As the Chief Financial Officer of The Lubrizol Corporation, Mr. Cooley had significant experience in the financial markets in which the Company competes for financing. |

Directors Continuing in Service for Terms Expiring in 2015:

| | | |
|---|---|---|
| Dr. Suresh V. Garimella<br>Age 50<br>Director since 2011 | Current Position: | Chief Global Affairs Officer, Purdue University and R. Eugene and Susie E. Goodson Distinguished Professor in the School of Mechanical Engineering and Birck Nanotechnology Center, Purdue University; Director of the Cooling Technologies Research Center, Purdue University School of Mechanical Engineering and Birck Nanotechnology Center (since 2002). |
| | Experience: | Dr. Garimella has served as a professor of Mechanical Engineering at the University of California at Berkeley; University of Wisconsin-Milwaukee; The University of New South Wales, Sydney, Australia; Xi'an JiaoTong University, Xi'an, China; Technical University of Darmstadt, Germany and Purdue University. Dr. Garimella received his Bachelor of Technology in Mechanical Engineering from Indian Institute of Technology, Madras, India, his M.S. in Mechanical Engineering from The Ohio State University and his Ph.D. in Mechanical Engineering from the University of California at Berkley. |

Specific Attributes and Skills for Dr. Garimella:

| Expertise | Discussion of Skills and Attributes |
| --- | --- |
| Technological Expertise | Dr. Garimella is a renowned expert in thermal management and heat transfer technology, which is central to the success of the Company. |

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| | | Retired. |
| Christopher W. Patterson<br>Age 60<br>Director since 2010 | Current Position:<br>Experience: | Mr. Patterson retired as President and Chief Executive Officer of Daimler Trucks North America LLC, a leading producer of heavy-duty and medium-duty trucks and specialized commercial vehicles in North America. Mr. Patterson served in this capacity from 2005 until his retirement in 2009. Prior to this, he held senior positions, including as Senior Vice President, Service & Parts, with Freightliner LLC (predecessor to Daimler Trucks North America) and other international, commercial truck producers. |
| | Public Company Directorships: | Finning International Inc., Vancouver, B.C. (Canada) |

Specific Attributes and Skills for Mr. Patterson:

| Expertise | Discussion of Skills and Attributes |
|---|---|
| Business Operations Leadership | Mr. Patterson gained his business operations leadership experience as the President and Chief Executive Officer of Daimler Trucks North America LLC and brings extensive strategic sales and marketing experience to the Company's Board. |
| Relevant Industry Experience | Mr. Patterson has a significant understanding of commercial truck markets and the operations of a global commercial vehicle OEM. |
| Global Business Experience | Mr. Patterson's extensive executive and leadership experience, as described above, gives him valuable insight into the complexities, challenges and issues facing global manufacturing businesses. |
| Corporate Governance Expertise | Mr. Patterson has significant corporate governance experience from his role as the President and Chief Executive Officer of Daimler Trucks North America LLC. In addition, Mr. Patterson serves on the board of another public company and has completed educational programs on corporate governance topics. |

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| Christine Y. Yan<br>Age 48<br>Director since May 2014 | Current Position: | President of Storage and Workspace Systems of Stanley Black & Decker, Inc., a diversified global provider of power and hand tools, products and services for various applications, and electronic security and monitoring systems (since July 2013). |
| | Experience: | Prior to her current role, Ms. Yan was integration leader of Stanley Engineered Fastening Group. Since 2006, Ms. Yan held the positions of President of the Americas business of Stanley Engineered Fastening and President of the Stanley Engineered Fastening's Global Automotive business. |

Specific Attributes and Skills for Ms. Yan:

| Expertise | Discussion of Skills and Attributes |
|---|---|
| Business Operations Leadership | Ms. Yan gained her business operations experience as President of various divisions of Stanley Engineered Fastening and in her current position as President of Storage and Workspace Systems of Stanley Black & Decker, Inc. |

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|---|---|
| Relevant Industry Experience | Ms. Yan has gained a significant understanding of the vehicular industry through her experience in various positions, including as President, with the Stanley Engineered Fastening's Global Automotive business. |
| Global Business Experience | Ms. Yan's experience as President of the Stanley Engineered Fastening's Global Automotive business and as the General Manager of China Operations for Emhart Teknologies has provided Ms. Yan with significant insight into international business, and in particular, business in China. |
| Technological Expertise | Ms. Yan's engineering background and past and current positions at Stanley have provided her with significant exposure to and experience with technologically sophisticated business operations. |

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## CORPORATE GOVERNANCE

The Company's business is managed under the direction of its Board of Directors, pursuant to the laws of the State of Wisconsin, its Amended and Restated Articles of Incorporation and its Bylaws.  Members of the Board of Directors are kept informed of the Company's operations through discussions with the CEO and key members of management, by reviewing materials provided to them and by participating in meetings of the Board of Directors and its committees.

The Company reviews and evaluates its corporate governance policies and practices, particularly in light of the rules of the Securities and Exchange Commission ("SEC") and the NYSE, and believes that its current policies and practices meet these requirements.  The Company's corporate governance policies, including its Guidelines on Corporate Governance and charters for committees of the Board, are available on its website, www.modine.com, and are also available in print to any shareholder or other interested person upon request.

### Code of Ethics

The Company's Code of Ethics and Business Conduct (the "Code of Ethics") summarizes the compliance and ethical standards and expectations the Company has for all of its employees, officers (including the principal executive officer, principal financial officer and principal accounting officer) and directors with respect to their conduct in furtherance of Company business.  It contains procedures for reporting suspected violations of the Code of Ethics, including procedures for the reporting of questionable accounting or auditing matters or other concerns regarding accounting, internal accounting controls or auditing matters.  The Company has established a Business Ethics Program that includes an Internet and phone Helpline through which employees and others may report concerns, anonymously and in confidence, regarding such matters.  A copy of the Code of Ethics, as well as further information regarding the Business Ethics Program, is available on the Company's website, www.modine.com.  These materials are also available in print to any shareholder or other interested person upon request.  If we make any substantive amendment to the Code of Ethics, we will disclose the nature of such amendment on our website or in a current report on Form 8-K.  In addition, if a waiver of the Code of Ethics is granted to an executive officer or director, we will disclose the nature of such waiver on our website, in a press release or in a current report on Form 8-K.

### Director Independence

The Company's Guidelines on Corporate Governance require that a majority of the Board's members be independent.  The Company also believes it is in its best interest to have the President and CEO of the Company serve as a director.  At a minimum, to qualify as "independent," a director must meet the independence standards of the NYSE.  The Nominating Committee assesses independence on a regular basis, and each director is responsible for bringing to the attention of the Nominating Committee any changes to his or her status that may affect independence.  In addition, the directors complete, on an annual basis, a questionnaire prepared by the Company that is designed to elicit information that the Board uses to assess director independence.  At least annually, the Board reviews the relationships that each director has with the Company.  Only those directors that the Board affirmatively determines have no material relationship with the Company, and who do not have any of the relationships that prevent independence under the standards of the NYSE, are considered to be independent directors.

The Board has determined that all of the current directors and all other individuals who served as directors during any portion of fiscal 2014, other than Mr. Burke, are independent, or were independent at the time they served as a director, within the meaning of the listing standards of the NYSE.  The Board concluded that none of these directors has or had any of the relationships with the Company set forth in the NYSE listing standards or any other business or other relationships with the Company that would preclude a determination of his or her independence.  Mr. Burke is not independent due to his position as President and CEO of the Company.

Certain Relationships and Related Party Transactions

The Code of Ethics requires that all officers, employees and directors of the Company avoid any situation that conflicts with the proper discharge of his or her responsibility to the Company or that impairs his or her ability to exercise independence of judgment with respect to the transactions in which he or she is involved for the Company. Significant transactions with the Company's officers, employees or directors or their relatives, or enterprises in which they have material interests, are not permitted unless such transactions are fully disclosed and approved by the Board of Directors or the Audit Committee as being in the best interest of the Company.

Modine is a large global organization that engages in thousands of purchases, sales and other transactions annually. Modine may enter into purchase and sale transactions with other companies, universities and entities in which members of the Board of Directors are employed or are members of the Board. Modine enters into these arrangements in the ordinary course of business and at competitive prices and terms. The Company anticipates that similar transactions may occur in the fiscal year ending March 31, 2015.

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At the end of each fiscal year, each director and officer must respond to a questionnaire that requires him or her to identify any transaction or relationship that occurred during the year or any proposed transaction that involves Modine (or any subsidiary or affiliate of Modine) and that individual, his or her immediate family or any entity with which he, she or such immediate family member is associated. All responses to the questionnaires are reviewed by the Company's Legal Department and shared with the President and CEO, as appropriate. Based upon such review, there were no related party transactions with respect to persons who were officers or directors during fiscal 2014.

Lead Director

Gary L. Neale served as the Non-Executive Chairman of the Board until his retirement from the Board following the 2013 Annual Meeting of Shareholders. Following Mr. Neale's retirement, Marsha Williams assumed the position of Lead Director. As Lead Director, Ms. Williams presides over meetings of the shareholders, the Board of Directors and executive sessions of the Board of Directors and carries out such other duties as directed by the Board of Directors and as listed in the Company's Guidelines on Corporate Governance. The Company believes this leadership structure is in the best interest of the Company's shareholders at present because it allows the Company to benefit from the unique leadership ability that Ms. Williams possesses and from her business and corporate governance experience. The Board does not intend to nominate a Chairman at this time.

Risk Oversight

The Board of Directors has overall responsibility for risk oversight for the Company. Management provides the Board with information on a regular basis to keep the members of the Board of Directors apprised of identified risks. These risks, including financial, organizational and strategic risks, are reviewed and discussed with the Board as part of the business and operating review conducted at each of the Board's regular meetings. As described below under Committees of the Board of Directors, the Board of Directors has delegated certain responsibilities to its committees. The committees have oversight of risks that fall within their areas of responsibility. The Audit Committee has primary oversight of the Company's financial reporting, internal control and compliance risks. The Officer Nomination and Compensation Committee evaluates the risks arising from the Company's compensation policies and programs. Management is responsible for managing risk and the Company's enterprise risk management program.

Selection of Nominees to the Board of Directors

The Nominating Committee considers prospective candidates for Board membership who are recommended by its members, as well as management, shareholders and independent consultants hired by the Nominating Committee. The Nominating Committee may also decide to engage a professional search firm to assist in identifying qualified candidates. When such a search firm is engaged, the Nominating Committee sets its fees and scope of engagement.

Once the Nominating Committee identifies a prospective nominee, it initially determines whether to conduct a full evaluation of the candidate. The Nominating Committee makes its initial determination based on the information provided to it with the recommendation of the prospective candidate, as well as the Nominating Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others.

The Nominating Committee evaluates the prospective nominee, considering factors it deems appropriate, including the current composition of the Board and the evaluations of other prospective nominees. In assessing candidates, the Board considers the required areas of expertise set forth above in Item 1 (business operations leadership; relevant industry experience; global business expertise; financial expertise; technological expertise; corporate governance expertise and financial markets experience) as well as issues such as the individual's education, contribution to diversity of the Board and others frequently encountered by a global business.

In choosing a candidate for Board membership, every effort is made to complement and supplement skills within the existing Board and strengthen any identified areas. Further criteria include a candidate's personal and professional ethics, integrity and values, as well as his or her willingness and ability to devote sufficient time to attend meetings and participate effectively on the Board.

In connection with this evaluation, the Board determines whether to interview the prospective nominee. If an interview is warranted, one or more members of the Board of Directors, and others as appropriate, will interview prospective nominees. After completing the evaluation and interview, the Nominating Committee makes a recommendation to the Board regarding the nomination of a candidate and the Board acts on that recommendation.

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Shareholder Nominations and Recommendations of Director Candidates

The Bylaws of the Company provide that any shareholder who is entitled to vote for the election of directors at a meeting called for such purpose may nominate persons for election to the Board of Directors. Shareholders who desire to nominate a person or persons for election to the Board must comply with the notice requirements in the Bylaws, a copy of which is available from the Company's Secretary. For consideration at the 2015 Annual Meeting of Shareholders, nominations must be received by the Secretary no earlier than April 8, 2015 and no later than May 3, 2015. Shareholders who want to submit a recommendation for a director candidate for the Board may submit the recommendation to the Board using the procedure described below under Shareholder and Other Interested Persons' Communication with the Board. The Nominating Committee intends to evaluate candidates recommended by shareholders in the same manner that it evaluates other candidates. The Nominating Committee requests that it receive any such recommendations by October 1, 2014 for the 2015 Annual Meeting of Shareholders.

Shareholder and Other Interested Persons' Communication with the Board

Shareholders and other interested persons wishing to communicate with the Board of Directors or with a Board member (including the Lead Director) should address communications to the Board or to the particular Board member, c/o Secretary, Modine Manufacturing Company, 1500 DeKoven Avenue, Racine, Wisconsin 53403-2552. In accordance with a process approved by the Board of Directors, the Secretary reviews all such correspondence. The Secretary forwards to the Board a summary of all such correspondence and copies of all correspondence that, in the opinion of the Secretary, deal with the functions of the Board or committees thereof or that she otherwise determines requires their attention. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's Business Ethics Committee and handled in accordance with procedures established by the Audit Committee with respect to such matters. From time to time, the Board may change the process by which shareholders and other interested persons may communicate with the Board of Directors or its members. Please refer to the Company's website, www.modine.com, for any changes to this process.

Committees of the Board of Directors

Audit Committee

The Audit Committee is a separately designated standing committee of the Board of Directors, established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The charter of the Audit Committee is available on the Company's website, www.modine.com.

The Audit Committee is responsible for, among other things, appointing and overseeing the work of the Company's independent registered public accounting firm for the purpose of preparing and issuing an audit report and performing related work, and for discussing with the independent registered public accounting firm appropriate staffing and compensation. The Audit Committee also oversees management's implementation of systems of internal controls; monitors the preparation of quarterly and annual financial reports by management; determines whether the independent registered public accounting firm is independent; and monitors compliance with the Company's Code of Ethics. The functions of the Audit Committee are more fully described below in the Report of the Audit Committee in this proxy statement.

The Board of Directors has determined that each member of the Audit Committee is independent as defined in the corporate governance listing standards of the NYSE relating to audit committees. The Board of Directors has determined that each Audit Committee member satisfies the financial literacy and experience requirements of the NYSE, and that Mr. Cooley (the Chair of the Committee) qualifies as an audit committee financial expert within the meaning of the SEC rules. Ms. Yan joined the Audit Committee effective upon her appointment to the Board on May 5, 2014.

Officer Nomination and Compensation Committee

The Officer Nomination and Compensation Committee of the Board of Directors (the “ONC Committee”) is composed exclusively of non-employee, independent directors with no business relationship with the Company, other than in their capacity as directors, and no interlocking relationships with the Company that are subject to disclosure under the rules of the SEC related to proxy statements. The charter of the ONC Committee is available on the Company’s website, www.modine.com.

The ONC Committee oversees and provides strategic direction to management regarding the Company’s executive compensation practices. The ONC Committee reviews the performance of the executive officers, other than the CEO, and works in conjunction with the Nominating Committee to review the performance of the CEO; reviews candidates for positions as officers; makes recommendations to the Board on certain officer candidates; makes recommendations to the Board on compensation of the CEO; determines, with the CEO’s recommendations, the compensation of non-CEO executive officers and other officers of the Company; considers recommendations made by its compensation consultant relating to director compensation and presents those recommendations to the Board; administers the incentive compensation plans in which executive officers and directors participate; and reviews the Company’s benefit programs made available to some or all salaried employees of the Company.

Mr. Burke, as President and CEO, recommends to the ONC Committee any compensation changes affecting the Company’s officers, including the other NEOs, other than himself. Mr. Burke presents to the ONC Committee the performance and leadership behavior goals and expectations of each such officer and the level of achievement of those goals as well as the Company’s performance during the fiscal year. The ONC Committee reviews Mr. Burke’s recommendations and either approves or does not approve any compensation matters affecting such officers of the Company. Mr. Burke has no role in setting his own compensation.

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In fiscal 2014, the ONC Committee retained Farient Advisors LLC ("Farient") as its independent executive compensation consultant. Farient reports directly to the ONC Committee and provides no services to the Company. The ONC Committee has determined that Farient is independent under the NYSE Listing Standards. A representative of Farient attends meetings of the ONC Committee upon invitation by the Chair of the ONC Committee, either by phone or in person, and communicates with the Chair between meetings. Farient conducted a comprehensive benchmarking analysis of the Company's pay levels for the CEO, non-CEO executive officers and other officers of the Company, by pay component, using proxy data of the peer companies and compensation survey data. In addition, Farient benchmarked the Company's executive pay programs and practices, including severance and change-in-control arrangements, as well as its goals and performance. The ONC Committee considered Farient's analyses in making its decisions; however, the ONC Committee made all decisions regarding the compensation of Modine's officers, including its named executive officers (except for the CEO, whose compensation is set by the full Board). Additionally, Farient regularly updated the ONC Committee on regulatory and market trends and assisted with the benchmarking of Board of Director compensation practices and levels.

Compensation Committee Interlocks and Insider Participation

The Company had no Compensation Committee Interlocks, as defined by the SEC, during fiscal 2014.

Corporate Governance and Nominating Committee

The Nominating Committee develops and implements policies and practices relating to corporate governance matters, including reviewing and monitoring implementation of the Company's Guidelines on Corporate Governance and the Code of Ethics; develops and reviews background information on prospective nominees to the Board and makes recommendations to the Board regarding such persons; supervises the Board's annual self-evaluation; and works with the ONC Committee, as appropriate, to review and monitor succession plans relating to the CEO and to evaluate the performance of the CEO. The Nominating Committee is composed exclusively of independent directors with no business relationship with the Company, other than in their capacity as directors, and no interlocking relationships with the Company that are subject to disclosure under the rules of the SEC related to proxy statements. The charter of the Nominating Committee is available on the Company's website, www.modine.com.

Technology Committee

The Technology Committee reviews and makes recommendations, as appropriate, to the entire Board of Directors on major strategies and other subjects related to the Company's approach, emphasis, and direction with regard to technical innovation and opportunities; the technology acquisition process to assure ongoing business growth; and development and implementation of measurement and tracking systems important to successful innovation.

Board Meetings and Committees

The Board of Directors held five meetings during the fiscal year ended March 31, 2014 and had the following four standing committees: Audit; Officer Nomination and Compensation; Corporate Governance and Nominating; and Technology.

In July of each year, the Board selects the members of each of the committees. All incumbent directors attended at least 75 percent of the aggregate of the Board meetings and meetings of committees on which he or she served during fiscal 2014.

The following table lists the members of each of the standing committees as of May 30, 2014 and the number of meetings held by each committee during fiscal 2014.

| Name | Audit | ONC | Nominating | Technology |
|---|---|---|---|---|
| David J. Anderson | X | X | X | X |
| Thomas A. Burke | | | | |
| Charles P. Cooley | Chair | | X | X |
| Suresh V. Garimella | | X | X | Chair |
| Larry O. Moore | | X | X | X |
| Christopher W. Patterson | X | Chair | X | |
| Marsha C. Williams | | | Chair | |
| Christine Y. Yan | X | | X | X |
| Total Number of Meetings | 8 | 5 | 3 | 2 |

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Attendance at the Annual Meeting. Although the Company does not have a formal policy that its directors attend the Annual Meeting of Shareholders, it expects them to do so and the Company's directors historically have attended these meetings. All of the directors attended the 2013 Annual Meeting of Shareholders. The Board of Directors conducts a meeting immediately after the Annual Meeting of Shareholders.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of shares of the Company's common stock by persons known by the Company to beneficially own more than five percent of the outstanding shares:

| Name and Address of Owner (1) | Common Stock Number of Shares Owned and Nature of Interest | Percent of Class |
|---|---|---|
| Frontier Capital Management Co. LLC(2)<br>99 Summer Street<br>Boston, Massachusetts 02110 | 3,482,539 | 7.31 |
| BlackRock, Inc. (3)<br>40 East 52nd Street<br>New York, New York 10022 | 2,843,268 | 5.97 |
| The Vanguard Group, Inc. (4)<br>100 Vanguard Blvd.<br>Malvern, Pennsylvania 19355 | 2,591,338 | 5.44 |
| T. Rowe Price Associates, Inc. (5) | 2,383,410 | 5.0 |

(1) The number of shares is as of the date the shareholder reported the holdings in filings under the Exchange Act, unless more recent information was provided. The above beneficial ownership information is based on information furnished by the specified persons and is determined in accordance with Exchange Act Rule 13d-3, and other facts known to the Company.

(2) Based on Schedule 13G filed under the Exchange Act on February 14, 2014, Frontier Capital Management Co. LLC has the sole power to vote or direct the vote of 1,841,762 shares and the sole power to dispose or direct the disposition of the reported shares.

(3) Based on Amendment No. 1 to Schedule 13G filed under the Exchange Act on January 30, 2014, BlackRock, Inc. has the sole power to vote or direct the vote of 2,696,058 shares and the sole power to dispose or direct the disposition of the reported shares.

(4) Based on Schedule 13G filed under the Exchange Act on February 11, 2014. The Vanguard Group has the sole power to vote 72,350 shares, the sole power to dispose or direct the disposition of 2,521,388 shares, and shared power to dispose or direct the disposition of 69,950 shares.

(5)

Based on Schedule 13G filed under the Exchange Act on February 13, 2014, T. Rowe Price Associates, Inc. has the sole power to vote or direct the vote of 1,131,910 shares and the sole power to dispose or direct the disposition of the reported shares.

The following table sets forth information regarding the beneficial ownership of shares of the Company's common stock as of May 30, 2014 by:

- Each director, director-nominee and "named executive officer" (as described below under Compensation Discussion and Analysis); and

- all directors and executive officers of the Company as a group.

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| | Direct Ownership | Options Exercisable within 60 days of May 30, 2014 | Held in 401(k) Retirement Plan | Restricted Shares (Not Vested) | Total (1) | Percent of Class |
|---|---|---|---|---|---|---|
| David J. Anderson | 18,210 | 0 | NA | 0 | 18,210 | * |
| Charles P. Cooley | 32,670 | 0 | NA | 0 | 32,670 | * |
| Suresh V. Garimella | 15,665 | 0 | NA | 0 | 15,665 | * |
| Larry O. Moore | 18,210 | 0 | NA | 0 | 18,210 | * |
| Christopher W. Patterson | 25,060 | 0 | NA | 0 | 25,060 | * |
| Marsha C. Williams | 37,623 | 0 | NA | 0 | 37,623 | * |
| Christine Y. Yan | 0 | 0 | 0 | 0 | 0 | * |
| Thomas A. Burke | 53,115 | 413,038 | 8,174 | 164,824 | 639,151 | 1.34 % |
| Michael B. Lucareli | 20,749 | 33,094 | 971 | 39,067 | 93,881 | * |
| Thomas F. Marry | 37,515 | 79,029 | 937 | 110,703 | 228,184 | * |
| Holger Schwab | 0 | 1,893 | NA | 11,297 | 13,190 | * |
| Scott L. Bowser | 28,394 | 53,895 | 3,912 | 44,706 | 130,907 | * |
| All directors and executive officers as a group (15 persons) | 318,302 | 666,361 | 15,548 | 437,889 | 1,438,110 | 3.02 % |

*Represents less than one percent of the class.

(1) Includes shares of common stock that are issuable upon the exercise of stock options exercisable within 60 days of the record date. Such information is not necessarily to be construed as an admission of beneficial ownership.

## COMPENSATION OF DIRECTORS

Employees of Modine do not receive any compensation for serving on the Board. For the 2014 fiscal year, non-employee directors, including the Lead Director of the Board, were entitled to receive the following: an annual retainer of $70,000, payable quarterly; an annual retainer of $9,000 for acting as Chair of the ONC Committee and Nominating Committee, an annual retainer of $7,500 for acting as Chair of the Technology Committee and an annual retainer of $10,000 for acting as Chair of the Audit Committee; reimbursement for travel, lodging, and related expenses incurred in attending Board and/or committee meetings; and travel-accident and director and officer liability insurance. Ms. Williams declined to be compensated for her service as the Chair of the Nominating Committee.

The Amended and Restated 2008 Incentive Compensation Plan (the “Incentive Plan”) gives discretion to the Board, or a committee of the Board, to grant stock options and stock awards to non-employee directors. The Board or the ONC Committee, as applicable, has broad discretionary authority to set the terms of awards under the Incentive Plan. It is the current practice of the Board of Directors to evaluate compensation and make grants of unrestricted stock awards to each non-employee director on an annual basis. Consistent with this practice, the Company granted each non-employee director of the Company (other than the Lead Director) 5,161 unrestricted shares of stock in October 2013. The Company granted Ms. Williams, the Lead Director, 10,322 shares of stock at the same time. The Company granted Ms. Williams the greater number of shares to compensate her for her service as Lead Director. As Lead Director, Ms. Williams, among other duties, generally attends all meetings of the Board’s committees but does not receive any attendance fee for those meetings.

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2014 Director Compensation Table

The following table sets forth compensation paid to non-employee members of the Company's Board of Directors in fiscal 2014:

| Name | Fees Paid in Cash ($) | Stock Awards ($)(1)(2) | Change in Pension Value ($)(3) | All Other Compensation | Total ($) |
|---|---|---|---|---|---|
| David J. Anderson | 70,000 | 74,989 | NA | - | 144,989 |
| Charles P. Cooley | 80,000 | 74,989 | NA | - | 154,989 |
| Suresh V. Garimella | 77,500 | 74,989 | NA | - | 152,489 |
| Larry O. Moore | 70,000 | 74,989 | NA | - | 144,989 |
| Gary L. Neale | 17,500 | - | 0(4) | 24,000 (5) | 41,500 |
| Christopher W. Patterson | 79,000 | 74,989 | NA | - | 153,989 |
| Mary L. Petrovich | 52,500 | 74,989 | NA | - | 127,489 |
| Marsha C. Williams | 70,000 | 149,979 | 0(4) | - | 219,979 |

(1) In October 2013, all of the independent directors, other than Ms. Williams, were granted 5,161 shares of unrestricted stock under the Incentive Plan. As explained above, the Company granted 10,332 shares of unrestricted stock to Ms. Williams at the same time. None of the directors included in the table above held any unvested stock awards as of the end of fiscal 2014.

(2) Represents the aggregate grant date fair value of stock grants computed in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 718. The assumptions used to determine the value of the awards are discussed in Note 5 of the Notes to the Consolidated Financial Statements of the Company contained in the Company's Form 10-K for the fiscal year ended March 31, 2014.

(3) Represents the change in pension value between the end of fiscal 2013 and the end of fiscal 2014 under the Modine Manufacturing Company Director Emeritus Retirement Plan. The change in pension value is solely a result of the change in the interest rate used to calculate the present value of the pension benefit under the Director Emeritus Retirement Plan because no benefits otherwise continue to accrue under that plan. The Company used interest rates of 4.74 percent and 4.35 percent, respectively, to calculate the present value of the pension benefit at March 31, 2014 and March 31, 2013.

The Board of Directors adopted the Director Emeritus Retirement Plan pursuant to which any person, other than an employee of the Company, who was or became a director of Modine on or after April 1, 1992 and who retired from the Board would be paid a retirement benefit equal to the annualized sum directors were paid for their service to the Company as directors (including Board meeting attendance fees but excluding any applicable committee attendance fees) in effect at the time such director ceased his or her service as a director. The retirement benefit continues for the period of time equal in length to the duration of the director's Board service. If a director dies before retirement or after retirement during such period, his or her spouse or other beneficiary would receive the benefit. In the event of a change in control (as defined in the Director Emeritus Retirement Plan) of Modine, each eligible director, or his or her spouse or other beneficiary entitled to receive a retirement benefit through him or her, would be entitled to receive a lump-sum payment equal to the present value of the total of all benefit payments that would otherwise be payable under the Director Emeritus Retirement Plan. The retirement benefit is not payable if the director, directly or indirectly, competes with the Company or if the director is convicted of fraud or a felony and such fraud or felony is determined by disinterested members of the Board of Directors to have damaged Modine. Effective July 1, 2000, the Director Emeritus Retirement Plan was frozen with no further benefits accruing under it. Ms. Williams and Mr. Neale accrued pension benefits under the Director Emeritus Retirement Plan until it was frozen on July 1, 2000.

(4) The changes in pension values for Mr. Neale and Ms. Williams were $(24,575) and $(114), respectively.

(5) Represents retirement benefits paid to Mr. Neale under the Director Emeritus Retirement Plan since his retirement from the Board following the 2013 Annual Meeting of Shareholders. The Director Emeritus Retirement Plan, which was frozen effective July 1, 2000, is described in footnote 3, above.

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Share Ownership Guidelines - Directors

Effective January 16, 2008, the Board adopted share ownership guidelines for incumbent members of the Board of Directors. The Board believes that in order to further align the interests of members of the Board and shareholders, members of the Board should have a meaningful personal investment in the Company. Only shares of stock, either restricted or unrestricted, count toward the guideline figures. The guidelines generally provide that within five years of joining the Board, directors are expected to hold shares of Company stock with a value of at least three times the value of the director's annual cash retainer at the time the director joined the Board. All directors are currently in compliance with these guidelines. The share ownership guidelines for officers of the Company are described below in the Compensation Discussion and Analysis – Share Ownership Guidelines - Officers.

Compensation-Related Risk Assessment

In fiscal 2014, the ONC Committee assessed each element of compensation – base salary; annual cash bonus; long-term incentives – as well as other plans covering employees in international locations to determine whether any of such elements or plans promotes excessive or unreasonable risk-taking. The ONC Committee determined that the Company's compensation policies and practices encourage behaviors that drive the performance of the Company as a whole and balance short-term results with longer-term results in the interests of shareholders. The ONC Committee determined that any risks arising from the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

## COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis describes the material components of compensation paid to Modine's named executive officers ("NEOs"), as described in the 2014 Summary Compensation Table on page 27. The Company's NEOs are:

- Thomas A. Burke, President and CEO;
- Michael B. Lucareli, Vice President, Finance and CFO;
- Thomas F. Marry, Executive Vice President and COO;
- Holger Schwab, Regional Vice President – Europe; and
- Scott L. Bowser, Regional Vice President – Asia.

Other than the Principal Executive Officer and Principal Financial Officer, Messrs. Marry, Schwab and Bowser were the three most highly compensated executive officers as of March 31, 2014. The compensation for these individuals is listed in the tables on pages 27 through 33 of this Proxy Statement.

In this Compensation Discussion and Analysis, we will also explain the objectives of our compensation programs, why we pay the compensation we do and how that fits with the Company's commitment to provide value to our shareholders.

Executive Summary

Executive Compensation Philosophy

The ONC Committee seeks to pay our NEOs fairly and to align executive compensation with the Company's performance. The ONC Committee believes this approach will enhance shareholder return over the long term.

Goals of the Executive Compensation Program

The ONC Committee seeks to help the Company achieve its short- and long-term financial goals and encourage its executive officers to act as owners of the Company. The ONC Committee believes these goals can be accomplished through a compensation program that provides a balanced mix of cash and equity-based compensation. Base salary is designed to attract and retain executives by compensating them for their day-to-day activities, level of responsibility and sustained individual performance. The annual cash incentive is intended to reward for the achievement of annual operating goals that are critical to the Company's short-term business objectives. The equity portion of the compensation package provides incentives that are intended to focus executives on the Company's long-term success, align the executives' returns with those of shareholders, encourage long-term retention, and reward the executive for the Company's superior long-term performance.

Alignment of Objectives/Fiscal 2014 Financial Performance and Strategic Highlights

The ONC Committee believes the structure of its executive compensation program is aligned with the Company's overall performance in fiscal 2014. In fiscal 2014, the Company, among other things:

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- Achieved higher revenues, earnings and cash flows versus the prior year, including a 7 percent increase in revenues, and free cash flow in excess of $51 million[1];
- Increased global presence through the opening of a Commercial Products Group sales office in Dubai and ramp-up of assembly facility operations in Tolyatti, Russia;
- Acquired Barkell Limited, a UK-based manufacturer of custom-built air handling units;
- Enhanced product diversification across multiple segments, increasing product offerings to current customers and providing opportunities in new and adjacent markets; and
- Experienced a significant increase in the price of its common stock, moving from a price of $8.92 per share as of the first day of fiscal 2014 to $14.65 per share as of the last day of fiscal 2014.

Fiscal 2014 Compensation Highlights

The ONC Committee's actions in fiscal 2014 include the following:

- Set CEO and CFO salaries at or near the median of Modine's peer group companies to meet its objective of offering competitive compensation.
- Approved Return on Average Capital Employed ("ROACE") and free cash flow as the equally weighted performance metrics in the Management Incentive Plan (the "MIP") (the short-term cash bonus plan) for fiscal 2014. The ROACE metric was chosen to reward management based on the Company's performance, and is designed to incentivize an increase in shareholder value by permitting management an incremental share of improvements in operating income. The free cash flow metric was chosen to incentivize management to focus on cash generation, given its importance to the Company's short-term objectives.
- Approved ROACE, Annual Revenue Growth and Asia Operating Income as the performance metrics for the Long-Term Incentive Plan (the "LTIP") for fiscal 2014 to incentivize meeting and exceeding the Company's operating performance goals. Use of the Asia Operating Income metric is intended to emphasize the strategic importance of executing the Company's growth strategies for that segment in the coming years. The three metrics are designed to focus management on key metrics and provide a compelling incentive plan with carefully selected standards, mitigating risk by avoiding short-term gains at the expense of the long-term health of the Company. The long-term pay orientation of the Company's compensation system (compensation mix and time horizon of the LTIP) appropriately reflects the capital intensive nature, the investment time horizon and customer planning time horizon (i.e., long-term orders and partnering for end-product production) of the business.
- Reviewed and revised the composition of the Company's Peer Group used for CEO and CFO compensation and company performance comparisons.
- Conducted a risk assessment of the Company's compensation practices and found no evidence of unreasonable risk taking in the Company's compensation plans and arrangements.
- Reviewed regulatory, shareholder and market changes, including governance best practices as applicable to the Company.
- Reviewed status of equity spend under the Incentive Compensation Plan.
- Reviewed CEO pay-for-performance alignment, utilizing analysis provided by Farient.

Shareholder Advisory Vote on Executive Compensation

A nonbinding advisory vote on the compensation of the Company's NEOs received the affirmative vote of 94% of the shares represented at the 2013 Annual Meeting of Shareholders, demonstrating very strong support for the Company's executive compensation program. Nonetheless, the Company and ONC Committee are mindful of the results of the shareholder advisory vote and take the vote into consideration when determining and evaluating the Company's executive compensation philosophy, program and disclosure.  For example, the Company has continued its ongoing efforts to be fully transparent about the link between pay and performance in its Pay for Performance discussion immediately below.  In addition, during one-on-one conversations, sponsored road shows and other regular communications with shareholders, the Company routinely discusses its performance in the context of underlying incentive compensation metrics and emphasizes management's active use of those same metrics in the Company's daily operations.

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[1] Free cash flow is defined as Net cash provided by operating activities ($104.5 million) less expenditures for property, plant and equipment ($53.1 million).

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Pay for Performance

The ONC Committee believes that the Company's compensation program should encourage management to create long-term, sustained value for shareholders and to act like owners of the Company. To achieve this objective, the compensation program is designed to balance short- and long-term considerations while rewarding management in a way that reflects the Company's performance over time. The ONC Committee further supports this objective with a strong pay for performance philosophy.

The key elements of Modine's executive compensation program that support the pay for performance philosophy include:

- A median compensation positioning strategy that targets total pay as well as each element of compensation at the median of the market, and allows actual compensation to vary from the median based on higher or lower performance, i.e., above median for above market performance and below median for below-market performance;
- A significant portion of compensation tied to performance, including short-term and long-term incentives tied to strong financial/operational performance;
- Use of measures of performance for incentives that balance strong growth and returns and provide a direct link to shareholder value over time;
- A significant weighting on equity-based long-term incentives, particularly performance stock; and
- Share ownership guidelines (described on page 25), requiring that executives be meaningfully invested in the Company's stock, and therefore be personally invested in the Company's performance.

In fiscal 2014, the ONC Committee requested that Farient, the ONC Committee's independent compensation consultant, assess the relationship between our executive compensation and performance over time, with particular focus on the CEO.

To conduct this analysis, Farient used its alignment methodology to test whether the Company's Performance-Adjusted Compensation™ (PAC™) is: (1) reasonable for the Company's revenue size, peer group and total shareholder return (TSR) performance; and (2) sensitive to the Company's TSR over time, given that TSR is an objective, transparent measure that shareholders generally rely upon when conducting a long-term pay for performance evaluation. PAC measures compensation outcomes after performance has occurred, rather than target compensation, which represents "expected" compensation before performance has occurred. Farient compared the CEO's PAC (including actual salary, actual short-term incentive awards, and performance-adjusted long-term incentive values) over rolling 3-year periods to TSR for the same rolling 3-year periods, and tested the results against those same variables for companies in the industry groups that are most relevant to Modine, namely Capital Goods and Automobiles and Components. The Company's PAC was then compared to a range of values, as indicated by the upper and lower boundaries on the chart below. This range reflects reasonable compensation outcomes, as determined by the companies in the relevant industries, for the performance achieved. All PAC values on the chart, current and historical, for both the Company as well as for the companies in the relevant industry groups, are adjusted to reflect the Company's current size of approximately $1.5 billion in revenue.

Farient's analysis of the Company's pay for performance indicates that the CEO's compensation historically has been and continues to be strongly aligned with the Company's performance and shareholder interests in that it is both reasonable and closely correlated to Company performance over time. Farient reached this conclusion, with which the ONC Committee agreed, because the data points for the Company's CEOs have historically been below the upper boundary, which indicates reasonable compensation, and because the PAC generally moves up as performance rises, and generally moves down as performance falls. Specifically, for the three-year period from 2012 through 2014, the CEO's PAC was closely aligned with performance, reflecting: (1) an annual incentive payout of 140% of Target due to the Company's performance versus its predetermined objectives for the 2014 annual Management Incentive Plan; and (2) no award payouts for the 2012-2014 performance stock awards cycle, since the Company did not meet its objectives for this plan cycle. In addition, the CEO's PAC for the three-year period ending 2014 was higher than that for the prior three-year period ending 2013 because the performance adjusted value of the stock option and restricted stock portions of PAC reflected the Company's stock price that was higher at the end of 2014 ($14.65) than at the end of 2013 ($9.10).

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Market Benchmarking of Executive Pay

The ONC Committee targets total pay, as well as each element of compensation, at the median of a peer group of companies for the CEO and CFO and at the median of a broad survey of manufacturing companies for the other NEOs. The ONC Committee believes that targeting the median is an objective way of ensuring that the Company's executive compensation practices are competitive and reasonable relative to the broader market. Actual pay may vary from the median based on differences in individual performance, job responsibilities, tenure and experience for the individuals being compared, as well as based on actual performance of the Company.

Use of Peer Group

In the fall of 2013, the ONC Committee reviewed the composition of the Company's peer group. As a group, the peers have characteristics and markets similar to those of the Company. These characteristics and markets are as follows:

- U.S. headquartered companies traded on major U.S. exchanges involved in these industries: industrial machinery; construction and farm machinery and heavy trucks; auto parts and equipment; industrial machinery; electrical components and equipment; and building products (HVAC related);
- Companies with revenue between $600 million and $4 billion (approximately ½ to 2 ½ times Modine's budgeted revenue); and
- Technology-intensive companies with a strong focus on OEM suppliers, distributed product expertise and global industrial customers in the vehicular and industrial/commercial (e.g., HVAC) arena.

After its review, the ONC Committee removed Sauer-Danfoss, Inc. from the peer group (due to its being acquired) and added Titan International, Inc. to the peer group because of its fit with the characteristics described above. After this substitution the ONC Committee was satisfied with the size and composition of the peer group.

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The following is the Company's revised peer group:

| | | |
|---|---|---|
| Actuant Corporation | Gentex Corporation | Titan International, Inc. |
| American Axle & Manufacturing, Inc. | Hubbell Incorporated | Tower International, Inc. |
| AMETEK, Inc. | Lennox International Inc. | WABCO Holdings Inc. |
| Briggs & Stratton Corporation | Mueller Industries, Inc. | Westinghouse Air Brake Technologies Corporation |
| Commercial Vehicle Group, Inc. | Nortek, Inc. | |
| Donaldson Company, Inc. | Regal-Beloit Corporation | Woodward Inc. |
| EnerSys Inc. | Stoneridge, Inc. | |

The ONC Committee uses the publically available peer group data to assist in the evaluation of the:

- compensation levels of the Company's CEO and CFO;
- Company's compensation practices; and
- Company's relative performance and relative pay for performance for specified periods of time.

Use of Compensation Survey Data

The ONC Committee also uses survey data, compiled by Mercer, of manufacturing companies with revenues between approximately $800 million and $3.2 billion to evaluate competitive pay levels of corporate officers and other key employees in addition to those of the CEO and CFO, and with revenues between $200 million and $1.2 billion to evaluate competitive pay levels of officers and other key employees who are heads of business units. Mercer did not provide the ONC Committee with, and the ONC Committee was not aware of, the identities of the companies that participated in the survey. The ONC Committee recognizes that the Company attracts employees from a broad range of companies and its comparison data reflects that fact. The ONC Committee does not use the survey data in a formulaic manner. If the compensation of a particular NEO is substantially greater or less than the median in the survey for the same position, the ONC Committee takes the survey information into account when setting base salary, cash incentive targets and long-term incentive target value but also exercises its discretion, taking into consideration the individual's performance, tenure, experience and changes in job responsibilities.

Description of Executive Compensation Program

The ONC Committee sets the compensation philosophy at Modine in a manner intended to promote the Company's achievement of its short- and long-term financial goals and encourage its executive officers to act as owners of the Company. In addition, the ONC Committee focuses on attracting and retaining employees who are qualified, motivated and committed to excellence. The ONC Committee believes these goals can be accomplished through a compensation program that provides a balanced mix of cash and equity-based compensation. Base salary is designed to attract and retain executives by compensating them for their day-to-day activities, level of responsibility and sustained individual performance. The annual cash incentive is intended to reward the achievement of annual operating goals that are critical to the Company's short-term business objectives. The equity portion of the compensation package provides incentives that are intended to align the executives' returns with those of shareholders, encourages long-term retention and rewards the executive for the Company's superior long-term performance.

The ONC Committee’s actions are guided by the following beliefs:

- Compensation is a primary factor in attracting and retaining employees and Modine’s goals can only be achieved if it attracts and retains qualified and highly skilled people;
- All elements of executive compensation, including base salary, targeted annual incentives (cash-based), and targeted long-term incentives (stock-based), are set to levels that the ONC Committee believes ensure that executives are fairly, but not excessively, compensated;
- Strong financial and operational performance is expected and shareholder value must be preserved and enhanced over time;
- Compensation must be linked to the interests of shareholders and the most effective means of ensuring this linkage is by granting equity incentives such as stock awards, stock options and performance stock awards;
- Operating units of the Company are interdependent, and the Company, as a whole, benefits from cooperation and close collaboration among individual units, so it is important in the Company’s incentive plans to reward overall corporate results and focus on priorities that impact the total Company; and
- The executive compensation program should reflect the economic condition of the Company, as well as Company performance relative to peers so in a year in which the Company underperforms, the compensation of the executive officers should be lower than in years when the Company is achieving or exceeding its objectives.

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As reflected in this Compensation Discussion and Analysis, the ONC Committee believes the compensation program is aligned with these principles.

Treatment of the CEO

The CEO participates in the same programs and receives compensation generally based on the same factors as the other NEOs. However, the level of the CEO's compensation is even more heavily dependent upon the Company's performance than the compensation of other NEOs. Mr. Burke's overall compensation reflects a greater degree of policy- and decision-making authority and a higher level of responsibility for the strategic direction and financial and operational results of the Company. Given his key role in policy- and decision-making, the ONC Committee believes that the CEO's compensation should be weighted more heavily toward equity awards so his compensation more directly correlates with the Company's performance.

Elements of Executive Compensation for Fiscal 2014

The following is a summary of the elements of the Company's executive compensation program:

| Pay Element | Competitive Positioning | Program Objectives | Time Horizon | Performance Measures for Fiscal 2014 |
|---|---|---|---|---|
| Base Salary | Compares to 50th percentile, but use of judgment to determine actual pay | Key personnel attraction and retention; reward for individual performance | Annual | Individual performance<br><br>Length of time in the position and overall experience<br><br>Consistency of performance<br><br>Changes in job responsibility |
| Management Incentive Plan | | Motivate and reward for achieving objectives | Annual | Return on Average Capital Employed (50%)<br><br>Free Cash Flow (50%) |
| Long-Term Incentive Plan (% of total Long-Term Incentive Plan Value)<br><br>Performance Stock Awards (40%) | | Align executive's returns with those of shareholders<br><br>Encourage long-term retention<br><br>Reward for superior long-term performance | 3-year performance period with payout upon results certification | Return on Average Capital Employed (37.5%)<br><br>Three-Year Average Revenue (37.5%)<br><br>Asia Operating Income (25%) |
| Retention Restricted Stock Awards (40%) | | Reward employees for their continued commitment to the Company | 4-year ratable vesting | Retention |

| | | | |
|---|---|---|---|
| Stock Options (20%) | Focus executives on driving long-term performance | 4-year ratable vesting<br><br>(10 year term) | Stock price appreciation |

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Base Salary

Base salary is designed to attract and retain executives by compensating them for their day-to-day activities, level of responsibility and sustained individual performance. Individual performance, based upon achievement of the employee's performance management plan, is a key component in determining base salary and any adjustments to base salary, and is a subjective determination made by the ONC Committee and, for the NEOs other than the CEO, the CEO. The determination of base salary affects every other element of executive compensation because all of the other components, including short-term, performance-based awards, long-term incentive compensation payouts, retirement benefits and severance, are based on the amount of the individual's base salary. The ONC Committee annually reviews base salaries of the NEOs to ensure that the compensation levels are in keeping with the ONC Committee's principles, based on individual responsibility, performance and job scope.

The ONC Committee increased each NEO's base salary in fiscal 2014. The percentage increase for each NEO was based on both subjective and objective criteria, including the individual performance of each NEO, the length of tenure in their current positions, and their respective compensation relative to the market midpoint for their functions.

The table below illustrates the base salary for each NEO in fiscal 2014.

| | Prior Salary | Fiscal 2014 Approved Base Salary | Percent Increase |
|---|---|---|---|
| Mr. Burke | $740,000 | $780,000 | 5.4 % |
| Mr. Lucareli | $346,000 | $366,000 | 5.8 % |
| Mr. Marry | $435,000 | $455,000 | 4.6 % |
| Mr. Bowser | $302,000 | $314,000 | 4.0 % |
| Mr. Schwab | $413,000 | $425,500 | 3.0 % |

CEO Base Salary

The Nominating Committee, working with the ONC Committee, subjectively evaluates the individual performance of the Company's CEO by evaluating Mr. Burke's achievement of his performance management plan goals. Following discussion with the CEO, the ONC Committee recommends the CEO's base salary to the Board of Directors based upon this evaluation.

Short-Term, Performance-Based Cash Award

The Management Incentive Plan (the "MIP") is Modine's broadly applicable short-term, performance cash award plan designed to motivate and reward the Company's leaders. All NEOs participate in the MIP. The ONC Committee's objectives for the MIP are to encourage continuous (short-term) operational improvements with metrics that also drive total shareholder return. The ONC Committee believes the MIP metrics should be challenging but achievable and well defined so they are understood by the MIP participants and, accordingly, actively drive results.

The ONC Committee approved the use of two independent and equally weighted performance goals for the fiscal 2014 MIP. Similar to fiscal 2013, the MIP continued to use the ROACE performance metric, but a free cash flow metric was added for the fiscal 2014 MIP. For purposes of the MIP, ROACE equals Net Operating Profit After Taxes ("NOPAT") divided by average capital employed. A description of the NOPAT and average capital employed calculations under the MIP is provided below. Free cash flow is based on a formula and is equal to the Company's operating cash flow, less capital expenditures, plus cash restructuring costs, plus asset sales. The ONC Committee has negative discretion to reduce the amounts otherwise payable under the MIP.

The ONC Committee chose to use the ROACE metric, based on adjusted operating income, to incentivize management by rewarding underlying financial performance and to prevent potential distorted incentives that could result from the uncertain nature of the European restructuring charges and any other unusual or non-recurring events. Use of the ROACE metric is expected to reward long-term growth and the creation of shareholder value through the profitable deployment of additional capital. The ONC Committee chose to use the free cash flow metric to incentivize an increased focus on cash generation, which supports the Company's objectives to efficiently deploy assets, reduce debt, and create growth for shareholders. The ONC Committee considered Modine's business plan as well as more than 15 years of historical performance results for vehicle peers and Modine when setting the ROACE and free cash flow goals. As a result, for the fiscal 2014 MIP, the ONC Committee increased the Target goal for ROACE to 10 percent (compared to 9 percent for fiscal 2013) and the Maximum goal for ROACE to 15 percent (compared to 10.5 percent for fiscal 2013). The ONC Committee also reduced the Threshold goal for ROACE to 5 percent (compared to 7.5 percent for fiscal 2013) and also reduced the payout at Threshold level to 10 percent (compared to 25 percent for fiscal 2013). The payout reduction at Threshold was proportionately larger than the performance goal reduction at Threshold. These changes were intended to incentivize participants to achieve Threshold level and strive for greater performance beyond the Threshold level.

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The specific levels for the MIP metrics for fiscal 2014 were as follows:

| | Threshold | Target | Maximum |
|---|---|---|---|
| ROACE | 5.00 % | 10.00 % | ≥15.00% |
| Free Cash Flow | $5,000,000 | $20,000,000 | ≥$35,000,000 |
| Payout as a % of Target | 10 % | 100 % | 200 % |

Assuming achievement of the Target level for each metric, the NEOs would have received the following percentages of base salary: Mr. Burke – 100 percent; Mr. Lucareli – 60 percent; Mr. Marry – 70 percent; Mr. Bowser – 50 percent and Mr. Schwab – 50 percent. These target percentages of salary were unchanged from those used for fiscal 2013. If the Threshold level had been achieved for each metric, each of the NEOs would have received 10 percent of the Target amount. If the Maximum level had been achieved for each metric, each of the NEOs would have received 200 percent of the Target amount. The Company pays amounts between the Threshold and Target and/or between Target and Maximum levels on a linear basis for achievement above Threshold and below Maximum.

For purposes of calculating ROACE under the MIP, NOPAT equals earnings/losses from continuing operations before income taxes plus interest expense, adjusted to exclude (a) currency exchange gains (losses) on intercompany loans and (b) other specifically identified and approved unusual, non-recurring or extraordinary non-cash charges and cash restructuring and repositioning charges, multiplied by .7 (assuming a 30 percent income tax rate) and further adjusted to exclude earnings (losses) attributable to minority shareholders. Average capital employed equals total debt plus shareholders' equity measured on each of the following quarter ends: March 31, 2013; June 30, 2013; September 30, 2013; December 31, 2013 and March 31, 2014; divided by five. As discussed above, Free Cash Flow is based on a formula and is equal to the Company's operating cash flow, less capital expenditures, plus cash restructuring costs, plus asset sales.

For purposes of the MIP metrics, the Company's ROACE for fiscal year 2014 was 8.86 percent, and free cash flow was $60.95 million. As a result, the Committee approved a payment for the MIP participants at the following levels: 80 percent of Target for the ROACE metric and 200 percent of Target for the free cash flow metric. Both metrics were weighted equally, for a total combined approved MIP payment at 140 percent of Target.

Equity Incentives – Long-Term Incentive Compensation

The long-term incentive element of the Company's executive compensation program is intended to attract, retain and motivate key employees who directly impact the performance of the Company over a timeframe greater than a year. Long-term compensation is stock-based so that the interests of the Company's executive officers are directly aligned with the interests of shareholders. The equity portion of the compensation package provides an incentive that rewards superior long-term performance and provides financial consequences for underperformance.

Performance Stock under the Long-Term Incentive Plan for Performance Period Ending in 2014

The performance period for Performance Stock under the long-term incentive compensation plan initiated in May 2011 terminated in calendar 2014. The amount of the potential award varied based upon the achievement of Threshold, Target or Maximum performance levels. The Company used two measures to determine payouts—three-year average ROACE and Change in Economic Profit. The Company's three-year average ROACE, which was set to be equal to NOPAT divided by Capital Employed (averaged for fiscal 2012 – fiscal 2014), needed to be 10.5 percent for awards to be earned at the Threshold level. The Company's Change in Economic Profit metric, which was equal to ROACE (i) minus a fixed 10.5 percent weighted average cost of capital, and (ii) multiplied by Capital Employed (i.e., the Company's total debt plus shareholders' equity, as reported on the Company's audited financial statements), needed to be $24 million for awards to be earned at a Threshold level. The Company's ROACE for the three-year performance period was 8.1 percent and the Company's Change in Economic Profit for the performance period was $9 million.   As a result, no award was earned under either metric.

Grants under the Long-Term Incentive Plan for Plan Commencing in Fiscal 2014

As it did in fiscal 2013, in fiscal 2014 the ONC Committee approved equity grants as a percentage of base salary and included the use of performance stock awards as part of the Company's long-term incentive compensation plan.  For fiscal 2014, the Company's long-term incentive plan included:

Performance Stock Awards (40 percent of long-term incentive dollars at Target).  Shares of performance stock are earned by achieving corporate financial goals over a three-year period (ending March 31, 2016) and become vested after the end of that three-year period.  Payout levels vary based upon the achievement of Threshold, Target or Maximum goals (for ROACE and Annual Revenue Growth) or a Target goal (for Asia Operating Income), as described below.  Once earned, the performance stock awards are not subject to any restriction.  Determinations of the achievement of performance goals for the performance stock awards are not made until the Company's audited financial statements covering the last year in the performance period are completed and the results for the fiscal year are announced publicly.

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Stock Options (20 percent of long-term incentive dollars at Target). The ONC Committee believes that stock options focus executives on driving long-term performance. Stock options have an exercise price equal to the fair market value of the common stock on the effective date of the grant so recipients recognize a value only if and to the extent that the value of the common stock increases. The stock options granted in fiscal 2014 vest in four equal annual installments commencing on the first anniversary of the effective date of the grant. The stock options expire ten years from the date of grant.

Retention Restricted Stock Awards (40 percent of long-term incentive dollars at Target). Retention stock awards reward employees for their continued commitment to the Company. The Company grants the employees shares of restricted stock and the restrictions lapse on a schedule of one-quarter of the shares each year over a period of four years.

In fiscal 2014, the ONC Committee established three metrics for the award of performance stock awards – ROACE, Annual Revenue Growth, and Asia Operating Income over the three-year performance period. Each metric for performance stock awards is calculated independently of the other metrics. The ROACE metric is weighted at 37.5 percent (compared to 50 percent for fiscal 2013 through fiscal 2015), the Annual Revenue Growth is weighted at 37.5 percent (compared to 25 percent for fiscal 2013 through fiscal 2015), and Asia Operating Income is weighted at 25 percent. The weight for the Annual Revenue Growth goal was increased to emphasize the relative importance of increasing revenue. Except for the Asia Operating Income metric, the Threshold performance goal is the minimum performance goal that must be achieved by the Company for the NEO to earn shares of common stock. For the Asia Operating Income metric, the Target performance goal is the minimum performance goal that must be achieved by the Company for the stock to be awarded, and there is no Maximum performance goal to qualify for additional shares.

For purposes of the LTIP, ROACE means NOPAT divided by Capital Employed. The calculation of ROACE is based on a three-year average ROACE for fiscal 2014 through fiscal 2016 with annual ROACE averaged over five points (i.e., each fiscal year quarter and fiscal year end). Asia Operating Income is defined as the Company’s Asia operating income, determined in accordance with generally accepted accounting principles, as reported on the Company’s audited financial statements for the fiscal year ending March 31, 2016 (with no adjustments). Annual Revenue Growth is the simple three-year average of the Company’s annual change in revenue over the performance period, as reported on the Company’s audited financial statements. A description of the NOPAT and Capital Employed calculations under the LTIP is provided below.

For the fiscal 2014 through fiscal 2016 LTIP, the ONC Committee considered Modine’s business plan as well as more than 15 years of historical performance results for vehicle peers and Modine when setting the ROACE and Revenue Growth goals. For the ROACE goal, the ONC Committee reduced the Target goal to 10 percent and the Threshold goal to 5 percent (compared to a Target goal of 11 percent and Threshold goal of 8 percent for fiscal 2013 through fiscal 2015), and made no change to the Maximum goal. For the Revenue Growth goals, the ONC Committee increased the Target goal to 8 percent and the Maximum goal to 13 percent (compared to a Target goal of 6.8 percent and Maximum goal of 8.9 percent for fiscal 2013 through fiscal 2015), and reduced the Threshold goal to 3 percent (compared to a Threshold goal of 4.8 percent for fiscal 2013 through 2015). For both ROACE and Revenue Growth, the ONC Committee reduced the Threshold payout to 10 percent (compared to 25 percent for fiscal 2013 through fiscal 2015). The payout reduction at Threshold was proportionately larger than the performance goal reduction at Threshold. These changes were intended to incentivize participants to achieve the Threshold level and strive for greater performance beyond the Threshold level.

The specific performance goals for the LTIP metrics for performance stock awards granted in fiscal 2014 are as follows:

| | Threshold | Target | Maximum |
|---|---|---|---|
| ROACE | 5.0% | 10.0% | ≥14.0% |

| | | | |
|---|---|---|---|
| Annual Revenue Growth | 3.0% | 8.0% | ≥13.0% |
| Asia Operating Income | -- | ≥$5,000,000 | -- |

The specific levels of performance stock award metrics are set forth below:

| Performance | ROACE (37.5%) | Annual Revenue Growth (37.5%) | Asia Operating Income (25%) |
|---|---|---|---|
| Threshold | 10% of Target Awards | 10% of Target Awards | 0% of Target Awards |
| Target | 100% of Target Awards | 100% of Target Awards | 100% of Target Awards |
| Maximum | 200% of Target Awards | 200% of Target Awards | 100% of Target Awards |

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If actual ROACE or Annual Revenue Growth for the performance period is between Threshold and Target and/or between Target and Maximum, the number of shares of common stock earned will be determined on a linear basis. In the event that the Company's actual ROACE or Annual Revenue Growth does not meet the Threshold for the performance period, no common stock will be earned under this performance stock award metric. Similarly, if the Company's actual Asia Operating Income does not meet the Target, then no common stock will be earned under the performance stock award metric. In the event that the Company's actual ROACE or Annual Revenue Growth exceeds the Maximum for the performance period, only the Maximum percentage of the Target number of shares of common stock will be earned. Similarly, if Asia Operating Income exceeds Target, no additional common stock can be earned. Notwithstanding the foregoing, the ONC Committee retains the discretion to decrease the number of shares of common stock earned under the LTIP.

The Company measures its profitability using ROACE (a measure indicative of the efficiency and profitability of its capital investments), so the ONC Committee used the ROACE metric to incentivize management to continue to improve the Company's profitability. Similarly, because Annual Revenue Growth is a key measure of growth that is easy to communicate, the ONC Committee used the Annual Revenue Growth metric to incentivize management to create additional shareholder value through the continued growth of the Company. The Asia Operating Income metric, which was new for fiscal 2014, incentivizes management to recognize the strategic importance of the Company's Asia business segment. For ROACE and Annual Revenue Growth, the ONC Committee set the Threshold level at what it believed to be an acceptable return and set the Maximum level at what it believed to be exceptional performance with each corresponding with an appropriate competitive pay-out level. For Asia Operating Income, the ONC Committee set the Target level at a point of minimum achievement for stock to be earned. Achievement and payout for each measure is calculated and paid out independently of the other measures.

As mentioned in the discussion above regarding the calculations of ROACE under the MIP, NOPAT means the Company's earnings (or losses) from continuing operations before income taxes plus interest expense, as reported on the Company's audited financial statements, adjusted to exclude: (a) exchange gains (or losses) on intercompany loans, and (b) other specifically identified and approved unusual, non-recurring or extraordinary non-cash charges, as determined in the discretion of the Committee, and cash restructuring and repositioning charges (determined by the ONC Committee), multiplied by 0.7 to account for an assumed 30 percent income tax rate, and further adjusted to exclude earnings (or losses) attributable to minority shareholders. Capital Employed means the Company's total debt plus shareholders' equity, as reported on the Company's audited financial statements. The NOPAT and Capital Employed calculations will exclude the cumulative effect of changes in generally accepted accounting principles. Asia Operating Income is defined by the Company's Asia operating income, determined in accordance with generally accepted accounting principles, as reported on the Company's audited financial statements for the fiscal year ending March 31, 2016 (with no adjustments).

Long-Term Incentive Compensation

As mentioned above, the ONC Committee approves the equity grants for each NEO under the long-term incentive plan as a percentage of base salary. Assuming achievement of the Target level for each metric under the performance stock awards, the NEOs would receive the following percentages of base salary in equity grants under the long-term incentive plan approved in fiscal 2014: Mr. Burke – 250 percent (compared to 200 percent for fiscal 2013); Mr. Lucareli – 150 percent (compared to 100 percent for fiscal 2013); Mr. Marry – 150 percent; Mr. Bowser – 100 percent; Mr. Schwab – 100 percent. The percentages for Messrs. Marry and Bowser were unchanged from those for fiscal 2013 and fiscal 2014 is the first time that Mr. Schwab received an award under the long-term incentive plan. The table below sets forth the number of shares subject to stock options and the number of shares of stock issued to each NEO in fiscal 2014 as well as the number of performance stock awards that would be earned upon achievement of each of the long-term incentive plan metrics on March 31, 2016:

| | Shares Subject to Stock Options(#) | Shares of Restricted Stock (#) | Performance Stock Awards (#) Threshold | Target | Maximum |
|---|---|---|---|---|---|
| Mr. Burke | 47,690 | 71,154 | 5,337 | 71,154 | 124,520 |
| Mr. Lucareli | 13,379 | 19,962 | 1,497 | 19,962 | 34,934 |
| Mr. Marry | 16,820 | 25,096 | 1,882 | 25,096 | 43,918 |
| Mr. Bowser | 7,785 | 11,615 | 871 | 11,615 | 20,326 |
| Mr. Schwab | 7,572 | 11,297 | 847 | 11,297 | 19,770 |

Executive Compensation in Fiscal 2015

For the fiscal 2015 MIP, the ONC Committee approved two metrics, ROACE and free cash flow, as the performance measures under the plan. ROACE will be determined in a similar manner as for fiscal 2014. Free cash flow will be determined by subtracting capital expenditures from operating cash flow, and adding permitted adjustments approved by the Committee. Each metric is independent of the other, the metrics are equally weighted, and each metric will be adjusted to account for certain approved items.

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The ONC Committee also approved the Company's long-term incentive plan for fiscal 2015 to include: retention restricted stock awards (40 percent of long-term incentive dollars at Target); stock options (20 percent of long-term incentive dollars at Target); and performance stock awards (40 percent of long-term incentive dollars at Target). The vesting schedules for retention restricted stock awards and stock options are the same, namely one quarter each year over a period of four years. Performance stock awards have a three-year performance period, which is the same as fiscal 2014, and the ONC Committee approved two performance metrics – ROACE and Average Annual Revenue Growth. Each metric is independent of the other and the metrics are weighted equally at 50 percent each.

Employment and Post-Employment Benefits

General Benefit

The NEOs receive the same basic employee benefits that are offered by the Company to all salaried employees within the region where the individual resides. These benefits include medical and dental coverage, disability insurance and life insurance. The cost of these benefits is partially borne by the employee, including each NEO.

Perquisites

Except in connection with expatriate assignments (described below) and for benefits provided to Mr. Schwab under his employment agreement, the Company does not generally provide perquisites to any of the NEOs. Under his employment agreement, Mr. Schwab receives a company car, accident insurance, and a retirement supplement. The Company provides these benefits as they are customary in Germany.

Expatriate Assignments

Mr. Bowser is provided certain benefits in connection with his current assignment to Asia. Specifically, he is provided housing, a hardship allowance, a cost of living adjustment, tax preparation costs, moving and return visit expenses, tax equalization and tax gross-up payments, and an expatriate allowance immediately prior to the assignment and upon his return to the United States. The effective date of Mr. Bowser's expatriation assignment was August 1, 2012, with an expected 36-month duration. These benefits are provided to Mr. Bowser to compensate him for any disruption the relocation causes him and his family and to eliminate any tax disadvantages caused by the relocation.

Retirement Benefits for U.S. Employees

The Company offers retirement benefits to its employees through tax-qualified plans, including an employee and employer funded Modine 401(k) Retirement Plan for U.S. Salaried Employees (the "401(k) Retirement Plan"). Under the 401(k) Retirement Plan, the Company contributes 50 percent of the amount contributed to the plan by the employee, subject to a maximum Company contribution of 2.5 percent of the employee's pay, up to the maximum allowed by law. While the benefit is available to all of the Company's full-time employees in the U.S., each individual participant's 401(k) Retirement Plan balance may vary due to a combination of differing annual amounts contributed by the employee, the investment choices of the participant (the same investment choices are available to all participants in the plan) and the number of years the person has participated in the plan.

The Company has historically also made a contribution early in the calendar year to the 401(k) Retirement Plan equal to a certain percentage of base salary and bonus for each full-time U.S. salaried employee, including the NEOs. This contribution was initiated after the Company froze the accumulation of credited service in its defined benefit pension plan. In March 2014, the Company contributed an amount equal to 5.0 percent of calendar 2013 salary for each full-time, U.S. employee on the payroll as of December 31, 2013. The percentage contributed was determined based upon the assessment of business financial performance balanced against the need to offer competitive benefits.

The Company's defined benefit pension plan, which is frozen, is more fully described in the Pension Benefits Table for Fiscal 2014 below. Messrs. Lucareli, Marry and Bowser participate in the Company's defined benefit pension plan. Mr. Burke joined the Company after the defined benefit pension plan was closed to new participants. Mr. Schwab does not participate in the U.S. Company-sponsored pension plan because he is a citizen of Germany, but Mr. Schwab's employer provides a cash benefit of 10 percent of his base salary to fund a retirement benefit.

In addition to the employee benefits applicable to U.S. employees in general, certain highly compensated employees of Modine, including the NEOs, may participate in the following plans:

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Deferred Compensation Plan. The Deferred Compensation Plan is a nonqualified plan that allows a highly compensated employee to defer up to 10 percent of base salary. Salary deferred pursuant to the Deferred Compensation Plan is an asset of the Company. The sums deferred do not earn a preferential rate of return and the investment alternatives are generally the same as the 401(k) Retirement Plan. Payments out of the Deferred Compensation Plan are not made until termination of service or retirement. As part of the Company's objective of restoring in this plan amounts that exceeded the allowable Company match and Company contributions to the 401(k) Retirement Plan because of statutory limits, the Company contributes an amount equal to the amount of the employer match and employer contribution that was not allowed to be contributed to the 401(k) Retirement Plan for such individuals due to statutory limits.

Executive Supplemental Retirement Plan ("SERP"). The SERP is a nonqualified pension plan. The SERP, like the defined benefit pension plan, is frozen and intended to be an extension of the Company's qualified pension plan. Under the SERP, salary and bonus that are in excess of statutory limits are taken into account in determining nonqualified benefits payable to an employee.

Severance Policy

In fiscal 2012, the ONC Committee approved a severance policy for members of the Executive Council to ensure consistent treatment of individuals in such positions in the event of an involuntary termination of employment without cause. The policy provides that such individuals would be paid their annual base salary at the time of termination in installment payments over the course of the year following termination and would be eligible to elect Company paid COBRA continuation coverage for one year following termination. In order to receive these benefits, participants are required to release the Company from any and all liability. All NEOs other than Mr. Burke and Mr. Schwab (who have separate employment agreements) are covered under the severance policy. While the policy also provides for separate benefits upon an involuntary termination at the time of a change in control, none of the NEOs are currently covered under the change in control provisions under the severance policy.

Share Ownership Guidelines - Officers

Effective January 16, 2008, the board adopted share ownership guidelines for directors and officers of the Company, including the NEOs. The ONC Committee amended the guidelines in May 2010 because the relatively low stock price at that time had made compliance with the guidelines significantly more difficult than was intended by the board. The board continues to believe that directors and officers should have a meaningful personal investment in the Company. Only shares of stock, either restricted or unrestricted, count toward compliance with the guidelines.

The guidelines continue to provide that by the fifth anniversary of appointment to the position the President and CEO is expected to hold shares of Company stock with a value of at least four times his annual base salary at the commencement of the five-year period. As amended, the guidelines now do not distinguish between NEOs and other officers and provide that all officers, other than the President and CEO, are expected to hold shares of Company stock with a value of at least two times their annual base salary at the commencement of the five-year period by the end of that period. The stock value is determined by using the higher of the stock price at the time of measurement or the average stock price over the previous three years. The chair of the Nominating Committee evaluates whether an exception should be made for any officer, who, due to his or her unique financial circumstances or other extenuating circumstances, would incur a hardship by complying with the applicable guideline and, in such an event, may make an exception to the guidelines for such individual. Additionally, the guidelines may be temporarily waived for an officer who has an unusual personal circumstance or is approaching retirement and has a need to diversify his/her stock holdings. Each of the NEOs who has been an officer of the Company for at least five years is currently in compliance with the stock ownership guidelines.

Related Policies Applicable to Executive Officers

Under the Company's Insider Trading Policy, executive officers, including the NEOs, are prohibited from holding shares of Company stock in a margin account unless specifically authorized by the policy's reviewing officer (the Company's General Counsel), and all directors and employees of the Company are prohibited from engaging in hedging or monetizing transactions involving Company stock. The ONC Committee has also implemented an incentive compensation recoupment (or "clawback") policy. Effective beginning with awards granted in fiscal 2013, the clawback policy requires forfeiture or repayment of any awards granted under the Incentive Plan (i.e., the MIP (cash bonus) or any long-term equity awards) if the ONC Committee determines that a participant committed an act of misconduct that is adverse, or reasonably expected to be adverse, to the best interests of the Company or its shareholders.

Employment Agreements

The Company has an employment agreement with Mr. Burke. Modine Holding GmbH, a German subsidiary, has an employment agreement with Mr. Schwab, as is customary in Germany. No amendments were made to either of these employment agreements during fiscal 2014. The Company also has change in control agreements with all of the other NEOs and certain other key employees. The purpose of these agreements is to ensure continuity and, in the case of a change in control, the continued dedication of key employees during any period of uncertainty due to a proposed or pending change in control of the Company. See Potential Post-Employment Payments below for additional information about these agreements.

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Tax Implications for NEOs

The ONC Committee generally seeks to structure compensation amounts and arrangements so that they do not result in penalties for the NEOs under the Internal Revenue Code of 1986, as amended (the “Code”). For example, Section 409A of the Code imposes substantial penalties and results in the loss of any tax deferral for nonqualified deferred compensation that does not meet the requirements of that section. The ONC Committee has generally structured the elements of Modine’s compensation program so that they are either not characterized as nonqualified deferred compensation under Section 409A or meet the distribution, timing and other requirements of Section 409A. Without these steps, certain elements of compensation could result in substantial tax liability for the NEOs. Section 280G and related provisions of the Code impose substantial excise taxes on so-called “excess parachute payments” payable to certain executives upon a change in control and results in the loss of the compensation deductions for such payments by the executive’s employer. When the Company entered into the agreements described in the preceding paragraph (which were entered into prior to 2009), the ONC Committee structured the change in control payment under the employment and change in control agreements with the NEOs (other than Mr. Schwab) to include a gross up for excise taxes imposed under Section 280G in order to preserve the after-tax value of those payments for those executives. The severance policy approved by the ONC Committee in fiscal 2012, which is applicable to those joining the Company’s senior management on or after adoption of the policy, does not provide excise tax gross ups in the event of a change in control.

Compliance with IRC Section 162(m)

Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation over $1,000,000 paid to a company’s CEO and the other NEOs who are covered by Section 162(m). Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met.

The ONC Committee believes that it is generally in the Company’s best interest to attempt to structure compensation amounts and plans in a manner that satisfies the requirements of Section 162(m). However, the ONC Committee also recognizes the need to retain flexibility to approve compensation amounts and plans that may not meet Section 162(m) standards in order to enable the Company to meet its overall objectives. Accordingly, the board and the ONC Committee have expressly reserved the authority to award non-deductible compensation in appropriate circumstances. Further, because of uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, no assurance can be given that compensation intended by the Company to satisfy the requirements for deductibility under Section 162(m) will do so.

COMPENSATION COMMITTEE REPORT

The ONC Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis with management; and, based on that review and discussion, the ONC Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company’s proxy statement and the Company’s annual report on Form 10-K for the fiscal year ended March 31, 2014.

THE OFFICER NOMINATION AND COMPENSATION COMMITTEE

Christopher W. Patterson, Chair
David J. Anderson
Suresh V. Garimella
Larry O. Moore

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2014 Summary Compensation Table

The following table sets forth compensation awarded to, earned by, or paid to the Company's Principal Executive Officer, Principal Financial Officer, the three most highly compensated executive officers, other than the Principal Executive Officer and Principal Financial Officer, serving as executive officers as of March 31, 2014 for services rendered to the Company and its subsidiaries during the fiscal years ended March 31, 2014, 2013 and 2012. In accordance with SEC rules, information is provided for Mr. Schwab only for fiscal years ended March 31, 2014 and 2013.

| Name and Principal Position | Fiscal Year | Salary ($)(1) | Bonus ($) | Stock Awards ($)(2) | Option Awards ($)(3) | Non-Equity Incentive Plan Compensation ($)(4) | Change in Pension Value ($)(5) | All Other Compensation ($)(6) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Thomas A. Burke | 2014 | 769,231 | - | 1,480,003 | 370,074 | 1,078,000 | NA | 60,196 | 3,757,504 |
| President and CEO | 2013 | 740,000 | - | 1,184,006 | 296,347 | - | NA | 52,694 | 2,273,047 |
| | 2012 | 740,000 | - | 1,155,200 | 288,650 | 577,368 | NA | 104,715 | 2,865,933 |
| Michael B. Lucareli | 2014 | 360,615 | - | 415,210 | 103,821 | 303,240 | -(7 ) | 24,212 | 1,207,098 |
| VP, Finance | 2013 | 339,538 | - | 257,600 | 64,475 | - | 19,386 | 18,912 | 699,911 |
| and CFO | 2012 | 322,000 | 63,333 | 201,600 | 50,369 | 122,264 | 27,894 | 27,200 | 814,660 |