

AIRGAS INC
Form DEF 14A
July 08, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Airgas, Inc.

(Name of Registrant as Specified In Its Charter)

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

Edgar Filing: AIRGAS INC - Form DEF 14A

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 240.0-11 and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: AIRGAS INC - Form DEF 14A

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

Dear Stockholder:

We are pleased to invite you to attend Airgas' Annual Meeting of Stockholders, which will be held at 11:00 a.m., Eastern Time, on August 6, 2013, at the Independence Seaport Museum, 211 S. Columbus Boulevard, Philadelphia, Pennsylvania. Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

The accompanying Notice of Annual Meeting and Proxy Statement describe the matters to be acted upon at the Annual Meeting. Your attendance at our Annual Meeting is important, regardless of the number of shares you hold.

Stockholders of record at the close of business on June 14, 2013 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments thereof.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You may vote on the Internet, by telephone, or by completing and mailing the enclosed proxy card. Information about each of these voting methods is set forth in the accompanying Notice of Annual Meeting and Proxy Statement.

On behalf of everyone at Airgas, we thank you for your ongoing interest and investment in our company.

Sincerely,

Peter McCausland
Executive Chairman

THIS PROXY STATEMENT AND PROXY CARD ARE

BEING DISTRIBUTED ON OR ABOUT JULY 8, 2013.

Table of Contents

AIRGAS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

August 6, 2013

TO OUR STOCKHOLDERS:

The Annual Meeting of Stockholders of Airgas, Inc., a Delaware corporation, will be held on August 6, 2013, at 11:00 a.m., Eastern Time, at the Independence Seaport Museum, 211 S. Columbus Boulevard, Philadelphia, Pennsylvania, for considering and acting upon the following proposals:

1. Election of three directors of the company.
2. Approval of the Airgas Executive Bonus Plan.
3. Ratification of the selection of KPMG LLP as Airgas independent registered public accounting firm for the fiscal year ending March 31, 2014.
4. Advisory vote to approve Airgas executive compensation.
5. A stockholder proposal regarding our classified Board of Directors, if properly presented at the Annual Meeting.
6. Transaction of such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Stockholders of record at the close of business on June 14, 2013 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

Our 2013 Annual Report, which is not part of the proxy solicitation materials, is enclosed.

All stockholders as of the close of business on the record date are cordially invited to attend the Annual Meeting in person, but whether or not you plan to attend, we urge you to review these materials carefully and to vote by Internet, telephone or by submitting your proxy card as promptly as possible.

By Order of the Board of Directors,
Robert H. Young, Jr.
Senior Vice President, General Counsel and Secretary

Radnor, Pennsylvania

July 8, 2013

(i)

Table of Contents

TABLE OF CONTENTS

	Page
<u>NOTICE OF ANNUAL MEETING OF STOCKHOLDERS</u>	i
<u>PROXY STATEMENT</u>	1
<u>ANNUAL MEETING PROCEDURES</u>	2
<u>GOVERNANCE OF THE COMPANY</u>	5
<u>ELECTION OF DIRECTORS (PROPOSAL 1)</u>	11
<u>COMPENSATION OF DIRECTORS</u>	20
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	22
<u>REPORT OF THE GOVERNANCE AND COMPENSATION COMMITTEE</u>	36
<u>EXECUTIVE COMPENSATION</u>	37
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	46
<u>SECURITY OWNERSHIP</u>	47
<u>SECTION 16(a) REPORTING COMPLIANCE</u>	49
<u>REPORT OF THE AUDIT COMMITTEE</u>	50
<u>PROPOSAL TO APPROVE THE AIRGAS EXECUTIVE BONUS PLAN (PROPOSAL 2)</u>	51
<u>PROPOSAL TO RATIFY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (PROPOSAL 3)</u>	54
<u>ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION (PROPOSAL 4)</u>	56
<u>STOCKHOLDER PROPOSAL REGARDING OUR CLASSIFIED BOARD (PROPOSAL 5)</u>	57
<u>STOCKHOLDER PROPOSALS FOR NEXT ANNUAL MEETING</u>	64
<u>APPENDIX A</u>	A-1
<u>APPENDIX B</u>	B-1

Table of Contents

AIRGAS, INC.

Radnor Court

259 North Radnor-Chester Road, Suite 100

Radnor, Pennsylvania 19087-5283

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies at the direction of the Board of Directors of Airgas, Inc. for use at the Annual Meeting of Stockholders to be held on August 6, 2013.

Stockholders of record at the close of business on June 14, 2013 will be entitled to vote at the Annual Meeting. At the close of business on June 14, 2013, 73,337,751 shares of our \$0.01 par value common stock were outstanding and entitled to vote. Stockholders are entitled to one vote for each share of common stock held.

* * *

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on August 6, 2013

Each of the Notice of Annual Meeting, this proxy statement and our Annual Report for the fiscal year ended March 31, 2013 is available at <https://www.proxyvote.com>.

Rules adopted by the Securities and Exchange Commission, or SEC, allow companies to send stockholders a notice of Internet availability of proxy materials, rather than mail them full sets of proxy materials. This year, we chose to mail full packages of materials to stockholders. However, in the future we may take advantage of the notice and access distribution option. If, in the future, we choose to send such notices, they will contain instructions on how stockholders can access our notice of meeting and proxy statement via the Internet. It will also contain instructions on how stockholders can request to receive their materials electronically or in printed form on a one-time or ongoing basis.

Table of Contents

ANNUAL MEETING PROCEDURES

Annual Meeting Admission

Only Airgas stockholders may attend the Annual Meeting. Proof of ownership of Airgas common stock, along with personal identification (such as a driver's license or passport), must be presented in order to be admitted to the Annual Meeting. If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Annual Meeting in person, you must bring a brokerage statement or other proof of ownership to be admitted to the Annual Meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

Voting Procedures

Registered Stockholders

Registered stockholders (stockholders who own our shares in their own names on the books of our transfer agent) may vote their shares or submit a proxy to have their shares voted by one of the following methods:

By Telephone. You may submit a proxy by telephone (from the U.S. and Canada only) using the toll-free number listed on the proxy card. Please have your proxy card in hand when you call.

By Internet. You may submit a proxy electronically on the Internet by following the instructions provided on your proxy card.

By Mail. You may indicate your vote by completing, signing and dating your proxy card and returning it in the business reply envelope.

In Person. You may vote in person at the Annual Meeting by completing a ballot; however, attending the Annual Meeting without completing a ballot will not count as a vote.

Street-name Stockholders

Street-name stockholders (stockholders who own shares beneficially in the name of a bank, broker or other holder of record on the books of our transfer agent) may generally vote their shares or submit a proxy to have their shares voted by one of the following methods:

By Telephone or by Internet, as indicated on your Voting Instruction Form. Please refer to your Voting Instruction Form or other information forwarded by your bank, broker or other holder of record to determine whether you may submit a proxy electronically on the Internet or by telephone, following the instructions on the Voting Instruction Form or other information provided by the record holder.

By Mail. You may indicate your vote by completing, signing and dating your Voting Instruction Form and returning it in the business reply envelope.

In Person with a Proxy from the Record Holder. A street-name stockholder who wishes to vote in person at the Annual Meeting will need to obtain a legal proxy from its bank, broker or other holder of record. Please consult the Voting Instruction Form or other information sent to you by your bank, broker or other holder of record to determine how to obtain a legal proxy in order to vote in person at the Annual Meeting.

Revoking Your Vote

Edgar Filing: AIRGAS INC - Form DEF 14A

If you are a registered stockholder, you may revoke your vote at any time before your shares are voted at the Annual Meeting by:

timely submitting a proxy with new voting instructions using the Internet or telephone voting system;

timely delivering a valid, later-dated executed proxy card;

Table of Contents

voting in person at the Annual Meeting by completing a ballot; however, attending the Annual Meeting without completing a ballot will not revoke any previously submitted proxy; or

timely filing an instrument of revocation with the Secretary of Airgas, Inc. at 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087.

If you are a street-name stockholder and you vote by proxy, you may change your vote by submitting new voting instructions to your bank, broker or other holder of record in accordance with that entity's procedures.

Vote Required for Approval

The presence, in person or by proxy, of stockholders entitled to cast a majority of the votes which all stockholders are entitled to cast at the Annual Meeting is necessary to constitute a quorum for the transaction of business. As described in more detail below, abstentions are not counted as shares voted in favor of a proposal but are counted as shares voted and therefore have the effect of a vote against Proposals 2, 3, 4 and 5. Brokers holding shares for beneficial owners must vote their shares according to the specific instructions they receive from the beneficial owners. If specific instructions are not received, brokers may vote these shares at their discretion, except if they are precluded from exercising their voting discretion on certain proposals pursuant to the rules of the New York Stock Exchange, or NYSE. In such a case, the broker may not vote on the proposal absent specific voting instructions. This results in what is known as a broker non-vote. Brokers generally have discretion to vote on routine matters, such as the ratification of independent registered public accounting firms, but do not have discretion to vote on non-routine matters, such as the election of directors or stockholder proposals.

Following are the votes required to approve each matter to be considered by the stockholders at the Annual Meeting:

Proposal 1. Election of Directors: In the election of directors, every stockholder has the right to vote each share of stock owned by such stockholder on the record date for as many persons as there are directors to be elected. Cumulative voting is not permitted. To be elected, a director-nominee must receive a plurality of the votes cast at the meeting. Only votes cast FOR a nominee will be counted. Shares of common stock of stockholders abstaining from voting but otherwise present at the meeting in person or by proxy, votes withheld and broker non-votes will not be counted as votes cast for such purposes and therefore will have no effect on the results of the election. The Board unanimously recommends that you vote **FOR** each of the four nominees for director.

Proposal 2. Approval of Airgas Executive Bonus Plan. The affirmative vote of a majority of the votes cast by the stockholders entitled to vote thereon, present in person or represented by proxy at the Annual Meeting, is required for approval. Abstentions will have the same effect as a vote against this proposal and broker non-votes, if any, will have no effect on the results of this vote. The Board unanimously recommends that you vote **FOR** the Airgas Executive Bonus Plan.

Proposal 3. Ratification of Selection of KPMG LLP. The affirmative vote of a majority of the votes cast by the stockholders entitled to vote thereon, present in person or represented by proxy at the Annual Meeting, is required to approve the ratification of our selection of KPMG LLP. Abstentions will have the same effect as a vote against this proposal. The Board unanimously recommends that you vote **FOR** KPMG LLP as Airgas independent registered public accounting firm.

Proposal 4. Advisory Vote to Approve Executive Compensation. The affirmative vote of a majority of the votes cast by the stockholders entitled to vote thereon, present in person or represented by proxy at the Annual Meeting, is required for approval. Abstentions will have the same effect as a vote against this proposal, and broker non-votes, if any, will have no effect on the results. The Board unanimously recommends that you vote **FOR** approval of Airgas Executive Compensation.

Table of Contents

Proposal 5. Stockholder Proposal Regarding Our Classified Board of Directors. The affirmative vote of a majority of the votes cast by the stockholders entitled to vote thereon, present in person or represented by proxy at the Annual Meeting, is required for approval. Abstentions will have the same effect as a vote against this proposal and broker non-votes, if any, will have no effect on the results of this vote. The Board unanimously recommends that you vote **AGAINST** the stockholder proposal regarding our classified Board.

Under the NYSE rules, brokers may not vote shares on Proposals 1, 2, 4 or 5 absent instructions from the beneficial owners of the shares. Brokers are not precluded from voting on Proposal 3, and, therefore, there will be no broker non-votes on that proposal.

Proxy Solicitation

The cost of proxy solicitation, including the cost of preparing, assembling, printing, mailing and distributing these proxy materials, will be paid by Airgas. Airgas will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and other solicitation materials to beneficial owners of Airgas common stock. Some of our directors, officers and other employees may solicit proxies without extra compensation by mail and, if found to be necessary, by telephone and personal interviews. Airgas has also retained Innisfree M&A Incorporated to assist in the solicitation of proxies at a fee of \$15,000 plus expenses.

Householding of Annual Meeting Materials

If you and other residents at your mailing address own shares of our common stock in street name, your broker or bank may have sent you only one copy of our annual report and proxy materials. This practice of sending only one copy of proxy materials is known as householding. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. If the foregoing procedures apply to you, your broker has sent one copy of our proxy materials to your address. You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm and your account number to Airgas, Inc., Investor Relations, 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087, telephone 610-687-5253. The revocation of your consent to householding will be effective 30 days following its receipt. In any event, if you did not receive an individual copy of our proxy materials, we will send a copy to you if you address your written request to or call the Secretary of Airgas, Inc., 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087, telephone number 610-687-5253. If you are receiving multiple copies of our proxy materials, you can request householding by contacting the Secretary in the same manner.

Table of Contents

GOVERNANCE OF THE COMPANY

Corporate Governance Commitment

Our Board believes strongly that good corporate governance accompanies and greatly aids our long-term business success. This success has been the direct result of our key business strategies and our highest business standards. The Airgas Board strongly supports these key strategies, advising on design and implementation, and seeing that they guide our operations. To accomplish our strategic goals, we have, consistently over many years, developed and followed a program of corporate governance. The Board has adopted a set of Corporate Governance Guidelines that address the make-up and functioning of the Board. Our Governance and Compensation Committee is responsible for reviewing and reassessing the Guidelines on an annual basis and making recommendations to the Board concerning changes to the Guidelines. The Guidelines are published on our website at www.airgas.com and are available in print to any stockholder who requests them from our Secretary.

Board Leadership Structure

Our Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of Airgas to make that determination based on the position and direction of Airgas and the membership of the Board. At this time, the Board believes that the most effective leadership structure is for Peter McCausland to serve as the Executive Chairman and Michael Molinini to hold the positions of President and Chief Executive Officer and to serve as a member of the Board. The Board believes that Airgas continues to benefit from Mr. McCausland's experience and expertise in the industrial gas industry. Mr. McCausland remains active in our management and serves as a bridge between management and the Board, while Mr. Molinini focuses on implementing Airgas's strategic vision for the future.

In accordance with our Corporate Governance Guidelines, if our Chairman of the Board does not qualify as a non-management director, our Board selects a non-management director to preside over non-management executive sessions of the Board. Mr. van Roden, a non-management director, is currently serving as Presiding Director and presides over non-management executive sessions of the Board. In addition, stockholders and other parties interested in communicating with the Board may communicate with the Chairman of the Board, or, if the Chairman does not qualify as a non-management director, the Presiding Director. See [Executive Sessions and Stockholder Communications with the Board](#) below, for information on how to submit such communications.

Board Role in Risk Oversight

Our Board of Directors and its various committees play an active role in risk oversight. The Board of Directors, with the assistance of our General Counsel, has performed a thorough analysis of the material risks facing Airgas, identified the senior managers responsible for the programs and procedures that have been implemented to address those risks, and identified the committees primarily responsible for the Board-level oversight of those programs and procedures. The Board has conducted a detailed review of our overall risk management program.

In addition to its annual review of risk management programs and procedures, the Board receives a report at each regularly scheduled meeting from our Executive Chairman, who discusses material business developments, including those impacting our risk profile, and from our Chief Executive Officer who reviews our continuing safety initiatives, reports on any material accidents and discusses the results of internal compliance audits and any regulatory agency inspections. On an annual basis, the Director of our safety department provides a full report on safety and regulatory compliance matters.

Prior to any material business acquisition being approved, the Senior Vice President - Corporate Development provides the Board with a written analysis of the proposed transaction, discusses it with the Board and answers any questions the individual directors may have. The Board also receives an annual report from our General Counsel that addresses material litigation and any compliance issues. The Board regularly receives

Table of Contents

reports on, and discusses, areas of risk overseen by the Audit Committee, the Finance Committee and the Governance and Compensation Committee and on a periodic basis has a thorough discussion with management on the topic of profitability opportunities and threats. This discussion includes a broad range of topics such as general economic conditions, product sourcing and information technology.

Our Audit Committee meets regularly with, among others, our Chief Financial Officer, our Controller and our Director of Internal Audit, as well as representatives of our independent registered public accounting firm, and reports a summary of its meetings to the full Board. The Audit Committee's responsibilities include reviewing and discussing with management Airgas' policies and procedures for addressing risks associated with financial reporting, internal control over financial reporting, SEC and other related regulatory compliance and taxes, and reviewing in a general manner the processes Airgas has in place to assess and manage its exposure to other risks. Our Associate General Counsel discusses any open environmental issues with the committee on a quarterly basis, and, on an annual basis, our General Counsel describes material pending litigation and provides a detailed analysis of Airgas' compliance with applicable laws and regulations.

Risks associated with compensation practices are analyzed by our Senior Vice President-Human Resources, who in turn discusses the results of his analysis with the Governance and Compensation Committee. Additionally, the Governance and Compensation Committee and the Audit Committee monitor risks associated with Airgas' succession planning.

The Finance Committee is charged with reviewing, approving and monitoring risks related to, insurance programs, capital structure, liquidity, financing plans, hedging transactions and currency matters. The committee regularly meets with our Chief Financial Officer and our Treasurer and reports on the results of its activities to the full Board.

Reflecting our founder's training as an attorney, Airgas has always had a conservative approach to risk, strives to avoid legacy liabilities in connection with its acquisitions and places its greatest emphasis on the safety of its associates and returning long-term, sustainable value to its stockholders. Our directors, all of whom are independent with the exception of our Executive Chairman and our President and Chief Executive Officer, share senior management's conservative approach to risk and are actively involved in assuring that Airgas' policies and procedures satisfy the goal of identifying, understanding, reporting on and mitigating risk while not stifling innovation and the entrepreneurial spirit that have contributed to Airgas' success. The Airgas Board is proud of the fact that in its 30-year history, Airgas has never had to restate its earnings.

Board Independence and Expertise

Board and Committee Independence

The Board of Directors is composed of nine independent outside directors, the Executive Chairman and the Chief Executive Officer, who we sometimes refer to in this proxy statement as the CEO. The committees of the Board are entirely composed of independent outside directors, with the exception of the Executive Committee, of which Mr. McCausland and Mr. Molinini are members.

The Board of Directors has determined that the following directors and nominees, comprising all of the directors and nominees other than the Executive Chairman and the Chief Executive Officer, are independent under the listing standards of the NYSE: John P. Clancey; James W. Hovey; Richard C. Ill; Ted B. Miller, Jr.; Paula A. Sneed; David M. Stout; Lee M. Thomas; John C. van Roden, Jr.; and Ellen C. Wolf. In order to assist the Board in making this determination, the Board has adopted Director Independence Standards, which are attached to this proxy statement as Appendix A. These standards identify material relationships that a director may have with Airgas that might interfere with the director's ability to exercise independent judgment. Each of the directors identified above meets the standards set forth in the Director Independence Standards. In the course of determining the independence of each outside director, the Board considered all transactions, relationships and arrangements, as required by our Director Independence Standards.

Table of Contents

Board Membership Criteria

To fulfill its responsibility to screen, select and recommend to the full Board nominees for election as directors, the Governance and Compensation Committee reviews the composition of the Board to determine the qualifications and areas of expertise needed to further enhance the composition of the Board. Airgas believes that our directors should possess the highest personal and professional ethics, integrity and values, and possess a range of talent, skill, diversity and expertise enabling it to provide sound guidance with respect to our operations and interests. The evaluation of director nominees by the Committee also takes into account diversity of age and background.

Below we identify and describe the key experience, qualifications and skills our directors bring to the Board that are important in light of our strategy and operations. The directors' experiences, qualifications and skills that the Committee and the Board considered in their re-nomination are included in their individual biographies.

We believe that directors with experience in significant leadership positions, especially CEO and CFO positions, generally possess strong leadership qualities. They demonstrate a practical understanding of organizations, processes, strategy, risk management and the methods to drive change and growth. Through their service as top leaders at other organizations, they also have gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, leadership development and acquisition experience. Our directors also have experience serving on boards of directors and committees of other public companies.

Our Board and Governance and Compensation Committee also believe that each of our nominees and current directors has other attributes that are important to an effective board: integrity and high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of origin, background, experience and thought; and a demonstrated commitment to devote significant time and energy to service on the Board and its committees.

Airgas does not have a formal policy with regard to diversity in identifying director nominees, but the Governance and Compensation Committee and the Board strive to nominate directors with a variety of complementary skills and attributes so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee our business. The current composition of the Board reflects the Governance and Compensation Committee's and Board's success in accomplishing this goal.

Audit Committee and Governance and Compensation Committee Independence

The Board of Directors, in its business judgment, has determined that each of the members of the Audit Committee meets the independence requirements of the SEC and the NYSE. The Audit Committee regularly holds separate executive sessions with (1) Airgas' independent registered public accounting firm, without management present, (2) our Chief Financial Officer and (3) our Director of Internal Audit. The Board has also determined that each of the members of the Governance and Compensation Committee satisfies the independence requirements of the NYSE.

Director Nomination Process

The Governance and Compensation Committee reviews possible candidates for the Board of Directors and recommends the nominees for director to the Board of Directors for approval. The Board of Directors has adopted criteria for the selection of nominees to the Board, which are generally included in our Corporate Governance Guidelines, and are described above. These criteria describe specific traits, abilities and experience that the Governance and Compensation Committee and the Board look for in selecting candidates for election to the Board. The Governance and Compensation Committee considers suggestions from many sources, including stockholders, regarding possible candidates for director. These suggestions, together with a complete description

Table of Contents

of the nominee's qualifications, experience and background, and a statement signed by the nominee in which he or she consents to such nomination and which includes the name of the stockholder making the suggestion and evidence of that person's ownership of Airgas stock, including the number of shares held and the length of time of ownership, should be submitted to the Secretary of Airgas at 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087-5283 not less than 120 days prior to the anniversary date of the most recent annual meeting of stockholders, or if the meeting has been changed by more than 30 days from the date of the previous year's meeting, not less than 60 days before the date of the meeting. Possible candidates who have been suggested by stockholders are evaluated by the Governance and Compensation Committee in the same manner as are other possible candidates.

In addition to making suggestions to the Governance and Compensation Committee for the selection of nominees as described above, under our By-Laws, stockholders are also entitled to nominate persons for election as directors to be presented at the annual meeting if, among other things, written notice has been given, in the case of an annual meeting, not earlier than 120 days and not later than 90 days prior to the anniversary of the preceding year's annual meeting. The notice must set forth information about the proposed nominee and the consent of the nominee, among other things.

Charters and Code of Ethics and Business Conduct

In addition to the Corporate Governance Guidelines, we maintain the following to support our corporate governance policies:

Charters for Board Committees

The Governance and Compensation Committee, the Finance Committee and the Audit Committee use charters adopted by the Board that, where applicable, set forth the authority and responsibilities of the committees under the corporate governance rules of the SEC and the NYSE.

Code of Ethics and Business Conduct

Airgas' Code of Ethics and Business Conduct ensures that our business is conducted in a consistently legal and ethical manner. Our General Counsel oversees compliance with the Code of Ethics and Business Conduct. Airgas' Code of Ethics and Business Conduct is available on our website at www.airgas.com and is available in print to any stockholder who requests it from our Secretary. All of our employees, including our Executive Chairman, Chief Executive Officer, Chief Financial Officer and Controller, are required to comply with the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct covers all areas of professional conduct, including compliance with laws, conflicts of interest, confidentiality, corporate opportunities, use of company assets and reporting illegal or unethical behavior. The Code of Ethics and Business Conduct describes our procedures to receive, retain and address complaints regarding accounting, internal controls and auditing matters, and other illegal or unethical behavior.

Directors are Stockholders

Meaningful Director Stock Ownership

Board members are expected to develop a meaningful ownership position in Airgas stock. For more information on director stock ownership requirements, please see "Compensation of Directors" beginning on page 20 of this proxy statement. Board members receive stock options each year as a significant component of their overall compensation.

Direct Access to Management and Independent Advisors

Airgas provides directors with complete access to management. Key senior managers regularly attend Board meetings. Topics are presented to the Board by the members of management who are most knowledgeable about

Table of Contents

the issue at hand, irrespective of seniority, which allows dialogue to develop between directors and management. The Board and each of the Audit Committee and the Governance and Compensation Committee have the right to consult with and retain independent legal and other advisors at Airgas' expense.

Ensuring Management Accountability

Performance-Based Compensation

We have linked the pay of associates in management and executive level positions to company performance. As described in greater detail under Compensation Discussion and Analysis included in this proxy statement, the Governance and Compensation Committee adheres to this pay for performance philosophy, and stock-based incentives constitute a significant component of senior management's overall compensation.

Executive Chairman and CEO Evaluation Process

The non-management members of the Board conduct an annual evaluation of the Executive Chairman's and the CEO's performance and compensation. The Executive Chairman and the CEO are evaluated against goals set each year, including both objective measures and subjective criteria consistent with, and in furtherance of, Airgas' strategic goals and initiatives. As part of the overall evaluation process, the Board meets informally with each of the Executive Chairman and the CEO to give and seek feedback on a regular basis. The non-management members of the Board meet in executive sessions to review the Executive Chairman's and the CEO's performance.

Functioning of the Board

Directorship Limits

To devote sufficient time to properly discharge their duties, no director may serve on more than three other boards of directors of public companies. Recognizing the value of continuity of directors who have experience with Airgas, there are no limits on the number of terms for which a director may hold office. Directors are required to resign from the Board Directors by the date of the first Annual Meeting after his or her 72nd birthday unless, as of that Annual Meeting, the director has only one year remaining in his or her term, in which case the director is not required to resign from the Board until the date of the second Annual Meeting after his or her 72nd birthday.

Attendance at Board and Stockholder Meetings

Directors are expected to attend all meetings of the Board and committees on which they serve and annual stockholder meetings. Each director attended at least 90% percent of the meetings of the Board and the committees on which he or she served during the 2013 fiscal year. All of the then current directors attended the last annual meeting.

Executive Sessions and Stockholder Communications with the Board

The Board holds at least two executive sessions each year where non-management directors meet without management participation. In the event that one or more of the non-management directors were not to qualify as independent directors, the Board would also hold at least one meeting each year of the independent directors. Interested persons may communicate directly and confidentially with the non-management directors by writing to the Presiding Director (or to the Chairman of the Board, if the Chairman qualifies as a non-management director), Airgas, Inc., 259 North Radnor-Chester Road, Suite 100, Radnor, Pennsylvania 19087-5283.

Table of Contents

Assessing the Board's Performance

Board Evaluation Process

The Board of Directors conducts an annual evaluation of itself and its committees. The directors first evaluate overall Board performance against certain criteria that the Board has determined are important to its success. These include financial oversight, succession planning, compensation, corporate governance, strategic planning and Board structure and role. The Board then reviews the results of the evaluation and discusses what, if any, action should be taken to improve its performance.

Table of Contents

ELECTION OF DIRECTORS

(PROPOSAL 1)

Our By-Laws provide that our Board of Directors designates the number of directors constituting the Board of Directors, and that there should be at least seven and no more than 13 members. Currently, that number has been fixed by the Board of Directors at 11. The Board of Directors consists of three classes, with directors of one class elected each year, for terms extending to the annual meeting of stockholders held in the third year following the year of their election.

Three directors are to be elected to hold office until the 2016 Annual Meeting. The proxy holders will cast votes on the proxy cards received by them, unless otherwise specified, **FOR** the election of Mr. Clancey, Mr. Ill and Mr. Miller.

The names and biographical summaries of the three persons who have been nominated to stand for election at the 2013 Annual Meeting and the remaining directors whose terms are continuing until the 2014 and 2015 Annual Meetings appear below. John P. Clancey, Richard C. Ill and Ted B. Miller, Jr. have been nominated to serve as directors for terms expiring at the 2016 Annual Meeting. Peter McCausland, Lee M. Thomas, John C. van Roden, Jr. and Ellen C. Wolf were elected by the stockholders at the 2011 Annual Meeting and their terms continue until the 2014 Annual Meeting. James W. Hovey, Michael L. Molinini, Paula A. Sneed and David M. Stout were elected by the stockholders at the 2012 Annual Meeting and their terms continue until the 2015 Annual Meeting.

All nominees have indicated that they are willing and able to serve as directors if elected. In the event that any nominee should become unavailable, the proxy will be voted for the election of any substitute nominee recommended by the Governance and Compensation Committee to the Board of Directors and selected by the Board.

The Board of Directors unanimously recommends that you vote FOR the election of John P. Clancey, Richard C. Ill and Ted B. Miller, Jr.

Set forth below is certain information regarding the three nominees for election at the Annual Meeting and the remaining eight directors whose terms are continuing.

Nominees for Election for Terms Expiring at the 2016 Annual Meeting

John P. Clancey

John P. Clancey, age 68, served as Chairman of Maersk Inc. and Maersk Line Limited, a division of the A.P. Moller-Maersk Group, from 1999 to January 2010. Maersk is one of the world's largest shipping companies. Since January 2010, Mr. Clancey has been a Principal and founder of Hospitality Logistics, International, a furniture, fixtures and equipment logistics services provider serving customers in the hotel industry. Since July 2010, Mr. Clancey has been Chairman and a member of the Board of Directors of Livingston International Inc., a major international customs house and freight forwarding company, and an advisor to Sterling Partners, a private equity firm and since January 1, 2011, he has served on the Infrastructure Advisory Committee of Brookfield Asset Management, a global asset management company. Mr. Clancey has been an Airgas director since 2010.

Mr. Clancey brings to our Board more than 22 years of experience as both chief executive officer and chairman of international businesses,

Table of Contents

and 16 years of experience serving on the boards of large public companies in a range of industries. Mr. Clancey's board experience includes his service as a member of the board of directors of UST Inc. from 1997 to 2009, and as a member of the board of directors of Foster Wheeler AG from 2000 to 2005. In addition, Mr. Clancey served as a member of the board of directors of AT&T Capital from 1993 to 1998, when the company was sold to Nomura Securities.

Richard C. Ill

Mr. Ill, age 70, has been the Executive Chairman of the Triumph Group, Inc., a company that designs, manufactures, repairs and overhauls aircraft components and assemblies, since July 2012, and has been a director of Triumph since 1993. He also served as Chairman and Chief Executive Officer of Triumph from 1993 until July 2012. Mr. Ill serves as a director of P.H. Glatfelter Company and Mohawk Industries and as a member of the Drexel University Board of Trustees. Mr. Ill previously served as an Airgas director from 2004 until 2010.

Mr. Ill has over 45 years of public company experience in management, manufacturing and operations. From his tenure as CEO of Triumph Group, and from his service on other public company boards, he provides a strong operational, financial and strategic background and has valuable business leadership and management experience and insights into many aspects of our business and the current business climate.

Ted B. Miller, Jr.

Mr. Miller, age 61, has been the President of 4M Investments, LLC, an international private investment company, since 2001. He is also the founder, Chairman and majority shareholder of Intercomp Technologies, LLC, dba Intercomp Global Services, a privately-held business process outsourcing company founded in 1994; and founder, Chairman and majority shareholder of Visual Intelligence, a privately held imaging technologies company founded in 2001. Mr. Miller has been an Airgas director since 2010.

Mr. Miller brings to our Board extensive executive, financial and governance experience as a significant shareholder, executive officer and director of both start-up companies and large public companies. His extensive business and leadership experience includes his positions as the founder, Chairman and majority shareholder, from 2003 to 2011, of M7 Aerospace, LP, a privately held aerospace service, manufacturing and technology company, which was sold to Elbit Systems of America in December 2010, and his positions, from 1996 to 2002, as the Chairman and Chief Executive Officer of Crown Castle International Corp., a publicly-held global wireless communications infrastructure company he founded in 1995. In addition, Mr. Miller served as a member of the board of directors of Affiliated Computer Services, Inc., a global business process outsourcing company employing over 70,000 employees, from November 2008 until the acquisition of the company by Xerox Corporation in February 2010.

Table of Contents

The Airgas Board recommends that you vote **FOR** the election to the Board of each of the foregoing nominees.

Directors Serving for Terms Expiring at the 2014 Annual Meeting

Peter McCausland

Mr. McCausland, age 63, has been an Airgas director from June 1986 until September 15, 2010 and from September 23, 2010 to the present and has served as Executive Chairman since August 2012. Prior to that, he served as Chairman of the Board from 1987 to September 15, 2010 and from August 29, 2011 to August 2012. Mr. McCausland also served as the Chief Executive Officer of Airgas from May 1987 to August 2012 and President of Airgas from June 1986 to August 1988, from April 1993 to November 1995, from April 1997 to January 1999 and from January 2005 to August 2012. Mr. McCausland serves as a director of the Independence Seaport Museum. Mr. McCausland also serves on the Board of Visitors of the Boston University School of Law and the College of Arts and Sciences of the University of South Carolina.

Mr. McCausland brings to the Board leadership, and extensive business, operating, acquisition, finance, business strategy development and policy experience, and tremendous knowledge of our company and the industrial gas industry. In addition, Mr. McCausland brings his strategic vision for Airgas to the Board. His service as a director and the CEO of Airgas since 1987 has contributed to the effectiveness of the Board and creates a critical link between management and the Board, enabling the Board to perform its oversight function with the benefits of management's perspectives on the business. Furthermore, Mr. McCausland provides Airgas with effective leadership.

Lee M. Thomas

Mr. Thomas, age 69, served as Chief Executive Officer of Rayonier, Inc. from March 2007 until December 31, 2011 and as Chairman of the Board of Rayonier from July 2007 until May 17, 2012. He also served as President of Rayonier from March 2007 until October 2010. Previously, he served as President of Georgia-Pacific Corporation, beginning in September 2002, and as President and Chief Operating Officer, beginning in March 2003, until his retirement in December 2005. Mr. Thomas held these and other senior executive positions within Georgia-Pacific Corporation since 1993. Prior to that, he was Chairman and Chief Executive Officer of Law Companies Environmental Group Inc. and has held numerous federal and state government positions, including positions with the U.S. Environmental Protection Agency, the Federal Emergency Management Agency and the Office of the Governor of South Carolina. Mr. Thomas is a director of Regal Entertainment Group and DuPont Corporation. Mr. Thomas has served as an Airgas director since 1998.

Mr. Thomas brings to our Board an extensive knowledge of the environmental regulatory process from his senior positions in industry

Table of Contents

and government. His tenure at Rayonier and Georgia-Pacific and as Administrator of the U.S. Environmental Protection Agency and Deputy Director of the Federal Emergency Management Agency provide valuable business, leadership and management experience, including expertise on governmental relations in environmental regulatory areas.

John C. van Roden, Jr.

Mr. van Roden, age 64, served as Executive Vice President and Chief Financial Officer of P.H. Glatfelter Company, a diversified global manufacturer of specialty papers and engineered products, from 2003 to 2006. Prior to that, he served as Senior Vice President and Chief Financial Officer for Conectiv from 1998 to 2003, and as the Senior Vice President and Chief Financial Officer of Lukens Inc. from 1982 to 1998. Mr. van Roden also serves on the boards of H.B. Fuller Company, Horsehead Holding Corp. and Penn Virginia Resource Partners, L.P. Mr. van Roden has served as an Airgas director since October 2006.

Mr. van Roden brings to the Board over 20 years of experience in strategic and financial management from his senior leadership positions at P.H. Glatfelter, Conectiv and Lukens, where he served in significant financial leadership positions. From his extensive experience as a financial executive, Mr. van Roden provides leadership in the financial area and serves as the Chairman of our Audit Committee and as an audit committee financial expert.

Ellen C. Wolf

Ms. Wolf, age 59, served as Senior Vice President and Chief Financial Officer of American Water Works Company, Inc., the largest investor-owned U.S. water and wastewater company, from 2006 until May 2013. Previously, she served as Senior Vice President and CFO of USEC, Inc. beginning in December 2003 and as Vice President and CFO of American Water from 1999 to 2003. Prior to that, Ms. Wolf held various positions with increasing responsibility in corporate accounting, finance and business development since beginning her career in 1979. She also serves on the board of the Philadelphia Zoo and a privately-held company. Ms. Wolf has been an Airgas director since 2008.

Ms. Wolf brings to the Board her strong financial, corporate accounting, business development and leadership experience through her corporate senior executive positions and her previous service on the audit committee of another public company and her current service on the audit and compensation committees of a privately-held company. Ms. Wolf's financial expertise provides her with a deep understanding of our financial statements, corporate finance matters and accounting issues, and enables her to serve on our Audit Committee as an audit committee financial expert.

Directors Serving for Election for Terms Expiring at the 2015 Annual Meeting:

James W. Hovey

Mr. Hovey, age 67, is President of The Fox Companies, a diversified real estate development firm, which he joined in 1972, where he has been responsible for the development of numerous housing units and

Table of Contents

office buildings, and of a sports arena. Mr. Hovey also serves as a member of the Board of Trustees of Eisenhower Fellowships, Inc. Mr. Hovey has been an Airgas director since 1999.

Mr. Hovey brings senior-level management experience to the Board through his 40-year career as an executive of a real estate development firm. Mr. Hovey's experience enables him to provide insight and guidance on real estate and finance matters facing the company. Mr. Hovey also brings to the Board his leadership skills from his extensive non-profit experience.

Michael L. Molinini

Mr. Molinini, age 62, has been President and Chief Executive Officer since August 2012. Prior to that time, Mr. Molinini served as Executive Vice President and Chief Operating Officer of Airgas from January 2005 until August 2012. Prior to that time, Mr. Molinini served as Senior Vice President Hardgoods Operations from August 1999 to January 2005 and as Vice President Airgas Direct Industrial from April 1997 to July 1999. Prior to joining Airgas, Mr. Molinini served as Vice President of Marketing for National Welders Supply Company, Inc. (National Welders) from 1991 to 1997. Mr. Molinini has been a director since May 1, 2012.

Mr. Molinini brings to the Board his extensive knowledge of, and experience in, Airgas business and the industrial gas industry, in addition to the leadership capabilities he gained through the senior management positions he has held during his career. Mr. Molinini has more than 40 years experience in management positions in the industrial gas industry. As Chief Executive Officer, his insight into the operations and management of Airgas are invaluable to the Board in carrying out its oversight functions.

Paula A. Sneed

Ms. Sneed, age 65, is the Chairman and CEO of Phelps Prescott Group, LLC, a strategy and management consulting firm. She served as Executive Vice President of Global Marketing Resources and Initiatives for Kraft Foods, Inc. from June 2005 until her retirement in December 2006. She was responsible for leading Kraft's approximately 700-person Global Marketing Services organization (advertising, media, promotions, marketing research, packaging, digital and interactive marketing, CRM and other marketing disciplines) serving more than 100 major food brands. Ms. Sneed joined General Foods Corporation (which later merged with Kraft Foods, Inc.) in 1977, and served in various executive positions since 1986. She also serves as a trustee of Simmons College and Teach for America and is a member of the Visiting Committee of the Harvard Business School. Ms. Sneed is also a member of the board of directors of The Charles Schwab Corporation and TE Connectivity Ltd. Ms. Sneed has been an Airgas director since 1999.

Ms. Sneed has a broad range of leadership experience in general management and functional management roles from her tenure at General Foods and Kraft Foods, where, among other things, she led several business divisions and company-wide functions. Ms. Sneed

Table of Contents

brings valuable marketing and global management skills and extensive leadership experience to the Board. She also provides our Board with useful insights on best governance practices from her service on other public company boards of directors and on audit, finance and compensation committees of profit and non-profit organizations.

David M. Stout

Mr. Stout, age 59, served as President, Pharmaceuticals, GlaxoSmithKline, with responsibility for global pharmaceutical operations, from January 2003 to February 2008. Prior to that, he served as President, U.S. Pharmaceuticals from 1999 to January 2003. He served as Senior Vice President and Director, Sales and Marketing-U.S., for SmithKline Beecham from October 1996 until 1998. Mr. Stout was President of Schering Laboratories, a division of Schering-Plough Corporation, from 1994 until 1996. He held various executive and sales and marketing positions with Schering-Plough from 1979, when he joined the company, until 1994. Mr. Stout is also a member of the board of directors of NanoBio Corporation, a privately-held company, Jabil Circuit, Inc. and Shire plc. Mr. Stout has been an Airgas director since 1999.

With over 20 years of senior management experience in the pharmaceutical industry, Mr. Stout brings to our Board valuable business, manufacturing, research and development, and global operations experience. In his roles, Mr. Stout gained valuable experience dealing with governments, distributors and suppliers and the complexities related to operating in a regulated industry. His service on boards of directors and committees of other public companies has given him valuable insight on best practices in the corporate governance and compensation areas.

Board of Directors and Committees

The Board of Directors held seven meetings during the fiscal year ended March 31, 2013. Each director attended at least 90% of the Board and committee meetings that he or she was scheduled to attend during the 2013 fiscal year.

The standing committees of the Board of Directors are an Executive Committee, a Governance and Compensation Committee, an Audit Committee and a Finance Committee. During the fiscal year ended March 31, 2013, the Executive Committee held no meetings, the Governance and Compensation Committee held five meetings, the Audit Committee held 11 meetings and the Finance Committee held four meetings.

Executive Committee

The members of the Executive Committee are Peter McCausland, Michael L. Molinini, David M. Stout, Lee M. Thomas and John C. van Roden, Jr. As authorized by Delaware law and our By-Laws, the Executive Committee may exercise all of the powers of our Board of Directors when the Board is not in session, except that it may not elect directors or appoint officers, amend the By-Laws, declare dividends, appoint members of the Executive Committee, approve the acquisition of substantially all the assets or capital stock of a corporation or business entity that has annual sales in excess of 20% of the annual sales of Airgas or take any other action that may only be taken by the Board of Directors.

Table of Contents

Governance and Compensation Committee

The members of the Governance and Compensation Committee are James W. Hovey, Paula A. Sneed, David M. Stout and Lee M. Thomas. Each member of the Committee is independent from Airgas and its management. The Committee's primary responsibilities under the terms of its charter include:

establishing qualifications for Board membership;

interviewing and recommending candidates to fill new positions on the Board;

reviewing candidates recommended by stockholders for positions on the Board;

developing and recommending to our Board of Directors a Code of Ethics and Business Conduct and considering requests for waivers from the Code of Ethics and Business Conduct for Board members and senior executives;

recommending assignment of Board members to committees;

reviewing policies for Board compensation;

reviewing and recommending changes to Board policies and procedures as they affect the organization and activities of the Board and its committees;

making reports for consideration by the Board;

considering matters of corporate governance, and reviewing, annually, the Corporate Governance Guidelines;

reviewing succession plans for senior executive officers;

conducting an annual evaluation of its performance and its charter;

reviewing and approving corporate goals and objectives and evaluating, annually, the performance of the Executive Chairman, the CEO and other officers in light of such goals and objectives;

determining the compensation of the Executive Chairman and the CEO based upon the evaluation of the performance of the Executive Chairman and the CEO;

Edgar Filing: AIRGAS INC - Form DEF 14A

reviewing and approving compensation for executive officers and employees who report directly to the Executive Chairman or the CEO;

reviewing and making recommendations to the Board with respect to non-Executive Chairman and non-CEO incentive compensation plans and equity-based compensation plans;

administering, approving and ratifying awards to executive officers and employees who report directly to the Executive Chairman or the CEO under our equity and incentive compensation plans;

reviewing and discussing the Compensation Discussion and Analysis section, also referred to in this proxy statement as the CD&A, of the annual proxy statement and, based on such review and discussion, determining whether or not to recommend that the CD&A be included in the proxy statement;

preparing the Compensation Committee Report for the annual proxy statement;

recommending to the Board for its recommendation to the stockholders the frequency of advisory say-on-pay votes, taking into account the results of prior stockholder votes; and

monitoring risks associated with our compensation practices and succession planning.

The Committee may, in its sole discretion, engage director search firms or compensation consultants, legal counsel and other advisers to assist it in the execution of its duties and responsibilities.

The Report of the Governance and Compensation Committee for the 2013 fiscal year appears on page 36 of this proxy statement. A copy of the Governance and Compensation Committee Charter can be found on our website at www.airgas.com and is available in print to any stockholder who requests it from our Secretary.

Table of Contents

Audit Committee

The members of the Audit Committee are Robert L. Lumpkins, Paula A. Sneed, John C. van Roden, Jr. and Ellen C. Wolf. Each member of the Committee is independent from Airgas and its management. In addition, the Board of Directors has determined that Mr. Lumpkins, Mr. van Roden and Ms. Wolf are each an audit committee financial expert. The Committee acts pursuant to a written charter adopted by the Board of Directors. The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding accounting and reporting practices, internal controls and compliance with laws and regulations. The Committee's responsibilities under the terms of its charter include:

meeting at least quarterly with management, our chief internal auditor and our independent registered public accounting firm in separate executive sessions;

assessing the integrity of Airgas' financial reporting process and system of internal controls through discussions with management, the internal auditors and the independent registered public accounting firm;

selecting, appointing and recommending for ratification by our stockholders, an accounting firm to serve as Airgas' independent registered public accounting firm;

setting the fees to be paid to the independent registered public accounting firm and pre-approving all audit services to be provided by the independent registered public accounting firm;

establishing policies and procedures for the engagement of the independent registered public accounting firm to provide permitted non-audit services and pre-approve the performance of such services;

assessing the performance (effectiveness, objectivity and independence) of the independent registered public accounting firm;

reviewing an annual report from the independent registered public accounting firm describing its internal quality control procedures and any issues raised by the most recent internal or peer review, or Public Company Accounting Oversight Board review or inspection, of the independent registered public accounting firm;

reviewing and discussing with the independent registered public accounting firm the auditors' and management's responsibilities relating to the audit and other matters required to be discussed under applicable law, auditing standards of the PCAOB and NYSE listing standards;

reviewing with management and the independent registered public accounting firm the adequacy and effectiveness of the internal audit function;

providing an avenue of communication among the independent registered public accounting firm, internal auditors, management and the Board of Directors;

Edgar Filing: AIRGAS INC - Form DEF 14A

reviewing with management and the independent registered public accounting firm Airgas annual and quarterly consolidated financial statements, including the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations ;

reviewing our earnings releases;

discussing with management and the independent registered public accounting firm major issues regarding accounting principles and financial statement presentations;

establishing procedures for the confidential and anonymous receipt, retention and treatment of complaints regarding Airgas accounting, internal controls and auditing matters;

retaining independent counsel and other advisors as necessary to fulfill its responsibilities;

conducting an annual evaluation of its performance and its charter;

Table of Contents

recommending to the Board of Directors that the audited consolidated financial statements be included in Airgas Form 10-K and Annual Report to Stockholders;

preparing the Report of the Audit Committee for the annual proxy statement; and

reviewing and discussing with management policies and procedures for addressing risks relating to financial reporting, internal control over financial reporting and related regulatory compliance and taxes, and generally reviewing Airgas processes related to other risk exposure.

The Report of the Audit Committee for the 2013 fiscal year appears on page 50 of this proxy statement. A copy of the Audit Committee Charter can be found on our website at www.airgas.com and is available in print to any stockholder who requests it from our Secretary.

Finance Committee

The members of the Finance Committee are John P. Clancey, James W. Hovey, Ted B. Miller, Jr., David M. Stout and John C. van Roden, Jr. The purpose of the Committee is to review, advise and make recommendations on Airgas financial affairs, policies and programs. The Committee meets periodically, but not less than three times per year, to review Airgas financial matters, including Airgas :

capital structure;

policies regarding dividends, stock splits and stock repurchases;

current and projected capital requirements and the issuance of debt and equity securities;

credit agreements and major changes to them and borrowings and financings of every nature;

insurance programs and practices for managing insurable risks;

programs and practices for managing interest rate, foreign exchange and commodities price risk;

benefit plan trust investment policies, administration and performance;

standing with credit rating agencies and the decisions and contingencies that might affect its credit rating; and

relationships with, and approach to managing its relationships with, public and private lenders.

Table of Contents

COMPENSATION OF DIRECTORS

Only directors who are not employees of Airgas receive compensation for their services as directors. Our compensation package for non-employee directors for the 2013 fiscal year was composed of cash, which consisted of an annual retainer of \$40,000, plus a fee of \$1,500 for each in-person Board committee or any other meeting on behalf of the Company attended during the 2013 fiscal year, \$1,000 for each Board, or committee telephonic meeting and stock option grants under the Second Amended and Restated 2006 Equity Plan, referred to in this proxy statement as the 2006 Equity Plan. The cash component of the directors' compensation is set by the Board following review and recommendation by the Governance and Compensation Committee. We also reimburse our non-employee directors for their out-of-pocket expenses incurred in connection with attendance at Board, committee and stockholder meetings, and other company business. Non-employee directors are eligible to participate in the 2006 Equity Plan and the Airgas, Inc. Deferred Compensation Plan II, referred to in this proxy statement as the Deferred Compensation Plan II, and some of our directors have participated in the Airgas, Inc. Deferred Compensation Plan I, referred to in the proxy statement as the Deferred Compensation Plan I, and more fully described under the heading Retirement and Other Plans and Programs found on page 33 of this proxy statement.

In order to closely align the interests of directors with those of our stockholders, a substantial portion of the directors' compensation is in the form of stock options. The number of shares under each option granted is determined annually by the Board following review and recommendation by the Governance and Compensation Committee. The exercise price of each option is equal to the closing price of our common stock on the date of grant and each option is exercisable immediately. Options granted to non-employee directors during the 2007 to 2013 fiscal years expire after eight years and options granted to non-employee directors in fiscal years prior to 2007 expire after 10 years. On August 14, 2012, each non-employee Board member serving on the Board as of that date was granted options to acquire 4,600 shares of our common stock with an exercise price of \$82.74 per share.

The Presiding Director receives an additional \$10,000 annual retainer, the Chairman of the Audit Committee receives an additional \$10,000 annual retainer, the Chairman of the Governance and Compensation Committee receives an additional \$7,500 annual retainer and the Chairman of the Finance Committee receives an additional \$5,000 annual retainer.

Each year, non-employee directors may elect to defer, under the Deferred Compensation Plan II, all or a portion of his or her director's fees. The amount deferred is credited to an account that tracks valuation funds selected by the participant from a family of funds under the plan, one of which tracks Airgas common stock. Each participating director elects when the balance will be paid within the alternatives offered under the plan, and the unpaid account balance accrues interest based on earnings in the selected valuation funds. In addition, one of our current directors maintains a balance in the Deferred Compensation Plan I.

We believe that directors should be stockholders and should have a financial stake in the company. The Governance and Compensation Committee revised the ownership guidelines in August 2011. Under the new guidelines, the non-employee directors are expected to maintain at least 25,000 shares of Airgas common stock (which may include up to 22,500 shares under options) or shares having a value equal to five times the director's annual Board retainer (which may include 60% of the in-the-money options). Compliance with these guidelines is expected by the later of the director's fifth anniversary on the Board or August 29, 2016. Each of the current non-employee directors satisfies these ownership requirements at the present time.

Table of Contents**Director Compensation Table**

The following table shows the compensation earned by each non-employee director in the 2013 fiscal year.

Director	Fees Earned or Paid in Cash (\$)⁽¹⁾	Option Awards (\$)⁽²⁾	All Other Compensation (\$)	Total (\$)
John P. Clancey	55,000	120,926	-0-	175,926
James W. Hovey	66,500	120,926	-0-	187,426
Robert L. Lumpkins	61,000	120,926	-0-	181,926
Ted B. Miller, Jr.	54,000	120,926	-0-	174,926
Paula A. Sneed	68,500	120,926	-0-	189,426
David M. Stout	61,500	120,926	-0-	182,426
Lee M. Thomas	63,000	120,926	-0-	183,926
John C. van Roden, Jr.	90,000	120,926	-0-	210,926
Ellen C. Wolf	64,000	120,926	-0-	184,926

- (1) Consists of the aggregate amount of all fees earned or paid in cash for services as a director, consisting of annual Board and committee chair retainers and Board and committee meeting fees earned by non-employee directors, as described above. During the 2013 fiscal year, each of Mr. Clancey and Mr. Stout chose to defer a portion of his cash compensation as a director under the Deferred Compensation Plan II.
- (2) The amounts shown reflect the grant date fair value of stock options granted during the 2013 fiscal year, computed in accordance with FASB ASC Topic 718. These dollar amounts do not correspond to the actual value that may be realized by the non-employee directors. For information on the valuation assumptions made in the calculation of these amounts, refer to Note 13 to Airgas consolidated financial statements for the fiscal year ended March 31, 2013, included in our Annual Report on Form 10-K filed with the SEC on May 22, 2013. Each non-employee director on the Board at the time was granted an option under the 2006 Equity Plan to purchase 4,600 shares on August 14, 2012 with an exercise price of \$82.74 per share. As of March 31, 2013, the following non-employee directors held options to purchase the following number of shares:
- a. Mr. Clancey held 15,882
 - b. Mr. Hovey held 42,382
 - c. Mr. Lumpkins held 15,882
 - d. Mr. Miller held 15,882
 - e. Ms. Sneed held 56,882
 - f. Mr. Stout held 64,382
 - g. Mr. Thomas held 29,382
 - h. Mr. van Roden held 35,882
 - i. Ms. Wolf held 27,655

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Program

The Governance and Compensation Committee of our Board of Directors has responsibility for establishing and implementing our compensation philosophy, and for continually monitoring our adherence to that philosophy. The Committee reviews and approves compensation levels for all Airgas executive officers as well as all of our corporate compensation, retirement, perquisite and insured benefit programs, including programs applicable to our executive officers, which includes our named executive officers. With respect to our Executive Chairman and our Chief Executive Officer, the Committee annually evaluates their accomplishments and performance against established objectives and sets their compensation levels based upon such evaluation. The Committee may choose to award additional annual cash incentive compensation to our Executive Chairman and the CEO based upon the Committee's evaluation of the Executive Chairman's and the CEO's performance. These functions are set forth in the Committee's Charter, which appears on our website (www.airgas.com) and is reviewed annually by the Committee. The Committee seeks to ensure that the total compensation paid to our executives, a significant portion of which is related to performance, is fair, reasonable and competitive and consistent with our compensation philosophy. Generally, the types of compensation and benefits provided to our named executive officers are similar to those provided to other Airgas management associates.

The Committee reviews whether compensation policies and practices create incentives for risk-taking that could have a material adverse effect on Airgas. In January 2013, the Committee conducted an assessment of all the incentive compensation programs across Airgas to consider whether they encourage excessive risk-taking. The Committee determined that Airgas compensation practices provide reasonable assurance against, and do not encourage, excessive risk-taking due to:

the balance between short-term and long-term incentives;

accounting standards and testing;

the relatively low ratio of incentive pay to the associated financial achievement;

separation of duties regarding authority over sales decisions; and

incentive compensation limits.

There have been no material changes in compensation plans since the January 2013 review.

The following individuals, included in the Summary Compensation Table for the 2013 Fiscal Year found on page 37 of this proxy statement, are referred to as our named executive officers throughout this proxy statement:

Peter McCausland, Executive Chairman

Robert M. McLaughlin, Senior Vice President and Chief Financial Officer;

Michael L. Molinini; President and Chief Executive Officer;

B. Shaun Powers, Division President;

Michael E. Rohde, Division President; and

Robert H. Young, Jr., Senior Vice President and General Counsel.

Compensation Philosophy and Objectives

Our goal is to maintain compensation and benefit plans that will allow us to attract and retain highly qualified employees while motivating and rewarding performance that will lead to sustained increases in the value of our stockholders' investment in Airgas. We also seek to align the interests of our named executive

Table of Contents

officers with those of our stockholders by evaluating performance primarily on the basis of key financial measures. Given these goals, our compensation philosophy has been, and continues to be, to emphasize pay for performance programs designed to reward superior financial performance and long-term enhancement of stockholder value, while maintaining competitive base pay, retirement, healthcare and other fixed compensation programs. We set base salary, annual cash incentive opportunities and long-term equity incentive opportunities to reflect an individual executive's level of responsibility and performance against established objectives, and we rely on our judgment and discretion after reviewing Airgas performance and evaluating the executive's performance.

Role of the Committee and Executive Officers in Compensation Decisions

The Committee oversees the design, development and implementation of the compensation program for the Executive Chairman, the CEO and the other executives, including the named executive officers. The Committee evaluates the performance of the Executive Chairman and the CEO and determines the Executive Chairman's, and the CEO's compensation in light of the goals and objectives of the compensation program. Mr. McCausland and Mr. Molinini, as appropriate, assess the performance of our other executives, including the other named executive officers, and the Committee approves their compensation considering recommendations from Mr. McCausland and Mr. Molinini. Neither the Committee nor management sought advice from compensation consultants during the 2013 fiscal year. Management relied on a service from Equilar Inc., a compensation research firm, to provide peer executive compensation data from proxies and a compensation survey for comparison purposes. However, we did not receive advice from Equilar in setting our executive compensation.

The Committee's work is accomplished through a series of meetings, following a regular calendar schedule, to ensure that all major elements of compensation are addressed and compensation and benefit programs are properly designed, implemented and monitored. Occasionally, special meetings are called to address matters that require attention outside of the regular compensation cycle. Working with the Committee Chair, Lee M. Thomas, Robert H. Young, Jr., our Senior Vice President and General Counsel, and Dwight T. Wilson, our Senior Vice President-Human Resources, prepare an agenda and supporting materials for each meeting, which are provided to Committee members two-to-four days in advance of the meeting. Mr. Wilson and Mr. Young, along with Mr. McCausland, generally attend Committee meetings by invitation, but are excused for executive sessions. As requested, Mr. McCausland, Mr. Young and Mr. Wilson offer their opinions and recommendations to the Committee. The Committee may invite other members of management to attend meetings to discuss items within their specific areas of responsibility. Mr. Wilson periodically provides the Committee with peer and survey information concerning executive compensation, including for his own position. Otherwise, no executive plays a role in his or her own compensation determination, other than discussing individual performance objectives with the Committee, Mr. McCausland or Mr. Molinini, as appropriate.

Consideration of Stockholder Advisory Vote to Approve Executive Compensation

Our Board submitted a proposal for an advisory vote to approve our executive compensation program to our stockholders at our 2012 Annual Meeting of Stockholders. Due to the 90.7% vote in favor of our executive compensation program at our 2012 Annual Meeting of Stockholders, we believe that our stockholders view our executive compensation program as extremely robust and effective in achieving our objectives. Thus, after considering the outcome of the vote, we decided to continue our current compensation philosophy and programs, while continuously monitoring developments in executive compensation, especially among our peer companies. We have not made any specific changes to our executive compensation program as a result of our stockholder advisory vote last year.

Table of Contents

Setting Executive Compensation

Elements of Executive Compensation

Consistent with our compensation philosophy, the Committee has structured our annual and long-term executive compensation programs to motivate executives to achieve the business goals set by our Board of Directors, and these programs reward the executives for achieving and exceeding those goals. The key elements of our executive compensation program are:

base salary;

annual cash incentive awards; and

long-term incentive compensation.

These key elements are addressed separately below. In determining each component of compensation, the Committee takes into account all other elements of an executive's compensation package.

Our compensation programs for executive officers are designed to reflect their success in attaining key objectives, both individually and as a management team. Depending on each executive's plan, 85% to 100% of our target annual cash incentive payments are calculated based on Airgas' performance with regard to certain key financial metrics versus budgeted levels. For certain executives, 15% of those target payments are calculated based on the executive's attainment of strategic goals and on individual performance and contributions. There are two levels of approval for each award and the Committee has final approval for awards to executive officers. Our equity-based compensation program is intended to reward the management team's success in delivering value to our stockholders. Specifically, stock option grants reward our executives for their contributions that result in increases in our stock price over time. In each case, we strive to ensure that our compensation program provides rewards based on meaningful measures of performance, and the Committee may make adjustments to the incentive programs annually in light of past experience, changes in strategic focus, regulatory requirements and other relevant factors.

Benchmarking Compensation Against Our Peers

Periodically, Mr. Wilson provides the Committee with data comparing our elements of compensation and levels of executive compensation against relevant companies in the chemicals and industrial distribution industries, including a comparison of compensation elements of individual executives where the positions are sufficiently similar to make comparison meaningful. Currently, the peer group for compensation comparisons is:

Air Products & Chemicals, Inc.

Albemarle Corporation

Anixter International, Inc.

Ashland Inc.

Axiall Corporation

Cabot Corporation

Celanese Corporation

CF Industries Holdings, Inc.

Cliffs Natural Resources Inc.

Clorox Company

Eastman Chemical Company

Table of Contents

Fastenal Company

FMC Corporation

Henry Schein Inc.

International Flavors & Fragrances Inc.

MRC Global Inc.

MSC Industrial Direct Company, Inc.

PolyOne Corporation

Praxair Inc.

Rockwood Holdings, Inc.

RPM International, Inc.

The Scotts Miracle-Gro Company

The Sherwin-Williams Company

Sigma-Aldrich Corporation

The Valspar Corporation

Wesco International Inc.

Grainger W W Inc.

Westlake Chemical Corporation

For executive positions that are not typically named executive officer positions in our peer companies, the peer group includes a broader group of chemicals industry and industrial distribution companies that participate in executive compensation surveys available to Airgas management.

Edgar Filing: AIRGAS INC - Form DEF 14A

The most recent benchmarking of executive compensation levels was performed by Mr. Wilson in the beginning of the 2012 fiscal year. The benchmarking compared compensation of our named executive officers to the median base salary, total cash compensation and total direct compensation of similar positions in the peer group companies. Direct compensation adds the Black-Scholes value of stock option grants to the total cash compensation. We believe that periodic reviews of outside compensation practices are appropriate to determine if any compensation levels require adjustments or if the mix of compensation components requires rebalancing.

Given the nature of our businesses, we compete with companies across the two broad industry groups mentioned above for top executive-level talent. As such, in setting total compensation levels for our executives, the Committee gives serious consideration to the median level of compensation paid to similarly-situated executives of chemicals and industrial distribution companies of comparable size to Airgas. An individual executive's targeted compensation may vary from the median of peers based upon expertise, experience and local market factors.

Compensation of our Executive Chairman and our Chief Executive Officer

The compensation of our Executive Chairman and our CEO is reviewed by our Governance and Compensation Committee and our Board and determined solely by our Governance and Compensation Committee. The compensation of our Executive Chairman and our CEO is based on factors similar to those utilized for the other named executive officers, but also includes consideration of the overall responsibilities of our Executive Chairman and our CEO for achievement of corporate-wide responsibilities, including the achievement of our operational goals for our CEO, and responsibility for our strategic vision for our Executive

Table of Contents

Chairman. The specific elements of compensation for our Executive Chairman and our CEO and any differences in their compensation as compared to the other named executive officers are discussed below.

Components of Executive Compensation for the 2013 Fiscal Year

Given our philosophy of pay for performance, a significant percentage of total compensation is allocated to performance-based incentives. As a general matter, we recognize that, as employees progress to higher levels within our organization, they assume more responsibility for our overall performance and returns to stockholders. Consequently, we seek to link greater portions of executive compensation to criteria and metrics that are tied to the creation of stockholder value. Looking at the named executive officers as a group, 73% of their target total compensation (including the Black-Scholes value of stock option grants) for the 2013 fiscal year was allocated to performance-based, or at-risk, components consisting of annual cash incentives and stock options, with the remaining 27% allocated to base salary. To date, we have only granted stock options under our equity incentive plans. We have always balanced the value of the grants to the executive (measured using the Black-Scholes Option Pricing Model) and the potential dilution to existing stockholders that can result from such grants (measured using the burn rate, or the shares granted as a percentage of shares outstanding). Our policy for allocating value between long-term and currently-paid compensation is to ensure adequate base compensation to attract and retain personnel, while providing strong incentives for our executives to maintain an ownership mindset, matching long-term value creation for them and our stockholders. The ownership mindset our compensation policy encourages also serves to reduce risk taking by our executives because of their focus on long-term value creation.

For Mr. McCausland, who transitioned from his role as CEO to Executive Chairman in August 2012, his performance-based compensation for the 2013 fiscal year was targeted at 77% of total target compensation, and 74% of his actual total compensation was allocated to performance-based compensation. His actual cash incentive compensation was 14% and his non-cash incentive compensation was 60% of his total compensation. For Mr. Molinini, who became CEO in August 2012, his performance based compensation the 2013 year was targeted at 80%, and 78% of his actual total compensation was allocated to performance-based compensation. His actual cash incentive compensation was 12% and his non-cash incentive compensation was 66% of his total compensation.

Combined target cash and non-cash incentive compensation for the four named executive officers other than Mr. McCausland and Mr. Molinini for the 2013 fiscal year ranged from 56% to 66% of total target compensation. Their combined actual cash and non-cash incentive compensation for the 2013 fiscal year also ranged from 51% to 65% of total compensation.

Actual cash incentive compensation ranged from 10% to 18% of total compensation

Actual non-cash incentive compensation ranged from 37% to 53%.

We believe these mixes are both competitive within the marketplace and consistent with our stated compensation philosophy.

The Committee believes that the relatively larger component of Mr. McCausland's and Mr. Molinini's compensation that is performance-based reflects their greater focus on company-wide operational and strategic initiatives that have a direct and significant impact on Airgas' overall performance. This has historically resulted in higher compensation for the CEO than for our other executive officers.

Base Salary

Base salary is the component of compensation that is fixed and intended to compensate our executives, based on their experience, expertise, job responsibilities and the performance of their responsibilities during the fiscal year. While base salaries must be competitive in order to recruit and retain qualified executives, we generally do not pay base salaries at levels exceeding the market median among peer companies. Our review of

Table of Contents

base salaries paid to our executives peers indicates that the base salaries of our named executive officers generally are below the median for comparably-sized chemical industry and industrial distribution companies. Consistent with our compensation philosophy that we offer compensation opportunity based on superior performance, we strive to use incentive compensation, rather than base salary, to provide executives with an above-market compensation opportunity if we exceed budgeted financial performance metrics and drive increases in stockholder value. Mr. McCausland and Mr. Molinini are paid a higher base salary than the other named executive officers because they are our most senior officers, have direct accountability to our Board and have broader responsibilities than our other executive officers. The difference in base salaries is consistent with relative base salaries reflected in peer-company comparisons of executives with like responsibilities.

Each year, our Governance and Compensation Committee reviews the base salary of Mr. McCausland, Mr. Molinini and all other executive officers. In making adjustments to base salary levels, the Committee considers:

the executive's level of responsibilities;

the executive's experience and breadth of knowledge;

the executive's individual performance as assessed through annual performance reviews;

the executive's role in management continuity and development plans;

internal equity factors, meaning relative pay differences for different jobs; and

on a periodic basis, benchmark data on the compensation practices of peer companies, from available salary survey data and as reported in public company proxy statements.

The normal interval between salary reviews for most executive officers and most other employees is 12 months, usually completed in the quarter following the fiscal year end. Mr. McCausland's salary increases have been less frequent, as the Committee prefers to consider the factors listed above over a more than one-year period and adjust his salary in larger increments. Mr. McCausland did not receive a base salary increase during the 2013 fiscal year. Mr. Molinini's base salary increased to \$850,000 upon his transition to CEO. Thirteen other executive officers received a salary increase during the 2013 fiscal year.

Annual Cash Incentive Awards Management Bonus Plans

Annual cash incentive awards for our executive officers are intended to promote the achievement of our corporate and division financial performance goals, as well as individual performance goals. Each of our named executive officers participated in our Executive Bonus Plan. In addition, depending upon the named executive officer's position and responsibilities with Airgas, each named executive officer participated in one of the following Airgas annual cash incentive plans for which executive officers and other management employees may be eligible, which plans, together with our Executive Bonus Plan, are referred to in this proxy statement as our Management Bonus Plans:

the Fiscal Year 2013 Management Bonus Plan for Corporate Employees, in which Messrs. McCausland, McLaughlin, Molinini and Young participated during the 2013 fiscal year, is available to all management-level employees who have corporate-wide responsibility; and

the Fiscal Year 2013 Management Bonus Plan for Division and Region Management, in which Messrs. Powers and Rohde (Division Presidents) participated during the 2013 fiscal year, is available to all senior management who work within our divisions and regions.

Edgar Filing: AIRGAS INC - Form DEF 14A

The overall cash incentive award paid to each executive officer is composed of (1) a cash incentive award under our Executive Bonus Plan that is based on financial performance goals and (2) a cash incentive award under the applicable Management Bonus Plan that is based on strategic and individual performance goals. In addition, the Committee may, in its discretion, grant to any executive officer a cash award outside of any of our plans described above.

Table of Contents

Corporate Performance Goals. Within 90 days after the beginning of each fiscal year, the Committee (1) reviews our performance during the prior fiscal year, (2) analyzes anticipated value drivers in our industry and within our company and proposed performance objectives for the current fiscal year and (3) determines the specific performance criteria for each executive officer and the metrics that will be used for the current fiscal year under our Executive Bonus Plan, based on such review and analysis. Examples of performance criteria that the Committee may consider are a cash flow measure, such as: earnings before interest, taxes, depreciation, amortization and special gains (charges), or Adjusted EBITDA; sales; earnings per share; gross profit; return on capital, or ROC; and transaction processing accuracy. After selecting the performance criteria, the Committee establishes performance metrics within the selected criteria and assigns to each of our executive officers a target award. The target award, expressed as a percentage of the executive officer's annual base salary as of the first day of the second quarter of the fiscal year, is determined based upon the executive's position in the company.

In addition, each of the pre-determined performance criteria (e.g., ROC) is weighted by the Committee, in its judgment, to reflect its relative importance, and becomes a separate component of the executive officer's cash incentive award. The Committee also sets a target payout, expressed as a percentage, for each component, which may vary depending upon our actual performance with respect to the component against the pre-determined performance metrics. Our executive officers will receive cash incentive awards under the Executive Bonus Plan if, at the end of the fiscal year, Airgas has achieved the performance metrics established within the criteria selected by the Committee at the beginning of the fiscal year. Actual cash award payments will vary based upon Airgas' level of achievement of the pre-determined corporate performance metrics and the different weights assigned to each performance criteria component for each executive officer.

The annual cash incentive award targets are set for each executive officer as a percentage of base salary with regard to the relative responsibilities of each executive officer and with regard to the total cash compensation opportunity for comparable positions in peer companies. For the 2013 fiscal year, Mr. McCausland's target for his annual cash incentive award was 100% of his annual base salary. For the 2013 fiscal year, Mr. Molinini's target annual cash incentive award was increased to 100% of his base salary paid for the 2013 fiscal year. We believe that Mr. McCausland's and Mr. Molinini's target awards were generally comparable to the target annual cash incentive award for chief executive officers in our peer companies. Messrs. Powers and Rohde's target annual cash incentive award were 60% of their annual base salaries as of the one-hundredth day of the fiscal year. We believe that 60% of base salary for Messrs. Powers and Rohde and the other executive officers with segmented profit responsibilities is appropriate given the direct financial measurement of their impact on Airgas results. All other executive officers had target annual cash incentive awards set at 50% of their annual base salary as of the one-hundredth day of the fiscal year (except one non-named executive officer's prorated adjustment for a later increase), which reflects their responsibilities relative to Mr. McCausland and Mr. Molinini and generally reflects the total cash compensation opportunity for the other named executive officers in our peer companies.

Adjusted EBITDA and ROC were chosen as the plan performance criteria for executives with corporate-wide responsibility (i.e., Messrs. McCausland, McLaughlin, Molinini and Young). Adjusted EBITDA was most heavily weighted at 70% of the annual cash incentive award target because the Committee believes that it motivates growth, gross margin performance and expense management, and because of the direct correlation of earnings performance with share valuation. ROC was weighted at 15% of the annual cash incentive award target and was intended to drive discipline around long-term capital deployment and debt reduction, also important performance measures to stockholders. The remaining 15% of the target annual cash incentive award was based on individual performance and payout was based on performance against objectives set and agreed upon in the first quarter of the fiscal year. For Division Presidents (i.e., Messrs. Powers and Rohde), in addition to the corporate performance criteria of Corporate Adjusted EBITDA, additional performance criteria, include:

division Adjusted EBITDA

division ROC

sales or gross profit for targeted growth strategies

Table of Contents

Corporate Adjusted EBITDA was weighted at 10% of the annual cash incentive award and Adjusted EBITDA for their respective divisions was weighted at 60% of the annual incentive award. The larger portion was based on their profit responsibility to motivate performance in their respective spheres of control, while the smaller portion recognizes their contributions to Airgas' overall performance and is designed to encourage interdivisional cooperation. ROC for their respective divisions was weighted at 10% of the target annual cash incentive award to emphasize the importance of capital management (similar to the inclusion of ROC at the corporate level). The remaining 20% of the target annual cash incentive was based on sales or gross profit for targeted growth strategies to motivate focusing on opportunities that were specific to each division.

The threshold and maximum of each performance criterion of the award was determined separately. For the 2013 fiscal year, the Adjusted EBITDA threshold for both corporate and the divisions was 32% of the target award for achievement at 90% of budget. The Adjusted EBITDA target opportunity (100%) was earned for achievement of 100% of our budget for Adjusted EBITDA for the 2013 fiscal year. The maximum Adjusted EBITDA award opportunity was set at 105% of Adjusted EBITDA budget, which awarded 140% of the target opportunity and reflected the Committee's judgment of reasonable compensation for superior performance.

The ROC target opportunity was set at achievement within 98% to 102% of our budget. The threshold bonus opportunity for both corporate and division ROC was set at 90% of budget, which awarded 20% of award target, and the maximum was set at 107% of budget, which awarded 150% of award target. That range was intended to recognize an adequate level of performance below budget while still improving ROC, and was intended to pay reasonable compensation above target for superior performance.

The Corporate Adjusted EBITDA target (budget) for the 2013 fiscal year was \$957.6 million and the ROC target (budget) was 13.7%. For Mr. Powers' award, the North Division Adjusted EBITDA budget was \$276.1 million and the ROC budget was 17.0%. For Mr. Rohde's award, the South Division Adjusted EBITDA budget was \$208.3 million and the ROC budget was 13.5%. All targets reflect adjustments during the fiscal year to account for budgeted results from acquisitions completed during the year. We calculate Adjusted EBITDA by adding our depreciation and amortization expenses to our operating income, in addition to special charges such as restructuring and other related costs, impairment charges, costs (benefits) related to an unsolicited takeover attempt and multi-employer pension plan withdrawal charges. Note that the Adjusted EBITDA used to calculate annual cash incentive awards differs immaterially from the Adjusted EBITDA we report to investors in financial presentations and as presented in the Statement In Opposition on page 58 of this proxy statement due to the inclusion of an immaterial amount of income generated from Airgas' joint ventures.

Individual Performance Goals. In addition to the corporate financial performance goals described above, under the Fiscal Year 2013 Management Bonus Plan for Corporate Employees, a portion of each of Messrs. McCausland's, McLaughlin's, Molinini's and Young's annual cash incentive award is based on individual performance measured against personal objectives. The Committee established individual performance objectives for Mr. McCausland after consultation with him at the beginning of the fiscal year regarding his priorities for the 2013 fiscal year. Mr. McCausland established individual performance objectives with Messrs. McLaughlin, Molinini and Young. The Committee reviewed, and based upon its evaluation, determined the scores for Messrs. McCausland and Molinini, and approved the scores for Messrs. McLaughlin and Young. For the 2013 fiscal year, individual performance goals under the Fiscal Year 2013 Management Bonus Plan for Corporate Employees represented 15% of the overall annual potential cash incentive award available for Messrs. McCausland, McLaughlin, Molinini and Young. The individual performance goals of the forgoing named executive officers were as follows:

Mr. McCausland's goals: solidifying the new Safety and Compliance organization and delivering improvement in personal safety and preventable vehicle accident rates; executing the CEO succession plan and preparing for the next generation of succession; implementing the SAP conversion and the build-out of the Business Support Centers; implementing acquisitions in the core business; executing the survey of the top 300 and the follow-up leadership training program; and developing a comprehensive leadership evaluation and development program emphasizing diversity.

Table of Contents

Mr. Molinini's goals: solidifying the new Safety and Compliance organization and delivering improvement in personal safety and preventable vehicle accident rates; executing the new SAP-enabled structure and preparing for the next generation of succession; completing the conversion of all regions to the SAP platform and the build-out of the Business Support Centers; delivering the SAP-enabled benefits outlined in the five-year plan; embarking on the multi-year initiative to develop the e-business platform; and executing the gases sourcing plans.

Mr. McLaughlin's goals: ensuring successful implementation of the Business Support Centers with appropriate controls for compliance with Financial Reporting Standards; completing conversion of the Regional Companies to SAP and realizing the targeted benefits; developing effective development and succession plans for key financial leadership positions; and reviewing and refining our risk compliance programs.

Mr. Young's goals: determining how to mitigate risks, assuring proper reporting of risks and oversight of risk management; assuring compliance with antitrust, foreign corrupt practices, US Department of Transportation and US Food and Drug Administration laws and regulations; continued development and implementation of the company's succession plan; mitigating the risks raised