

RELIANCE STEEL & ALUMINUM CO
Form DEF 14A
April 06, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

Reliance Steel & Aluminum Co.

(Name of Registrant as Specified In Its Charter)

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

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 - (3) Filing Party:
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-

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RELIANCE STEEL & ALUMINUM CO.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 16, 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

To the Shareholders of
Reliance Steel & Aluminum Co.:

This Notice presents only an overview of the more complete proxy materials that are available to you on the Internet, if you have not received this by mail. We encourage you to access and review all of the important information contained in the proxy materials before voting. A Proxy Statement, an Annual Report to Shareholders, an Annual Report on Form 10-K and a proxy form for voting are available online at www.proxyvote.com by using the 12-digit control number provided to you. If you want to receive a paper or e-mail copy of these documents, you must request one. There is no charge for a copy. Please request a copy (1) by Internet at www.proxyvote.com; (2) by telephone at 1-800-579-1639; or (3) by email to sendmaterial@proxyvote.com, on or before May 2, 2012 to facilitate timely delivery.

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Reliance Steel & Aluminum Co. ("Reliance" or "Company") will be held on Wednesday, May 16, 2012, at 10:00 a.m., California time, at The Omni Hotel, 251 South Olive Street, Los Angeles, California 90012, for the following purposes:

1. To elect four directors to serve for one year and until their successors have been duly elected and qualified. The nominees for election to the Board are David H. Hannah, Mark V. Kaminski, Gregg J. Mollins, and Andrew G. Sharkey, III. **The Board of Directors recommends that shareholders vote FOR the election of each nominee as a director.**
2. To amend the Company's Restated Articles of Incorporation to increase the number of authorized shares of Common Stock to 200,000,000. **The Board of Directors recommends that shareholders vote FOR this proposal to amend our Restated Articles of Incorporation.**
3. To consider a non-binding, advisory vote to approve the compensation of the Company's named executive officers. **The Board of Directors recommends that shareholders vote FOR the approval of the compensation of the Company's named executive officers.**
4. To consider a shareholder proposal to separate the roles of CEO and Chairman. **The Board of Directors recommends that shareholders vote AGAINST this proposal to separate the roles of CEO and Chairman.**
5. To ratify KPMG LLP as our independent registered public accounting firm to perform the annual audit of our 2012 financial statements. **The Board of Directors recommends that shareholders vote FOR the ratification of KPMG LLP as our independent registered public accounting firm.**

This is an invitation to attend the Annual Meeting and to vote on the matters to be considered. Only holders of shares of record on the books of Reliance at the close of business on March 30, 2012 are entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof. You may continue to trade in our common stock during the solicitation period.

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All shareholders are invited to attend the Annual Meeting. To make it easier, you may vote on the Internet or by telephone. The instructions attached to this Notice describe how to use these convenient services. Even if you give your proxy, you have the right to vote in person if you attend the Annual Meeting.

By Order of the Board of Directors,

Los Angeles, California
April 6, 2012

Kay Rustand
Corporate Secretary

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RELIANCE STEEL & ALUMINUM CO.

350 South Grand Avenue
Suite 5100
Los Angeles, California 90071
(213) 687-7700

PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 16, 2012

We are furnishing this statement because the Board of Directors of Reliance Steel & Aluminum Co. is soliciting proxies for use at the Annual Meeting of Reliance shareholders to be held at The Omni Hotel, 251 South Olive Street, Los Angeles, California 90012, on Wednesday, May 16, 2012 at 10:00 a.m., California time, or at any adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting.

INFORMATION CONCERNING PROXY

The Board of Directors selected Douglas M. Hayes and Franklin R. Johnson, both independent directors, to be named as proxyholders to vote the shares of common stock represented by the proxies at the Annual Meeting. Reliance will pay the cost to solicit the proxies. The Board of Directors will solicit proxies by mail, by telephone, and electronically via the Internet. In addition, certain of our officers and agents may solicit proxies by telephone, telegraph, and personal interview (the cost of which will be nominal). We expect that banks, brokerage houses and other custodians, nominees and fiduciaries will forward soliciting material to beneficial owners and obtain authorizations to execute proxies. We will reimburse the out-of-pocket expenses they incur to forward the proxy materials. **Effective January 1, 2010, your bank, broker or financial institution is not able to vote on your behalf for the election of directors, and, effective January 1, 2011, your bank, broker or financial institution is not able to vote on any compensation issue, unless you provide specific instructions by completing and returning a proxy or voting instruction form or by following instructions provided to you to vote your shares via telephone or the Internet. Voting your shares is important to ensure that you have a say in the governance of our Company.**

We intend only the following matters to be presented at the Annual Meeting: (1) the election of four directors to serve for the ensuing year and until their successors are duly elected and qualified; (2) a vote to amend the Company's Restated Articles of Incorporation to increase the number of authorized shares of Common Stock to 200,000,000; (3) a non-binding, advisory vote to approve the Company's compensation of the named executive officers; (4) a shareholder proposal to separate the roles of CEO and Chairman; and (5) the ratification of KPMG LLP as our independent registered public accounting firm to perform the annual audit of our 2012 financial statements. Unless you instruct us otherwise on the proxy, each proxy will be voted **FOR** the election of all of the nominees named herein as directors, **FOR** the amendment of the Company's Restated Articles of Incorporation to increase the number of authorized shares of common stock to 200,000,000, **FOR** the approval of the compensation of the Company's named executive officers, **AGAINST** the shareholder proposal to separate the roles of CEO and Chairman, and **FOR** the ratification of KPMG LLP as our independent registered public accounting firm for 2012.

We intend to make this Proxy Statement and accompanying material available to each shareholder on the Internet beginning on or about April 6, 2012. An Annual Report, including a letter to the shareholders from the Chairman and Chief Executive Officer, the President and Chief Operating Officer and the Executive Vice President and Chief Financial Officer, and an Annual Report on Form 10-K also will be available electronically. Some shareholders will receive these materials by mail and other shareholders may

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request copies of these materials at no cost. The Annual Reports and letter are not incorporated in, and are not a part of, this Proxy Statement and do not constitute proxy-soliciting material.

If you execute a proxy or submit a proxy via the Internet or telephone, the proxy may be revoked at any time before it is voted (i) by filing with the Corporate Secretary of Reliance either an instrument revoking the proxy or a proxy bearing a later date, duly executed, or (ii) by giving written notice to the Corporate Secretary of Reliance of the death or incapacity of the shareholder who executed the proxy. Any such notice should be sent or delivered to the above address. In addition, the powers of a proxyholder are suspended if the person executing the proxy is present at the Annual Meeting and elects to vote in person.

INFORMATION CONCERNING RELIANCE'S SECURITIES

Our only voting securities are shares of common stock, no par value. As of January 31, 2012, we had a total of 75,044,299 shares issued and outstanding, all of which may be voted at the Annual Meeting. Only holders of shares of record on our books at the close of business on March 30, 2012 will be entitled to vote at the Annual Meeting.

In the election of directors, you as a shareholder are entitled to cumulate your votes for candidates whose names have been placed in nomination prior to the voting, if you give notice at the Annual Meeting before the voting of your intention to cumulate votes. Cumulative voting entitles every shareholder who is otherwise entitled to vote at an election of directors to cumulate their votes, that is, to give any one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which the shareholder's shares are normally entitled, or to distribute those cumulated votes on the same principle among as many candidates as a shareholder determines appropriate. If any shareholder gives notice of the intention to cumulate votes, all shareholders may cumulate their votes for candidates. On all matters other than the election of directors, each share has one vote.

A plurality of the aggregate number of votes represented by the shares present at the Annual Meeting in person or by proxy must vote to elect directors. That means that the four individuals receiving the largest number of votes cast will be elected as directors, whether or not they receive a majority of the votes cast. The affirmative vote of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is required to approve the proposal to amend the Company's Restated Articles of Incorporation to increase the number of authorized shares of common stock. The affirmative vote of a majority of the votes cast is required to approve each of the other proposals and to ratify the engagement of KPMG LLP as our independent registered public accounting firm.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

At the 2011 Annual Meeting of Shareholders, on the recommendation of the Board of Directors, shareholders approved an amendment of the Company's Bylaws to eliminate the staggered or classified Board of Directors. The Board recommended the amendment of the Company's Bylaws in response to shareholder approval of a shareholder proposal presented at the 2010 Annual Meeting of Shareholders to require all directors to be elected annually. The terms of four of our incumbent directors expire as of the date of the 2012 Annual Meeting. As a result of the amendment of the Bylaws, four nominees will be elected to serve a one-year term at the 2012 Annual Meeting and in 2013 nominees for all positions on the Board will be elected to serve one-year terms as directors. **The Nominating and Governance Committee and the Board of Directors have nominated the following persons as nominees for election as directors at the 2012 Annual Meeting: David H. Hannah, Mark V. Kaminski, Gregg J. Mollins, and Andrew G. Sharkey, III.** These nominees have agreed to serve as directors. The term of office for each director elected at the Annual Meeting will be one year, until the next Annual Meeting of Shareholders and until their successors are duly elected and qualified.

Unless you otherwise instruct the proxyholders in the proxy, your proxy will be voted **FOR** the above-named nominees. **Your broker is not able to vote on your behalf for the election of directors unless you provide specific instructions by completing and returning a proxy or voting instruction form or you follow instructions provided to you to vote your shares via telephone or the Internet.** In voting the proxies for election of directors, the proxyholders have the right to cumulate the votes for directors covered by the proxies (unless otherwise instructed) and may do so if they think that is desirable and announce it in advance of the voting at the Annual Meeting.

All of the nominees for the position of director with terms expiring in 2012 were elected to their present term of office by vote of the shareholders at the Annual Meeting of Shareholders held in May 2010. Although we do not expect that any nominee will decline or be unable to serve as a director, if any nominee declines or is unable to serve, the proxies will be voted, at the Annual Meeting or any adjournment thereof, for such other person as the Board of Directors may select or, if no other person is so selected, as the proxyholders may, in their discretion, select; provided that the proxyholders will not vote for more than four nominees.

Certain information with respect to each nominee is set forth in "Management" below. Under the leadership of this Board of Directors, excluding dividends, the value of Reliance stock has increased over the five year period ended December 31, 2011 by 23.6% and over the ten year period ended December 31, 2011 by 271.0%. The Board of Directors recommends that shareholders vote **FOR** the election of each nominee as a director. Unless otherwise indicated on your proxy, the proxyholders will vote your proxy **FOR** the election of all named nominees.

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PROPOSAL NO. 2 AMENDMENT OF THE COMPANY'S RESTATED ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES

The Restated Articles of Incorporation of the Company, as amended by the Certificate of Amendment dated May 29, 1998 (the "Amended Articles"), authorize the Company to issue up to 100,000,000 shares of common stock, no par value, and up to 5,000,000 shares of preferred stock. On July 19, 2006, the Company effected a two-for-one stock split in the form of a stock dividend, which utilized a substantial portion of the currently authorized 100,000,000 shares of common stock. As of January 31, 2012, there were a total of 75,044,299 shares of common stock issued and outstanding and an additional 3,541,777 shares reserved for issuance under our Amended and Restated Stock Option and Restricted Stock Plan, our Amended and Restated Director Stock Option Plan, our Directors Equity Plan and the Earle M. Jorgensen incentive stock option plan. With so few authorized shares remaining available to be issued by the Company, the Company does not have much flexibility to declare a stock split or stock dividend to benefit its shareholders, to grant shares to existing or potential employees, to use stock for the purpose of acquiring another company or to raise additional capital by offering shares to the public. The Board of Directors of the Company does not have any specific plans to do any of these things at the present time, but believes that it is advisable and in the best interests of the Company and its shareholders to have the flexibility to do so and to have available additional authorized but unissued shares of common stock in an amount adequate to provide for the future needs of the Company. If the proposed amendment is approved, the Board of Directors would be able to authorize the issuance of shares of common stock without the necessity, and related costs and delays, of either calling a special shareholders' meeting or waiting for the next regularly scheduled meeting of the shareholders in order to increase the authorized shares of common stock.

For these reasons, the Board of Directors believes that it is in the best interest of the Company and its shareholders to amend the Amended Articles to increase the number of authorized shares from 100,000,000 to 200,000,000 shares of common stock and has adopted a resolution authorizing such amendment, subject to shareholder approval. Accordingly, the Company proposes that Article III of the Amended Articles of the Company be amended to increase the number of authorized shares of common stock to 200,000,000 as further set forth in the Certificate of Amendment to the Restated Articles of Incorporation of the Company attached hereto as Appendix A. The increase in authorized shares of common stock will not have any immediate effect on the rights of existing shareholders. However, the additional shares will be available for issuance from time to time by the Company, in the discretion of the Board of Directors, without further authorization by vote of the shareholders unless such authorization is otherwise required by applicable law or regulation.

The common stock, including the additional shares proposed for authorization, do not have preemptive or similar rights, which means that current shareholders do not have a prior right to purchase any new issue of capital stock of the Company in order to maintain their proportionate ownership thereof. Thus, issuances of additional shares of common stock, if any, might dilute, under certain circumstances, the ownership and voting rights of shareholders. Each of the additional authorized shares of common stock will have the same rights and privileges as the currently authorized common stock.

Issuances of additional shares of common stock may also have the effect of delaying or preventing a change of control of the Company. The Company's authorized but unissued common stock could be issued in one or more transactions that would make a takeover of the Company more difficult or costly, and so less likely. The proposed amendment to the Amended Articles is not being recommended in response to any specific effort of which the Company is aware to obtain control of the Company, and the Board of Directors has no present intention to use the additional shares of common stock in order to impede a takeover attempt.

The affirmative vote of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is required to approve the proposal to amend the Company's Amended Articles to

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increase the number of authorized shares of common stock. **The Board of Directors recommends that shareholders vote FOR approval of the amendment of the Amended Articles to increase the number of authorized shares of common stock from 100,000,000 to 200,000,000 as set forth in the Certificate of Amendment attached hereto as Appendix A. Unless otherwise indicated on your proxy, the proxyholders will vote your proxy FOR the approval of the amendment of the Amended Articles.**

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PROPOSAL NO. 3 ADVISORY VOTE ON THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010 (the "Dodd-Frank Act"), shareholders are entitled to vote at an annual meeting of shareholders, on a non-binding, advisory basis, at least once every three years to approve the compensation of the Company's named executive officers as disclosed in the proxy statement. Commonly known as a "say-on-pay" proposal, this proposal gives our shareholders the opportunity to endorse, or not, our executive officer compensation program and policies. Although the vote is non-binding, the Compensation Committee and the Board of Directors value the opinions of the Company's shareholders and will consider the outcome of the vote when making future compensation decisions. At the 2011 Annual Meeting of Shareholders, our shareholders approved, on a non-binding, advisory basis, the compensation of the Company's named executive officers, demonstrating strong support of our compensation policies with more than 94% of the votes cast to approve such compensation.

At the 2011 Annual Meeting, we also asked our shareholders to indicate, on a non-binding, advisory basis, if we should hold an advisory vote on the compensation of our named executive officers every one, two or three years, with our Board of Directors recommending an annual advisory vote. More than 85% of the votes cast were in favor of an advisory say-on-pay vote every year. In light of these results and because our Board of Directors views it as a good corporate governance practice, the Company's Board of Directors has determined to hold an advisory say-on-pay vote every year. Accordingly, we are asking our shareholders to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this proxy statement.

In voting on this proposal, the Board of Directors urges you to consider the detailed discussion of compensation matters in the Compensation Discussion and Analysis ("CD&A"), beginning on page 15. As discussed in detail in the CD&A, the Company's executive officer compensation program is a pay-for-performance program designed to motivate and hold accountable executive officers to enhance long-term shareholder value with compensation plans that are tied to our Company's performance, to pay our executive officers at a level to ensure our ability to attract and retain superior corporate officers, and to align executive officer compensation with the Company's earnings and return on shareholders' equity. The Company's compensation structure puts much of the executive officers' compensation at risk, depending on the Company's performance as well as individual performance. It emphasizes annual cash incentive bonuses and equity compensation, which are performance based, and provides lower base salaries, retirement benefits and perquisites than those of the Company's peer group, thereby more closely tying executive compensation to Company performance, but also retaining long-term benefits. The executive compensation program targets total compensation at a level competitive with other companies in our industry or companies having size or complexity comparable to Reliance.

None of the Company's officers, including the named executive officers, has an employment contract, severance agreement, change in control agreement or other similar agreement and so compensation benefits are determined annually. The Company's compensation policy provides for NO egregious or overly generous compensation, severance or retirement packages, NO excessive perquisites or tax gross ups on perquisites, NO repricing or replacement of stock options, NO hedging in the Company's stock, and NO guaranteed minimum bonuses, and includes clawback provisions requiring corporate officers to re-pay bonuses received if the factors used in determining the bonus adversely change in any material way.

Based on its extensive analysis of the various factors discussed in the CD&A and benchmarking against the Company's peer group with the help of an independent, outside consultant, the Compensation Committee determined that, although the Company's position with respect to each element of compensation may vary, the total compensation of our named executive officers as disclosed in this proxy statement is competitive given the level of performance required for each of the levels of total compensation attainable. The Compensation Committee believes that the Company's pay-for-performance

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policy operates as it was designed to do. The Company achieved net income of \$343.8 million in 2011 from sales of \$8.13 billion. Earnings per diluted share were \$4.58, up 75% from 2010 earnings per diluted share of \$2.61. The Compensation Committee did not make any significant changes to this policy in the past year except to provide for long-term incentive awards in the form of restricted stock units tied to certain performance goals rather than the more-dilutive stock options that the Company has historically granted.

The affirmative vote of a majority of votes cast is required to approve, on a non-binding advisory basis, the compensation of the named executive officers. **The Board of Directors recommends that shareholders vote FOR approval of the compensation of our named executive officers as described in this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which disclosure includes the CD&A, the Summary Compensation Tables and other compensation tables and the accompanying footnotes and narratives and any related material). Unless otherwise indicated on your proxy, the proxyholders will vote your proxy FOR the approval of the compensation of our named executive officers.**

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PROPOSAL NO. 4 SHAREHOLDER PROPOSAL

The following proposal was submitted by John Chevedden, 2215 Nelson Avenue, Number 205, Redondo Beach, California 90278, who has represented to us that he has held for at least one year and currently holds not less than 200 shares of Reliance common stock. We are not responsible for the content of this proposal, which is set forth below exactly as it was provided to us. We understand that he intends to raise this shareholder proposal for a shareholder vote at the 2012 Annual Meeting of Shareholders. The Board of Directors recommends a vote **AGAINST** this proposal.

4 Independent Board Chairman

RESOLVED: Shareholders request that our board of directors adopt a policy that, whenever possible, the chairman of our board of directors shall be an independent director (by the standard of the New York Stock Exchange), who has not previously served as an executive officer of our Company. This policy should be implemented so as not to violate any contractual obligations in effect when this resolution is adopted. The policy should also specify how to select a new independent chairman if a current chairman ceases to be independent between annual shareholder meetings.

When a CEO serves as our board chairman, this arrangement can hinder our board's ability to monitor our CEO's performance. Many companies already have an independent Chairman. An independent Chairman is the prevailing practice in the United Kingdom and many international markets. This proposal topic won 50%-plus support at four major U.S. companies in 2011. James McRitchie and Kenneth Steiner have sponsored proposals on this topic which received significant votes.

To foster flexibility, this proposal gives the option of being phased in and implemented when our next CEO is chosen.

The merit of this Independent Board Chairman proposal should also be considered in the context of the opportunity for additional improvement in our company's 2011 reported corporate governance in order to more fully realize our company's potential:

The Corporate Library, an independent investment research firm, said there were ongoing concerns regarding our board and executive pay only 45% of CEO pay was incentive based. Annual cash incentives for executives were based on a single performance metric and there was a lack of long-term incentives tied to actual long-term performance. The cash bonus plan was based on annual return on beginning shareholders' equity.

A mix of performance metrics is more appropriate, not just to prevent executives from being tempted to game results, but to ensure that they do not take actions to achieve one end that might ultimately damage another. In addition, long-term incentive pay consisted of time-based equity pay in the form of market-priced stock options and restricted stock awards. Equity pay given as a long-term incentive should include performance-vesting features.

Four directors had 14 to 34-years of long-tenure, including CEO David Hannah, President Gregg Mollins, Lead Director Douglas Hayes and Leslie Waite. Hayes and Waite received 27% in negative votes (2009) and still held 4-seats on our Audit and executive pay committees in 2011. Long-tenured directors can form relationships that may compromise their independence and thus hinder their ability to provide effective oversight.

Our board was the only significant directorship for 67% of our directors. This could indicate a significant lack of current transferable director experience for the vast majority of our directors.

An independent Chairman policy can improve investor confidence in our company and strengthen the integrity of our Board. Please encourage our board to respond positively to this proposal for an Independent Board Chairman Yes on 4.

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Board of Directors' Response To The Proposal

The Board of Directors opposes proposal #4 and recommends that you vote AGAINST it for the following reasons.

After thoughtful consideration of the shareholder proposal, the Board of Directors, following the recommendation of the Nominating and Governance Committee, has determined that proposal #4 is not in the best interests of Reliance or its shareholders and would not enhance shareholder value. Accordingly, the Board recommends that you vote against the proposal.

Principally, the Board of Directors recommends rejecting the shareholder proposal because:

The Board has determined that David H. Hannah is the best qualified person to serve as both Chief Executive Officer ("CEO") and Chairman and is the best spokesperson for the Company.

Implementing the policy proposed above would deprive the Board of its flexibility in determining the optimal manner in which to fulfill its fiduciary obligations to shareholders.

The Board is committed to providing strong independent oversight of management. To that end, the independent directors annually elect an independent Lead Director and ensure that all standing committees of the Board have only independent directors as members as set forth in the Company's Principles of Corporate Governance and the Committee Charters posted on the Company's website. The independent directors meet regularly before each quarterly Board meeting and at such other times as the Lead Director may call a meeting. As set forth in the Principles of Corporate Governance with his other duties, the Lead Director sets the agenda for and presides at these meetings. The independent directors are actively engaged in all aspects of corporate governance, including recruiting new directors, succession planning, corporate strategy, and setting the compensation and evaluating the performance of all corporate officers, including the CEO. The independent directors have full and direct access to other members of management or to advisors outside of the Company. In fact, the independent members of the Board of Directors regularly meet with other members of management and receive reports regarding the Company's activities.

It is the responsibility of the Board of Directors to determine who should be the Chairman of the Board. The Board has determined that, at the present time, David H. Hannah is the best qualified person to hold both the position of CEO and the position of Chairman of the Board.

The Company's bylaws provide that the Chairman of the Board shall preside at all meetings of the Board of Directors, provide strategic planning for the operation and growth of the Company and exercise and perform such policy-making and other duties and powers as may be prescribed from time to time by the Board of Directors. David H. Hannah has long been actively involved in designing and implementing the Company's acquisition strategy, strategic vision, goals and other plans for the growth and operation of the Company. As required by the Company's Principles of Corporate Governance, Mr. Hannah works together with the Lead Director to develop an appropriate schedule and agendas for Board meetings and to address issues of concern to the independent directors, and he serves as a conduit between management and the Board.

As set forth in our Company's Principles of Corporate Governance, the CEO is responsible for the Company's interaction with key outside parties, such as governing and regulatory bodies, industry groups, media, rating agencies, security analysts and substantial shareholders. The Chairman is to act as a conduit to outside shareholders taken as a whole. Mr. Hannah is well respected within our industry, by the financial community and credit rating agencies and by our larger shareholders. His in-depth knowledge of the Company and the industry in which it operates is invaluable in his communications with each of these groups. His is the primary "voice" of the Company in all matters and provides focus and a clear direction for the Company.

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The Board does not believe that separation of the roles of CEO and chairman is necessary for effective leadership or that it enhances shareholder value. Furthermore, the Board believes that its selection of Mr. Hannah as CEO and Chairman has been validated. While Mr. Hannah has been serving as CEO and Chairman, the Company has remained profitable and even continued to grow in challenging economic environments. Under Mr. Hannah's leadership, Reliance has been named to the "Fortune 500" list, the Fortune list of "The World's Most Admired Companies" for 2010 and 2011, the 2008 and 2009 Forbes list of "America's Best Managed Companies" and the Forbes 2009 "Platinum 400 List of America's Best Big Companies".

While the Board has determined that it is appropriate at the present time for the same person to serve as both CEO and Chairman and has elected an independent Lead Director to balance the CEO and Chairman, neither the Company's bylaws nor its Principles of Corporate Governance require it to do so. In the future, the Board could determine that it would be best for the Company and its shareholders to change that leadership structure, such as to appoint an independent director to the position of Chairman or to appoint a former CEO as Chairman, which would also be prohibited by the proposed policy. Implementing the shareholder proposal requiring a specific leadership structure deprives the Board of its flexibility to fulfill its fiduciary obligations and to conduct its business in what it believes to be the most efficient and effective manner. Directors remain accountable to the shareholders. It should be the Board's responsibility to determine whether a management or an independent director is the best candidate as Chairman of the Board.

The Board of Directors disagrees with the proponent's assertions in his supporting statement. The proponent states that "only 45% of CEO pay was incentive based". The proponent misunderstands the Company's compensation policy and program. As set forth in the Compensation Discussion and Analysis later in this proxy statement, a substantial portion of the CEO's compensation is performance based and over the last five years, the percentage of the CEO's total compensation that was incentive based varied because the Company's performance varied. Contrary to the proponent's assertion, the Board of Directors believes that the variations in the CEO's incentive cash bonus as a percentage of his total compensation is evidence of the effectiveness of the Company's compensation program and policies. To demonstrate:

In 2008, which was the Company's highest year of revenues, our CEO's incentive cash bonus represented approximately 41% of his total compensation and his long-term incentive compensation represented approximately 44% of his total compensation (excluding any change in pension value);

In 2009, when the Company's revenues were adversely impacted by the economic recession, our CEO's incentive cash bonus represented approximately 4% of his total compensation and his long-term incentive compensation represented approximately 66% of his total compensation (excluding any change in pension value); and

In 2011, with the economy beginning to recover, our CEO's incentive cash bonus was about 19% of his total compensation and his long-term incentive compensation represented approximately 68% of his total compensation (excluding any change in pension value).

The long-term incentive portion of his total compensation consisted principally of stock options that would not result in any direct value to Mr. Hannah unless the market price of the Company's stock increases over the exercise price.

Investor confidence is based on the Company's results. The Company has continued to outperform its peers with Mr. Hannah serving as both CEO and Chairman. The Board continues to believe that Mr. Hannah is the best person to serve in those positions and that it should be the Board's decision as to the selection of its chairman. The Board and management have a history of working together that has achieved a 17% compound annual growth rate in the value of the Company's stock price from its initial

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public offering in September 1994 through December 31, 2011. Accordingly, the Board of Directors strongly recommends that the shareholders vote AGAINST this proposal.

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information regarding our directors and executive officers:

Name	Age	Position with Reliance
David H. Hannah ⁽¹⁾	60	Chairman and Chief Executive Officer; Director
Gregg J. Mollins ⁽¹⁾	57	President; Chief Operating Officer; Director
Karla R. Lewis	46	Executive Vice President; Chief Financial Officer
James D. Hoffman	53	Senior Vice President, Operations
Stephen P. Koch	45	Senior Vice President, Operations
William K. Sales, Jr.	54	Senior Vice President, Operations
John G. Figueroa ⁽²⁾⁽⁴⁾⁽⁵⁾	49	Director
Thomas W. Gimbel ⁽²⁾⁽⁵⁾	60	Director
Douglas M. Hayes ⁽²⁾⁽³⁾⁽⁴⁾⁽⁶⁾	68	Director
Franklin R. Johnson ⁽²⁾⁽³⁾⁽⁵⁾	75	Director
Mark V. Kaminski ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾	56	Director
Andrew G. Sharkey, III ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾	65	Director
Leslie A. Waite ⁽²⁾⁽³⁾⁽⁴⁾	66	Director

- (1) Term of office as a director expiring in 2012.
- (2) Term of office as a director expiring in 2013.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Nominating and Governance Committee.
- (6) Independent Lead Director for non-management and independent director meetings.

Nominees for Directors to be Elected in 2012 With Terms Ending in 2013

David H. Hannah was appointed a director of Reliance in 1992 and became the Chairman of the Board of Reliance in October 2007 and the Chief Executive Officer of Reliance in January 1999. Mr. Hannah served as President of Reliance from November 1995 to January 2002. Prior to that, he was Executive Vice President and Chief Financial Officer from 1992 to 1995, Vice President and Chief Financial Officer from 1990 to 1992 and Vice President and Division Manager of the Los Angeles Reliance Steel Company division of Reliance from 1989 to 1990. Mr. Hannah has served as an officer of the Company since 1981. For eight years before joining Reliance in 1981, Mr. Hannah, a certified public accountant, was employed in various professional staff positions by Ernst & Whinney (a predecessor to Ernst & Young LLP, which was our independent registered public accounting firm through 2007).

Mark V. Kaminski was appointed a director of Reliance in November 2004. Mr. Kaminski was chief executive officer and a director of Commonwealth Industries Inc. (now Aleris International, Inc.), a manufacturer of aluminum products, from 1991 to June 2004, when he retired. Mr. Kaminski had served in other capacities with Commonwealth Industries Inc. since 1987. Aleris is a supplier of aluminum products to Reliance, but our purchases in any year do not exceed five percent of either the gross revenues or the total consolidated assets of Reliance or of Aleris. Mr. Kaminski also serves as a director and on the audit and compensation committees of Graniterock, a privately-held company that

provides products to the

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construction industry. Mr. Kaminski serves as a member and the Chair of our Compensation Committee and a member of our Audit Committee and our Nominating and Governance Committee. The Board of Directors has determined that Mr. Kaminski is an independent director.

Gregg J. Mollins was appointed a director of Reliance in September 1997 and became President of Reliance in January 2002. Mr. Mollins has served as Chief Operating Officer since May 1994. Mr. Mollins was Executive Vice President from November 1995 to January 2002, was Vice President and Chief Operating Officer from 1994 to 1995 and was Vice President from 1992 to 1994. Prior to that time he had been with Reliance for six years as Division Manager of the former Santa Clara division. For ten years before joining Reliance in 1986, Mr. Mollins was employed by certain of our competitors in various sales and sales management positions.

Andrew G. Sharkey, III was appointed a director of Reliance in July 2007. Mr. Sharkey served as president and chief executive officer of the American Iron and Steel Institute from 1993 until his retirement in September 2008, and from 1978 to 1993 Mr. Sharkey was president, executive vice president and director of education for the Steel Service Center Institute (currently the Metal Service Center Institute). Mr. Sharkey serves as a member and the Chair of our Nominating and Governance Committee and a member of our Compensation Committee and our Audit Committee. Mr. Sharkey also serves as a director and a member of the compensation committee and the governance and nominating committee of General Moly, Inc., a public company with securities listed on the NYSE Alternext (formerly the American Stock Exchange). The Board of Directors has determined that Mr. Sharkey is an independent director.

Directors Whose Terms Continue Until 2013

John G. Figueroa was appointed a director of Reliance effective October 1, 2010. As of January 1, 2011, Mr. Figueroa became the chief executive officer of Omnicare, Inc., which is a public company that is a leading provider of pharmaceuticals to seniors, and he also serves on its board of directors. From 2006 to December 2010 he served as president of the U.S. Pharmaceutical Group of McKesson Corporation. Mr. Figueroa served in other senior management positions with McKesson Corporation from 1997 to 2006. Mr. Figueroa has served as an officer in the United States Army. Mr. Figueroa serves on the Nominating and Governance Committee and the Compensation Committee of the Board of Directors. The Board of Directors has determined that Mr. Figueroa is an independent director.

Thomas W. Gimbel was appointed a director of Reliance in January 1999. Mr. Gimbel has been retired since 2006 and currently serves as Trustee of the Florence Neilan Trust, which for many years was one of Reliance's largest shareholders. Between 1984 and 2006, Mr. Gimbel was the president of Advanced Systems Group, an independent computer consulting firm servicing database requirements for diverse businesses of various sizes. From 1975 to 1984, Mr. Gimbel was employed by Dun & Bradstreet. Mr. Gimbel serves as a member of our Nominating and Governance Committee. The Board of Directors has determined that Mr. Gimbel is an independent director.

Douglas M. Hayes became a director of Reliance in September 1997. Mr. Hayes retired from Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"), where he was managing director of Investment Banking from 1986 to February 1997. Thereafter he established his own investment firm, Hayes Capital Corporation, located in Los Angeles, California. DLJ was an underwriter in our 1997 public equity offering and was also the underwriter in our initial public offering in 1994. Mr. Hayes serves as a member of our Audit Committee and our Compensation Committee, and Mr. Hayes also serves as our Lead Director for non-management and independent director meetings. Mr. Hayes is also a director of Circor International, Inc., a public company, the securities of which are traded on the New York Stock Exchange, and for which Mr. Hayes serves as chairman of the audit committee and as a member of the compensation committee. The Board of Directors has determined that Mr. Hayes is an independent director.

Franklin R. Johnson was appointed a director of Reliance in February 2002. Mr. Johnson is a certified public accountant and served as the managing partner of the entertainment practice of Price

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Waterhouse LLP until he retired in June 1997. Mr. Johnson was the chief financial officer of Rysher Entertainment, a producer and distributor of films and television shows from June 1997 to 2000. Since 2000, he has served as a business consultant, a litigation consultant and an expert witness, but he has not provided any of these services to Reliance. Mr. Johnson serves as a member and the Chair of our Audit Committee and as a member of our Nominating and Governance Committee. Mr. Johnson also serves as a director of Special Value Continuation Fund, a registered investment fund for institutional investors organized by Tennenbaum Capital Partners, for which Mr. Johnson is chairman of the audit committee. The Board of Directors has determined that Mr. Johnson is an independent director and that he qualifies as the financial expert of the Audit Committee.

Leslie A. Waite has been a director of Reliance since 1977. Mr. Waite is an investment advisor and, from April 2003 to January 2012, was managing director and senior portfolio manager of Lombardia Capital Partners LLC (formerly Valenzuela Capital Partners LLC). Until December 2002, he had been the president and chief portfolio manager of Waite & Associates since its formation in 1977. Mr. Waite is a member of our Audit Committee and our Compensation Committee. The Board of Directors has determined that Mr. Waite is an independent director.

Executive Officers

In addition to Messrs. Hannah and Mollins, the following are executive officers of Reliance:

Karla R. Lewis became Executive Vice President of Reliance in January 2002 and was appointed Assistant Corporate Secretary in 2007. Mrs. Lewis continues as our Chief Financial Officer, having served as Senior Vice President and Chief Financial Officer of Reliance since February 2000. Mrs. Lewis served as Vice President and Chief Financial Officer of Reliance from 1999 to 2000 and was Vice President and Controller from 1995 to 1999. Mrs. Lewis served as Corporate Controller from 1992 to 1995. For four years prior to joining Reliance, Mrs. Lewis, a certified public accountant, was employed by Ernst & Young (our independent registered public accounting firm through 2007) in various professional staff positions.

James D. Hoffman became Senior Vice President, Operations in October 2008. Prior to his appointment, he served as executive vice president and chief operating officer of our subsidiary, Earle M. Jorgensen Company, from April 2006 to September 2008. Mr. Hoffman was appointed executive vice president of Earle M. Jorgensen Company in January 2006, having been a vice president of Earle M. Jorgensen Company from 1996.

Stephen P. Koch became Senior Vice President, Operations of Reliance in April 2010. From July 2007 until he joined Reliance, Mr. Koch had been president of Chapel Steel Corp., a subsidiary of Reliance. Prior to that he held the positions of executive vice president of Chapel Steel Corp. from 2005 to June 2007, and vice president of Chapel Steel Corp. from 1995 to 2005 and had previously served as sales manager of Chapel Steel Corp.

William K. Sales, Jr. became Senior Vice President, Operations in January 2002, having joined Reliance as Vice President, Non-Ferrous Operations in September 1997. From 1981 to 1997, Mr. Sales served in various sales and management positions with Kaiser Aluminum & Chemical Corp. (now Kaiser Aluminum Corporation), a producer of aluminum products and a supplier of Reliance.

Significant Corporate Officers

In addition, the following Reliance officers are expected to make significant contributions to our operations:

Susan C. Borchers, 51, became the Chief Information Officer of Reliance on March 1, 2012. Mrs. Borchers was the director of information technology at Precision Strip, Inc., a wholly-owned subsidiary of the Company from December 1997 to February 2012.

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Brenda Miyamoto, 39, became Vice President and Corporate Controller in May 2007, having been promoted from Corporate Controller, a position which she had held since January 2004. Prior to that time, Ms. Miyamoto served as Group Controller from December 2001 to January 2004. For six years prior to joining Reliance, Ms. Miyamoto, a certified public accountant, was employed by Ernst & Young LLP (our independent registered public accounting firm through 2007) in various professional staff and manager positions.

Donna Newton, 58, became Vice President, Benefits in May 2011, having served as Vice President, Human Resources from January 2002. Ms. Newton joined Reliance as Director of Employee Benefits and Human Resources in February 1999. Prior to that time, she was director of sales and service for the Los Angeles office of Aetna U.S. Healthcare and also held various management positions at Aetna over a 20-year period. Aetna is our health and medical insurance provider.

Don Prebola, 57, became Vice President, Human Resources in August 2011. Prior to his appointment, Mr. Prebola served as Senior Vice President, Operations of our subsidiary, Infra-Metals Co., from 2008 to July 2011. Prior to that he had served as Co-General Manager of Infra-Metals Co. from 1990.

Kay Rustand, 64, joined Reliance as Vice President and General Counsel in January 2001 and as of April 1, 2010 she became Corporate Secretary. Prior to that time, Ms. Rustand was a partner at the law firm of Arter & Hadden LLP (our counsel through 2000) in Los Angeles, California, for more than 10 years, specializing in mergers and acquisitions, corporate and securities law. Following law school, Ms. Rustand served as a law clerk for the Honorable Herbert Y. C. Choy, of the U.S. Court of Appeals for the Ninth Circuit.

Sheldon U. Tenenbaum, 66, became Senior Vice President, Supplier Development in May 2009. Mr. Tenenbaum served as Vice President of Chatham Steel Corporation from 1998 when Reliance acquired Chatham until 1999 when he became Director of Supplier Relations for Reliance. Chatham Steel Corporation is a subsidiary of Reliance. Mr. Tenenbaum has over 40 years of metals service center industry experience.

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COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis should be read together with the information presented in the Summary Compensation Table and other compensation tables and the footnotes to those tables and related disclosures following the Compensation and Stock Option Committee Report in this proxy statement.

Overview

The Compensation Committee of the Board of Directors (the "Compensation Committee"), composed entirely of independent directors, administers our executive compensation program and makes recommendations to all of the independent directors on the Board regarding the compensation of all of the Company's corporate officers, including the named executive officers identified below. The Company's pay-for-performance executive compensation program is designed to meet the following objectives:

1. To motivate and hold accountable corporate officers to enhance long-term shareholder value;
2. To ensure our ability to attract and retain superior corporate officers; and
3. To align executive compensation with Company earnings.

The Compensation Committee recognizes that both goals 1 and 2 must be achieved to sustain financial results consistent with the Company's historical performance.

Our compensation structure is a pay-for-performance program that puts much of the executive officers' compensation at risk, depending on the Company's performance.

Base salaries are below average or at the low end of the range of reasonably competitive salaries.

The portion of the executive officers' total compensation that is at risk provides for

incentive cash bonuses on a sliding scale depending on the amount of return on beginning shareholders' equity and

equity rewards for overall Company performance and individual performance.

For 2011, our Corporate Officers Bonus Plan required a minimum return on beginning shareholders' equity of 6% before payment of any bonus. The Company exceeded this performance level and achieved a return on beginning shareholders' equity as calculated under the Plan equal to 12.5%, which is an increase from the 7.5% reached in 2010. The Compensation Committee concluded that the superior management skills of the Company's officers contributed to the Company's ability to sustain profitability and to outperform the industry in a difficult and challenging, although improving, environment.

Because of the lower base salaries and higher incentive cash bonuses, this program is not typical of compensation packages paid to officers in the Company's peer group, but the total compensation for the named executive officers ("NEOs") is generally competitive with comparable officers other than the chief executive officer. The total compensation for the Chief Executive Officer ("CEO"), on the other hand, is in the bottom quartile of the Company's 2011 Peer Group, substantially below market for companies with similar metrics.

At the 2011 Annual Meeting of Shareholders, our shareholders overwhelmingly approved, on a non-binding, advisory basis, the compensation of our named executive officers, demonstrating strong support for our compensation policies with more than 94% of the votes cast in favor of such compensation. The Compensation Committee believes that the Company's pay-for-performance policy operates as it was

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designed to do, aligning the interests of corporate officers with our shareholders to enhance long-term shareholder value and achieve Company objectives. The Company has paid regular quarterly dividends for

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52 consecutive years and has increased its dividend 17 times since its initial public offering in 1994. The table below highlights the Company's results in 2010 and 2011.

	2010	2011	Percent Change
Net income	\$ 194.4 million	\$ 343.8 million	77%
Sales	\$ 6.31 billion	\$ 8.13 billion	29%
Earnings per diluted share	\$ 2.61	\$ 4.58	75%

Even though the Company's shareholders voted in favor of the Company's compensation policy, as a matter of good corporate governance the Compensation Committee re-evaluates the policy annually. The Compensation Committee decided to retain the fundamental structure and effective principles but recommended a revision to the Company's long-term incentive awards. The Compensation Committee recommended that the Board grant restricted stock units tied to certain performance goals rather than the more-dilutive stock options that the Company has historically granted.

Beginning with 2012, the Board determined to change the long-term equity rewards from stock options and restricted stock to restricted stock unit awards, which become vested for the CEO and the other NEOs if, after a three-year period, the Company has achieved specified returns on assets and operating income cumulative growth. The reasons for the change were

To limit dilution to shareholders;

To tie equity awards to the achievement of long-term financial objectives;

To reduce costs to the Company; and

To provide more direct value to key employees.

The Company has straightforward pay practices adopted by the Board and administered by the Compensation Committee with:

No excessive perquisites;

No tax gross ups on perquisites;

No repricing or replacement of stock options;

No hedging by corporate officers with respect to the Company's stock;

No excessive hiring, retirement or severance packages;

No guaranteed minimum bonus;

No employment agreements with any corporate officer; and

A clawback policy.

The clawback policy adopted by the Board requires NEOs to re-pay to the Company any portion of an incentive bonus or restricted stock units awarded to the officer if the basis for the award adversely changed as a result of a restatement of the Company's financial statements or any other material change in the factors used to calculate the bonus. Other than the SERP and deferred compensation plans described below, the

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NEOs participate in our health, welfare and retirement plans on the same basis as these benefits are generally available to all eligible employees.

Compensation Committee

The Compensation Committee is comprised solely of directors who satisfy the independence requirements of the listing standards for the New York Stock Exchange, come within the definition of "non-employee directors" pursuant to Rule 16b-3 under the Securities Exchange Act of 1934, as amended,

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and are deemed to be "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. Management assists the Compensation Committee in its administration of the executive compensation program by providing quantitative data and qualitative evaluations regarding both our Company's performance and each officer's performance.

Together with an outside consultant, the Compensation Committee reviews our Company's financial statements and compares the Company's financial results with those of the peer group identified by the Compensation Committee, compares certain stock market data for the Company, the peer group(s) and general indices (including stock performance over various time periods and volatility), and compares compensation information for our NEOs and CEO with that available for comparable executive officers of other public companies, including the peer group described below. In determining the amount of the total compensation package and the allocation between cash and non-cash elements, the Compensation Committee considers both qualitative and quantitative criteria, as well as management recommendations and performance evaluations and historical compensation records of the Company, but has no pre-determined mix or allocation among the various elements.

Outside Consultants

The Compensation Committee engages an independent outside consulting firm to aid in the review and evaluation of the total compensation package provided to the named executive officers and the individual elements of the package on at least an annual basis. In 2011 the Compensation Committee engaged Pay Governance LLC to maintain continuity. The consultant has provided an objective review of the compensation paid to the named executive officers and has identified competitive levels and elements of compensation paid to similarly-situated executive officers at other public companies. The consultant was asked to consider the Company's executive compensation structure and to recommend changes consistent with what is considered market level or competitive total compensation for executive officers of similar public companies and in alignment with shareholder objectives and good corporate governance practices. The consultant was also asked to perform a preliminary analysis under the performance testing approach used by Institutional Shareholder Services, Inc. ("ISS"), a leading proxy advisory firm, and to assist with the implementation of the new approach to long-term equity incentive awards. The consultant was not engaged to provide any other services to the Company, except with respect to reviews of our director compensation on behalf of the Nominating and Governance Committee, which the Compensation Committee believes was consistent with its duties with respect to executive officer compensation.

Peer Group(s)

There are no public companies in the metals service center industry that are of comparable size, complexity and performance to Reliance. Accordingly, in considering executive compensation for 2011 the Compensation Committee and Pay Governance developed a peer group consisting of companies in the same or similar industries and of comparable size in terms of revenues and/or stock market capitalization structures, industry and complexity. The Compensation Committee may also review surveys that cover companies from across industries and of various sizes. The Compensation Committee identified the following 15 Fortune 500-ranked public companies (the "2011 Peer Group"), with annual revenues ranging from approximately one-half to twice Reliance's revenues:

five metals companies: AK Steel Holding Company; Allegheny Technologies, Inc.; Commercial Metals Company; Steel Dynamics, Inc.; and The Timken Company;

three diversified wholesalers: Genuine Parts; W. W. Grainger, Inc.; and Wesco International; and

seven industrial companies: Dover Corp.; Eaton Corporation; General Cable Technologies Corporation; ITT Corporation; Parker Hannifin Corp.; SPX Corporation and Terex Corp.

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The Company is approximately in the middle of the group with respect to various financial metrics, based on 2009 and 2010 information (the most recent information available at the time of the analysis). The peer group identified by the Compensation Committee may change from year to year, depending on the Company's growth, changes in the economy and other events that might make any individual company more or less comparable to Reliance.

Compared to the 2011 Peer Group, the Company ranked in the 75th percentile for revenue growth in 2010 and well above the median for such growth over a five-year period. The Company's debt as a percentage of total capital and total asset leverage both ranked in the 25th percentile over a one-year period and well below the median of the 2011 Peer Group over a five-year period as a result of the named executive officers' managing the Company's assets well, paying down debt quickly and maintaining our investment grade credit rating. The Company's return on net assets and return on total assets both ranked in the 75th percentile for 2010 and over a five-year period, in keeping with the Company's focus on long-term performance goals. Reliance far exceeded the performance of the 2011 Peer Group with respect to total shareholder return growth with an 18% improvement over a one-year period for 2011 over 2010 and an 11% compound annual growth rate (CAGR) over the five-years ended December 31, 2011.

Policies

Reliance enjoys a team-oriented corporate culture and rewards the entire team of executive and corporate officers for their joint efforts that result in the Company's performance. The Company believes that attracting and maintaining a team of superior officers with complementary skills and expertise has proven successful for the Company's growth, both organically and through acquisitions, and for maintaining the Company's profitable financial performance, each of which generally enhances shareholder value. **None of the Company's officers, including the NEOs, has an employment contract, severance agreement, change of control agreement or other similar agreement.** To motivate executive officers to enhance shareholder value, we maintain a pay-for-performance compensation structure that puts much of the executive officers' compensation at risk, depending on the Company's performance. Corporate officers earn annual cash bonuses principally for the amount of return on beginning shareholders' equity that is achieved.

The Compensation Committee recently changed its policy with respect to equity awards. Beginning in 2012, the Compensation Committee has recommended and the Board has approved the grant of restricted stock units with cliff vesting after three years if certain performance goals are achieved by the Company. There are three categories of awards – those based on a return on assets, those based on operating income growth and those based on continued service to the Company. The restricted stock units are subject to forfeiture if the goals are not met. Executive officers are also rewarded for activities that further the strategic vision and goals of the Company and the individual's level of responsibility with the Company. The underlying principle that all of the Company's senior management is required to adhere to is to maintain the Company's reputation for honesty and integrity, while providing a safe workplace for our employees, excellent, responsive service to our customers, maintaining excellent relationships with our suppliers, credibility with our investors, access to capital markets and acquisition opportunities and enhancing shareholder value. Failure to adhere to this principle could result in a reduction in compensation or termination of employment.

Our compensation structure for our named executive officers has four main elements:

base salary,

annual cash incentive bonus,

long-term equity incentive bonus, and

retirement or deferred compensation benefits.

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Relatively more weight is allocated to annual cash bonuses and equity awards and less weight to base salaries and perquisites. The allocation among the base salary, the cash incentive bonus and the long-term incentive bonus is intended to place a significant portion of each named executive officer's compensation at risk, based on the Company's performance.

The cash incentive bonus under the Corporate Officers Bonus Plan is calculated based on a sliding scale requiring a stated return on beginning shareholders' equity to achieve a bonus of a stated percentage of base salary. For 2011, the Company had to achieve a minimum return on beginning shareholders' equity equal to at least 6% for any officer to receive a bonus. Executive officers could receive the target bonus of 150% of base salary only if the Company achieved a 13% return on beginning shareholders' equity. The maximum incentive bonus percentage of 300% of base salary would only be earned if the Company achieved a return on beginning shareholders' equity equal to or greater than 25%. As the Company grows, it becomes more difficult to achieve the higher levels of return on beginning shareholders' equity. Using this performance metric encourages efficient use of capital and reflects the return on our shareholders' investment in the Company.

The long-term equity component is intended to more closely align the officers' interests with shareholders' interests and to more closely align the officers' compensation with the Company's stock performance. The long-term benefits are intended to encourage the officers to remain with the Company and to increase shareholder value. In the past, the Company has awarded stock options or restricted stock under its long-term incentive program. In 2012 for the first time the Compensation Committee and the Board decided to award restricted stock units consisting of the right to acquire certain shares of common stock and the cash or stock dividends related thereto if, after three years, the applicable performance goals are met.

The Company has a supplemental executive retirement plan ("SERP") that is frozen to new participants and a deferred compensation plan to provide retirement benefits to certain key employees. None of the named executive officers participates in the deferred compensation plan at this time, other than Mr. Hoffman and Mr. Koch, who do not participate in the SERP. The other named executive officers participate in the SERP.

Stock Ownership Requirements

Named executive officers are required to own shares of our common stock at least equal in value to that amount that is five times base salary for our CEO, four times base salary for our chief operating officer, three times base salary for our CFO, and two and a quarter times base salary for the other named executive officers. All of the named executive officers either are in compliance with these stock ownership requirements, or are on their way to becoming compliant within five years from the date of appointment. The policy also provides that all officers who are not named executive officers must own shares with a value of from one to two and a quarter times their base salaries.

Procedures

The Compensation Committee assists the Board to fulfill its obligations with respect to the compensation policies by gathering both current and historical information relevant to the performance of the Company as compared to a peer group, compensation paid to named executive officers of the Company and comparable officers with the companies in the peer group, and, from time to time surveys of other public companies that the Compensation Committee determines to be comparable or useful. At the request of the Compensation Committee, our CEO annually provides a summary of accomplishments and disappointments for the year under review, goals and results for the year under review, goals for the year ahead, a discussion of any tactical and strategic risks, any revisions to the strategic vision of the Company and a review or evaluation of each of the corporate officers, including the named executive officers. The

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independent directors review and discuss these items before any analysis specifically related to the mix, structure or amount of total compensation for the corporate officers.

After reviewing with its consultant that information and data previously gathered, the Compensation Committee recommends the amount and type of compensation to be paid to the CEO and other corporate officers. The Compensation Committee then discusses these recommendations with the CEO and presents these recommendations to the independent directors in executive session. The base salary, cash incentive bonus and long-term incentive awards generally are considered at different times from one another, although the Compensation Committee does analyze the proposed total compensation package before making any recommendations as to any element. The independent, non-management directors of the Board make the final determination of the compensation to be paid to the CEO and the other corporate officers of the Company.

Elements of Executive Compensation

Base Salary

The base salary is the minimum pay that an officer receives in any year. The base salaries of the named executive officers are set below or at the low end of the range of reasonably competitive salaries paid to comparable officers at companies in the identified peer group. The Compensation Committee compared the base salaries of the named executive officers against the base salaries of comparable officers at companies in the 2010 Peer Group and found them to be in the lowest quartile. The base salaries of the named executive officers were significantly below market, with the base salary of the Chief Executive Officer, the President and Chief Operating Officer, and the Chief Financial Officer being 25% to 30% below the median base salaries of comparable officers in the 2011 Peer Group. Base salaries for all of the corporate officers of the Company, including the named executive officers, were voluntarily frozen from January 2008 to July 2011 in light of the economic crisis. In July 2011 the Compensation Committee and the independent directors on the Board raised the base salaries by 8.8% to 14.3%, which was comparable to base salary increases received by comparable officers in the 2011 Peer Group.

Cash Incentive Bonus

To offset the lower base salaries, corporate officers are eligible for cash bonuses that are tied to the return on beginning shareholders' equity, which bonuses are generally higher than those for similar executives at other companies. This has historically resulted in combined total cash compensation competitive with the Company's peer group. Under our shareholder-approved Corporate Officers Bonus Plan (the "Bonus Plan") our named executive officers (and other corporate officers) are eligible for a cash bonus determined by the annual total return on beginning shareholders' equity. The Compensation Committee in the first quarter of each year adopts a sliding scale to calculate the bonus (up to a maximum of 300% of base salary) for the named executive officers based on the actual return on beginning shareholders' equity ("ROBE") relative to the goals established in the sliding scale at the beginning of each year, to tie the compensation of the named executive officers directly to the Company's performance.

Under the Bonus Plan, the Company's ROBE is calculated by dividing net income for the period January 1 to December 31 of the applicable year (as may be adjusted for significant, unusual or non-recurring events) by total shareholders' equity at December 31 of the immediately preceding year (as may be adjusted as a result of the issuance of new shares of the Company's common stock). ROBE was selected as the primary financial metric for calculating cash bonuses because it represents the return on shareholders' investments in the company, emphasizes profitability and measures how efficiently management is using capital.

For 2011, each named executive officer had a target bonus of 150% of base salary, which would be earned if the ROBE were 13% (which was chosen as the target based on the Company's long-term average return on beginning shareholders' equity). In 2011, the sliding scale provided for a bonus to be paid if the

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annual rate of return on beginning shareholders' equity was 6% or more, with the amount of bonus calculated as a corresponding percent of base salary ranging from 38% to 300% of the base salary of the named executive officer if the Company achieved returns of 6% to 25% or more. By way of example, for 2011 the named executive officers would receive no bonus if the rate of return were below 6%, a bonus of 150% of base salary if the rate of return were 13% and a maximum of 300% of base salary if the rate of return were 25% or greater. The maximum amount was the same in 2010, but the threshold bonus amount was 13% if the Company achieved a return of 6% and the target bonus amount of 100% would have been earned if the Company achieved a return of 13%. The performance goals are reasonably demanding compared to those established by companies in the 2011 Peer Group, but the incentive cash bonuses, based on the revised sliding scale for 2011, have been comparable to those received by executive officers of companies in the Company's peer group despite the fact that the bonus calculation is based on our lower base salaries.

For 2011, the Company's return on beginning shareholders' equity calculated under the terms of the Bonus Plan was 12.5% compared to 7.5% in 2010. Under the Bonus Plan the named executive officers were entitled to receive amounts equal to 142% of their respective base salaries for 2011 compared to 25% of their respective base salaries in 2010. (In 2010 the independent directors awarded an additional discretionary bonus to all of the NEOs to increase the bonuses paid to 61% of their respective base salaries.) Furthermore, when benchmarking the total compensation of the named executive officers against total compensation paid to comparable officers at companies in the 2011 Peer Group, the Compensation Committee found that maximum annual bonuses that could be payable to the named executive officers were among the highest of the maximum bonuses of the 2011 Peer Group, but that total compensation if the maximum bonuses were paid would be competitive for the level of performance required to reach that goal.

We cannot predict with any certainty the probability of the named executive officers receiving any specific bonus amount in 2012, since it depends on the performance of the Company. The Compensation Committee established the target bonus percentage based on the assumption that in a normal economy the Company should be able to achieve a 13% return on beginning shareholders' equity, but there is no guarantee that it will do so. In 2011 the consultant determined that the 6% threshold was approximately the 25th percentile of the 2011 Peer Group performance, the 13% target was approximately the 50th percentile of the 2011 Peer Group performance and the 25% maximum was approximately the 75th percentile of the 2011 Peer Group performance, based on an analysis of the 2011 Peer Group's performance over 3, 5, 7 and 10 year periods. The table below illustrates the threshold, target and maximum bonuses that would be payable under the Bonus Plan for 2012 based on the identified officers'

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current base salaries if the Company achieves the correlated level of performance, but the Company cannot provide any assurance that it will achieve any particular return on beginning shareholders' equity.

Bonus Levels

Officer Name/Title	Minimum Bonus Amount ⁽¹⁾ (ROBE of < 6%)	Threshold Bonus Amount ⁽¹⁾ (ROBE of 6%)	Target Bonus Amount ⁽¹⁾ (ROBE of 13%)	Maximum Bonus Amount ⁽¹⁾ (ROBE of 25%)
David H. Hannah Chairman and Chief Executive Officer	\$ -0-	\$ 323,000	\$ 1,275,000	\$ 2,550,000
Gregg J. Mollins President and Chief Operating Officer	\$ -0-	\$ 228,000	\$ 900,000	\$ 1,800,000
Karla R. Lewis Executive Vice President, Chief Financial Officer and Assistant Secretary	\$ -0-	\$ 171,000	\$ 675,000	\$ 1,350,000
James D. Hoffman Senior Vice President, Operations	\$ -0-	\$ 152,000	\$ 600,000	\$ 1,200,000
Stephen P. Koch Senior Vice President, Operations	\$ -0-	\$ 140,600	\$ 555,000	\$ 1,110,000
William K. Sales, Jr. Senior Vice President, Operations	\$ -0-	\$ 152,000	\$ 600,000	\$ 1,200,000
Named Executive Group	\$ -0-	\$ 1,166,600	\$ 4,605,000	\$ 9,210,000
Non-Executive Director Group	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Other Corporate Officer Employee Group ⁽²⁾	\$ -0-	\$ 290,795	\$ 1,147,875	\$ 2,295,750

(1) Estimate is based on the base salary in effect on December 31, 2011 and bonus percentages applicable for 2012. The actual amount of the bonuses for corporate officers other than the named executive officers is within the discretion of the Compensation Committee, subject to approval of the independent, non-management directors. No bonus is payable if the ROBE is less than 6%.

(2) This group consists of five officers.

2011 Bonus Plan

When originally developing the sliding scale for incentive bonuses, the Compensation Committee determined that the Company's average return on beginning shareholders' equity from 1978 to 2004 was 12.8%, with a median return of 13.2%. For the period from 1978 through 2008 following five record performance years, the average rate of return over the period had increased to 14.3% and the median had increased to 13.7%. Given the impact of the recession on the Company's performance in 2009 and 2010, the average rate of return and the median return were reduced to 13.9% and 13.4%, respectively.

Before adopting the sliding scale for 2011, the Compensation Committee reviewed the Company's past practices and results. The rates of return on beginning shareholders equity have varied from a low of 1.6% to a high of 32.6% during the period from 1978 to 2011. In only three years (all of which occurred within the last six years) in that period has the Company exceeded the 25% rate of return, which the Compensation Committee has determined is required for the named executive officers to achieve the maximum incentive bonus equal to 300% of their respective base salaries. The rate of return in 2006 exceeded 25%, the rate of return for 2007 was 23.4% and the rate of return for 2008 was 22.9%. Because

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of the economic downturn, the Company's rate of return on beginning shareholders' equity for 2009 was 6.1%, for 2010 was 7.5% and for 2011 was 12.5%, an industry-leading performance. Accordingly, under the Bonus Plan for 2011 the named executive officers were entitled to receive 142% of their respective base salaries as an incentive bonus, up from 25% received in 2010 and 14% received for 2009 but down from the 269% received for 2008. (In 2010 the independent directors awarded an additional discretionary bonus to all of the NEOs to increase the bonuses paid to 61% of their respective base salaries.)

To better incentivize our officers, the Compensation Committee, with the approval of the independent directors, adopted a new sliding scale under the Bonus Plan for 2011. The 2011 sliding scale retained the target ROBE of 13%, but increased the target bonus amount from 100% of base salary to 150%. The percent of base salary to be awarded as a bonus for 2011 increased to 38% for a 6% ROBE but remains 300% for a ROBE equal to or in excess of 25%, reflecting the fact that our named executive officers have lower base salaries than comparable officers in the 2011 Peer Group. This scale continues to be in effect for 2012. The Compensation Committee believes that the sliding scale, as adjusted in 2011, is a reasonable quantitative approach to determining the bonuses to be paid, which reflects the Company's performance in good times and bad and awards the named executive officers accordingly.

Equity Incentive Compensation

We grant equity awards under our Amended and Restated Stock Option and Restricted Stock Plan (the "Stock Plan"), which was approved by our shareholders. The Stock Plan is intended to encourage the named executive officers and other key employees of the Company and its subsidiaries to remain with the Company on a long-term basis, to reward individual performance and levels of responsibility and to motivate them to create enhanced shareholder value over the long-term. The Compensation Committee has complete authority to interpret the Stock Plan and make all decisions with respect to how it functions. The Compensation Committee recommends grants of options, restricted stock or restricted stock units, but the independent directors approve all such grants. The Compensation Committee considers the recommendations of our Chief Executive Officer with respect to any grants or awards to the other named executive officers and other corporate officers, as well as to other key employees.

In making its recommendations to the independent directors, the Compensation Committee considers the position of the named executive officer, his or her importance to the Company's results, his or her individual performance, the equity awards previously granted to that individual, the option price or market value of the equity grant, the total value of the equity grant and the relative number of such recommended grants among the various individuals then under consideration for grants, as well as the potential dilution and the related stock option expense as a percentage of pre-tax income.

Under the terms of the Company's Stock Plan, the exercise price of any stock option must be at least equal to the fair market value of the underlying stock on the date of grant. The fair market value is defined, for purposes of the Stock Plan, as the closing price of Reliance common stock on the New York Stock Exchange Composite Index on the business day immediately prior to the grant date.

The Compensation Committee determined that no more than 33% of the total options, restricted stock or restricted stock units granted should be granted to all of the corporate officers as a group, including the named executive officers. When determining the number of equity awards to grant to the named executive officers in 2011, the Compensation Committee found that the value of the equity awards previously granted to the named executive officers was significantly below the value of equity grants to comparable officers in the 2011 Peer Group.

In February 2011, the Compensation Committee recommended and the Board of Directors approved the grant of a total of 265,000 non-qualified stock options to the named executive officers at an exercise price of \$55.73 per share, vesting at the rate of 25% per year beginning on the anniversary of the grant. In July 2010 and in August 2011, the Compensation Committee also recommended the award of shares of restricted stock to certain operational and financial corporate officers. A total of 77,500 shares of restricted

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stock in 2011 and 52,500 shares in 2010 were awarded to the named executive officers, vesting at the rate of 20% per year so long as the officer remained an employee of the Company at the time of vesting. These grants were in recognition of the individual performances of the named executive officers.

After careful consideration, in February 2012 the Compensation Committee recommended to the independent directors on the Board that the Company replace grants of stock options and restricted stock with awards of restricted stock units tied to performance and continued service to the CEO, the other named executive officers and other key employees. The reasons for the change were:

To limit dilution to shareholders;

To tie equity awards to the achievement of long-term financial objectives;

To reduce costs to the Company; and

To provide more direct value to key employees.

The independent directors approved awards of 391,050 restricted stock units in March 2012, of which 27% were awarded to the CEO and other named executive officers. Each restricted stock unit consists of the right to receive one share of common stock of the Company and dividend equivalents equal to the accrued cash or stock dividends where the record date for such dividends is after the grant date but before the shares are vested. These restricted stock units have a cliff vesting of three years and performance criteria based on increases in the Company's return on assets, the cumulative annual growth rate ("CAGR") of the Company's operating income and the continuing employment and service of the recipient. These restricted stock units are being awarded instead of the stock options that have been awarded in previous years. The Compensation Committee believes that using these performance criteria and the three-year cliff vesting provides comparable value to the CEO and the other named executive officers, balances the Company's cash incentive bonus based on the return on beginning shareholders' equity and limits excessive risk taking by executive officers while reducing the costs to the Company for its long-term incentive program.

Twenty-five percent of the restricted stock units having a return on assets performance goal will vest at the end of three years if the Company has achieved a return on assets, calculated as operating income divided by the average total assets, ("ROA") of 8% ("Threshold ROA") and 100% will vest if the Company has achieved an ROA of 13% ("Target ROA"). If the Company achieves an ROA equal to or exceeding 18% ("Maximum ROA"), the CEO and the named executive officers will be entitled to 200% of the restricted stock units originally awarded subject to this ROA performance goal. In the 15-year period from 1997 through 2011, the Company has achieved the Threshold ROA but less than the Target ROA nine times, the Target ROA but less than the Maximum ROA two times and ROA equal to or exceeding the Maximum ROA three times, and it has achieved an ROA less than the Threshold ROA one time.

Twenty-five percent of the restricted stock units having an operating income CAGR performance goal will vest at the end of three years if the Company has achieved an operating income CAGR of 3% ("Threshold CAGR") and 100% of the restricted stock units having an operating income CAGR performance goal will vest if the Company has achieved an operating income CAGR of 10% ("Target CAGR"). If the Company achieves an operating income CAGR equal to or exceeding 17% ("Maximum CAGR"), the CEO and the named executive officers will be entitled to 200% of the restricted stock units originally awarded subject to this performance goal. In the 15-year period from 1997 through 2011, the Company has achieved the Threshold CAGR but less than the Target CAGR one time, the Target CAGR but less than the Maximum CAGR zero times and a CAGR equal to or exceeding the Maximum CAGR nine times, and it has achieved an operating income CAGR less than the Threshold CAGR five times.

The CEO's award is dependent on the return on assets and in the cumulative growth of the Company's operating income over a three-year period. Twenty percent (20%) of the other named

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executive officers' awards are dependent only on their continued service for the performance period, but the awards are principally dependent on the other performance criteria.

Our restricted stock units have a double trigger feature in the event of a change of control of the Company. In other words, the vesting of the units is only accelerated in the event that there is a change of control of the Company *and* the named executive officer's employment is terminated or substantially diminished.

The Company does not plan to time nor has it timed its release of material non-public information for the purpose of affecting the value of any stock or stock options granted. In fact the Company has delayed the grant of options until material non-public information has been publicly disclosed and the market has had a reasonable opportunity to react to the information. Since 2007, the Compensation Committee has recommended grants of stock options, restricted stock or restricted stock units for named executive officers annually after the Company has reported its annual earnings and the market has had an opportunity to react to the Company's release of its financial results in late February or early March.

SERP and Deferred Compensation Plan

In 1996, Reliance adopted a SERP to provide post-retirement benefits to certain of our executive officers (other than James D. Hoffman and Stephen Koch, who were not corporate officers at the time that the SERP was frozen to new participants) and to certain other key employees. The SERP was amended in 1999 to provide for a pre-retirement death benefit. Effective January 1, 2009, the SERP was amended and restated and frozen to new participants. One of the primary objectives of the amendment was to shift the risk of the performance of the individual's retirement plan investments from the Company to the participants. Through December 31, 2008, the SERP benefit payable to each participant was offset by the value that the participant was expected to receive from the Company's contributions to the participant accounts in the Company's 401(k) Plan and ESOP, including earnings thereon from the date of contribution to retirement, as well as amounts the participant was to receive from social security. These offsets resulted in the Company bearing the risk of any reductions in the value of those investments. Because of the significant decline in overall investment markets in 2008, the Company's SERP expense increased significantly as the amount of the benefit payable by the SERP increased. The 2009 amendment and restatement eliminated the offsets to the SERP benefit and reduced the benefit amount to 38% of the average of the participant's highest five years of the last ten years of total cash compensation (from 50% less offsets for the value of the Company contributions to the 401(k) Plan and ESOP plans as well as social security benefits). The amendment also froze the plan to new participants and brought it into compliance with Rule 409A under the Internal Revenue Code, among other things. The new benefit formula was intended to provide participants with approximately the same benefits that they would have received under the calculation required by the SERP before the amendment, but shifted certain risks from the Company to the participant.

Reliance also adopted a deferred compensation plan effective December 1, 2008, to combine and replace certain deferred compensation plans and supplemental executive retirement plans that existed at certain companies at the time that we acquired them and to provide supplemental retirement benefits to certain key employees. The deferred compensation plan does not provide for any minimum rate of return. James D. Hoffman was previously a participant in a subsidiary plan that was replaced, and now both he and, as of 2011, Stephen P. Koch participate in the Reliance Deferred Compensation Plan. In addition, as an employee of EMJ, Mr. Hoffman is entitled to receive 3,143 phantom shares of Reliance stock under the Earle M. Jorgensen Supplemental Bonus Plan.

The Compensation Committee considers the SERP benefits and any benefits under the Reliance Deferred Compensation Plan in its analysis of the total compensation of the named executive officers. In benchmarking the values of the SERP against the retirement benefits offered at companies in the 2011 Peer Group, the Compensation Committee found that the values are competitive for the named executive officers who participate in the SERP.

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Other Benefits

Our 401(k) Plan allows all eligible employees, including the named executive officers, who have been employed a minimum of three months, to defer a portion of their eligible compensation and provides a matching contribution of up to 3% of eligible compensation, subject to certain IRS limitations. All named executive officers are eligible to participate in this 401(k) Plan. We have maintained an Employee Stock Ownership Plan ("ESOP") since 1974, which was approved by the IRS as a qualified plan. All non-union employees of Reliance, including the named executive officers, are eligible to participate in the ESOP as of the first January 1 after one and one-half years' of service. An employee who is eligible to participate in the ESOP is fully vested in the shares of our common stock allocated to his/her ESOP account. Allocation is based on the participant's eligible compensation each year, including bonuses, as compared to the total compensation of all participants, subject to the maximum amounts established by the IRS. The Company also pays a portion of the healthcare insurance premiums for the named executive officers and his/her dependents, as we do for all eligible employees of Reliance. The Company also provides certain club memberships for our named executive officers to be used for business purposes. When benchmarking the perquisites provided to the named executive officers compared with the 2011 Peer Group, the Compensation Committee found that the perquisites were significantly below the median of those provided to comparable officers of companies in the 2011 Peer Group.

Change in Control

We do not have individual employment agreements that would provide change in control or severance benefits. The SERP provides that, upon a change in control, the participants become 100% vested in their benefits, which are calculated based on compensation for the ten years prior to the change of control, and the benefit due is paid out in accordance with the plan. The restricted stock units provide that upon a change in control and termination of his or her employment that is involuntary or voluntary with good reason, the restricted stock units will become vested by prorating the number of such restricted stock units as if the performance period ended on the date of the termination.

In December 2008, the Company adopted a deferred compensation plan, but no named executive officer received any benefits under this plan in 2010 or 2011, other than James D. Hoffman and, beginning in 2011, Stephen P. Koch, who received Company contributions as determined by the Board of Directors. The purpose of the deferred compensation plan is to allow the Company to provide supplemental retirement benefits to participants in the plan and to allow participants to defer compensation to future years to meet their individual financial needs. For Company contributions, participants vest based on Years of Plan Participation at a rate of 20% per Plan Year, unless otherwise defined by individual agreements. Participants vest 100% upon reaching Retirement (age 65 and ten years of service), Change in Control or Death, except that participants in the plan who previously participated in a subsidiary deferred compensation plan will be vested in accordance with a separate vesting schedule that matches the prior plan. Mr. Hoffman and Mr. Koch are 100% vested in the Company contribution.

Analysis of Compensation Decisions

Review of Market and Financial Data. When making decisions regarding the compensation of our named executive officers, the Compensation Committee considers information from a variety of sources. The Compensation Committee obtains from our accounting department historical data on the level of compensation paid to executive officers and subsidiary officers by the Company, both individually and in relation to one another. The accounting department, with assistance from outside experts, also prepares certain quantitative calculations regarding the values of stock option grants, restricted stock, restricted stock units and retirement benefits. Members of the Compensation Committee and its consultant gather publicly available information on compensation paid by members of the Company's identified peer group, as well as information regarding the Company's performance and results relative to these other companies and companies in the metals service center industry, and may review from time to time surveys of related

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compensation information. The composition of the peer group is reviewed annually and, if necessary, the Compensation Committee may revise the peer group in an effort to assure comparability of information.

The information on other companies, including the 2011 Peer Group, alone is not determinative. The Compensation Committee analyzes both the individual elements and the total compensation packages for each of the named executive officers. In addition to the relative financial results of the Company compared to companies in the peer group and companies in the metals service center industry and compensation of comparable executive officers in each of these groups, the Compensation Committee considers factors such as the Company's stock performance as compared with standard indices, such as the Standard & Poor's 500 or the Russell 2000. The Compensation Committee recognizes that, given the stock options and restricted stock granted and the amounts of stock actually held, the named executive officers are directly impacted by the Company's stock price and, accordingly, their interest in the Company's performance and the impact it has on the market value of the stock is closely aligned with that of the Company's shareholders.

The Compensation Committee extensively analyzed income statement, balance sheet, and stock market data of the Company and the 2011 Peer Group that was the most recent information available at the time the compensation decisions were being made. The Compensation Committee also considered the structure of total compensation (base salary, cash bonus, long-term incentive plans, and retirement plans) as compared to the 2011 Peer Group.

Based on its analysis of the above and benchmarking against the 2011 Peer Group, the Compensation Committee determined that, although the Company's position with respect to each element of compensation may vary, the target total compensation for the named executive officers for 2011 approximates competitive or median levels.

Long-Term Company Performance Considerations. The Compensation Committee also considered the changes in the Company's stock price compared to the changes in the stock price of the following companies: AK Steel Holdings, Allegheny Technologies, A.M. Castle & Co., Century Aluminum, Commercial Metals Company, Gibraltar Industries, Nucor Corporation, Olympic Steel and Worthington Industries, Inc., as well as the Standard & Poor's 500 industry index for one-, five- and ten-year periods. In the five- and ten-year periods Reliance's stock performance ranked second among these companies and for the one-year period Reliance ranked fourth. Excluding dividends, the change in value in Reliance stock for the five year period ended December 31, 2011 was 23.6% and for the ten year period ended December 31, 2011 was 271%.

From 2006 to 2008, the Company's net income and sales increased over the prior year, as shown below; whereas in 2009 both the Company's net income and sales were down significantly because of the recession. The Company's financial results improved in 2010 and 2011 with the slow recovery in the general economy. The Compensation Committee believes that the Company's pay for performance compensation policies achieve the results that they were designed to do and appropriately adjusts the cash compensation of the Chief Executive Officer and the other named executive officers to reflect the significant changes in the Company's performance, as shown in the table below with respect to the Chief Executive Officer.

Table of Contents**Percent Changes From Prior Year**

Year	Net Sales	Net Income	CEO Cash Compensation (base + bonus)
2007	26%	15%	(2)%
2008	20%	18%	10%
2009	(39)%	(69)%	(69)%
2010	19%	31%	48%
2011	29%	77%	70%

The Compensation Committee, in collaboration with its consultant and after completing its analysis, concluded that the Chief Executive Officer's cash compensation was approximately 30% below the median of the chief executive officers in the 2011 Peer Group. The Compensation Committee also found, based on the information provided by its consultant, that the total compensation for Reliance's other named executive officers was competitive.

While mindful of the volatility of the Company's stock price, the Compensation Committee recognized that the market price of our stock dropped rapidly and significantly in 2008 as a result of the economic upheaval from the meltdown of the financial markets and not as a result of the Company's performance or the performance of the executive officers. The Compensation Committee also noted that the Company's stock price has recovered significantly from its low in the fourth quarter of 2008. The Compensation Committee commended the executive officers for their outstanding management of the Company's working capital during a challenging economy. The Company has maintained a strong balance sheet and maintained its investment grade credit rating, while improving the Company's overall performance and continuing to grow the Company. To the knowledge of the Compensation Committee, Reliance is one of only two public metals service center/processor companies to have an investment grade credit rating and to have remained profitable during the economic recession. The Compensation Committee recognizes that it requires superior management skills to successfully lead a company through a recession while maintaining profitable and expanding operations.

The Compensation Committee believes that the Company's total compensation plan is well designed, comprehensive and aligns management and the Board of Directors with creating value for each and every shareholder. The CAGR for the Company's stock, measured by the value at December 31, for five, ten, and seventeen years (since the 1994 IPO), are 4%, 14% and 17%, respectively. The Compensation Committee finds these to be outstanding results.

The Board believes that the executive compensation program has operated as designed, with lower cash bonuses being paid in the years when the Company's revenues and earnings are lower, such as in 2009, and higher cash bonuses being paid when the Company's revenues and earnings are higher, such as in 2008. To demonstrate, below are pie charts showing the percentages of the CEO's total compensation (excluding changes in pension values) of his base salary, his incentive cash bonus and his long-term incentive awards in each of the last four years. The long-term incentive awards were mostly options to

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acquire stock and the value may not be realized if the market price of the stock does not exceed the exercise price.

Individual Performance Considerations. Individual performance of each of the named executive officers principally impacts any increase in base salary (which in turn impacts the amount of the cash incentive bonus that is calculated as a percentage of the base salary) and the number of stock options, shares of restricted stock or restricted stock units granted. Each of the named executive officers contributed to the Company's results in a number of ways, and all worked together as a team to maintain the Company's profitable results and to continue to grow the Company. The Compensation Committee has focused on the long-term benefit to and sustainability of the Company by maintaining superior corporate officers in a team having complementary skills. The Compensation Committee considered, among other things, the following specific factors in addition to the more subjective factors of management style, problem-solving capabilities, supervisory responsibilities and the responsibilities of due diligence related to proposed acquisitions and the integration and subsequent performance of completed acquisitions of each of the named executive officers:

CEO It is the CEO's responsibility to develop a strategic vision for the Company and to ensure that the corporate officers take actions to further the Company's long-term corporate goals and objectives. Mr. Hannah has been the principal factor in developing and implementing the acquisition strategy of the Company and in maintaining a strong balance sheet and adequate financing to allow the Company to grow both organically and through acquisitions. If the Company borrowed the total amount available under its \$1.5 billion credit facility, the Company's net debt-to-total capital ratio would be less than 40%. In 2011 we completed the acquisition of Continental Alloys & Services Inc. and certain foreign affiliates with twelve facilities in seven countries. Mr. Hannah also directly supervises certain of our specialty subsidiaries. Mr. Hannah became more directly involved in the development of a company-wide information technology strategy and is on the ERP Steering Committee. Mr. Hannah remains the face of the Company as he actively engages in conferences, meetings and conversations with analysts, investors and shareholders. He has pursued an increased focus on the safety of our employees with an improved safety record. Mr. Hannah also works with Mr. Mollins to direct the allocation of our capital for purposes of maintaining excellent services for our customers and expanding our product and processing offerings and diversification.

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President and COO Mr. Mollins, in addition to supervising Mr. Hoffman, Mr. Koch, and Mr. Sales and the presidents of some of our larger subsidiaries, was directly involved in the organic growth of the Company and in planning the expansion of existing operations, as well as being involved in the acquisition of new subsidiaries. Mr. Mollins, spends considerable time developing our subsidiary officers and integrating newly-acquired companies into Reliance, emphasizing Reliance's management strategy with respect to gross profit margins and inventory turns. Mr. Mollins also oversees the capital expenditures of the Company; we spent \$156 million on capital expenditures in 2011. Mr. Mollins worked directly with the various subsidiaries to increase the cooperative attitude and encourage buying products within the Reliance family of companies to speed the reduction of inventory during the economic downturn and to further enhance our inventory management as conditions have improved. Mr. Mollins maintains excellent relations with our suppliers to enable us to obtain products in a timely manner at the best available pricing for the types of orders.

EVP and CFO Mrs. Lewis supervises the Vice President, Human Resources and the Vice President and Corporate Controller, as well as other non-officer employees, and serves on the ERP Steering Committee overseeing the long-term development of the Company's information technology activities. Mrs. Lewis also oversaw our credit and tax departments. Under Mrs. Lewis's leadership, the Company managed its cash flow so as to maintain a strong balance sheet allowing continued access to capital, along with meeting all debt covenants and financial reporting requirements and maintaining strong internal controls throughout the Company. Mrs. Lewis's focus on deleveraging the balance sheet provided us with ample liquidity to continue our growth efforts in 2011. Mrs. Lewis was instrumental in the Company's amending and restating its credit facility to increase the borrowing limit on the Company's unsecured revolving credit facility from \$1.1 billion to \$1.5 billion in 2011 and to provide significant savings on our borrowing rates. Mrs. Lewis played a major role in completing our acquisition in 2011. Mrs. Lewis, together with Mr. Hannah and Mr. Mollins, was actively involved in various activities with investors and shareholders.

Sr. VP, Operations Mr. Hoffman has provided oversight for certain operating entities to maintain profitability, improve inventory turns, and increase productivity and cooperation among the Reliance family of companies. Mr. Hoffman has focused on margin enhancement, inventory turn and growth activities in 2011. Mr. Hoffman relocated to move closer to the majority of operating units he oversees. Mr. Hoffman actively participated in our acquisition of Continental Alloys & Services Inc. Mr. Hoffman chairs our ERP Operations Committee to assist with the development and implementation of our corporate information technology strategy. Mr. Hoffman maintains excellent relations with certain of our suppliers to enable us to obtain products in a timely manner at the best available pricing for the types of orders.

Sr. VP, Operations Mr. Koch has provided oversight for an increased number of operating entities in 2011 to maintain profitability, improve inventory turns, and increase productivity and cooperation among the Reliance family of companies. Mr. Koch focused on margin enhancement, inventory turn and growth activities in 2011. Mr. Koch serves on our ERP Operations Committee to assist with the development and implementation of our corporate information technology strategy. Mr. Koch maintains excellent relations with certain of our suppliers to enable us to obtain products in a timely manner at the best available pricing for the types of orders.

Sr. VP, Operations Mr. Sales was involved in maintaining profitability, improving inventory turns and overseeing management of certain of our non-ferrous operations, as well as implementing the Company's strategy for organic growth for these operations. Mr. Sales continued to be involved in assisting in the expansion of our Company in Asia. In addition, Mr. Sales was involved in the expansion of existing facilities and updating of processing equipment at our non-ferrous operations, and took an active role in supervising certain of our Asian operations and implementing a more robust export compliance program. Mr. Sales is also on the ERP Steering Committee overseeing the corporate information technology strategy. Mr. Sales was instrumental in implementing a plan to

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increase productivity and cooperation among the Reliance family of companies. Mr. Sales focused on margin enhancement, inventory turn and growth activities in 2011. Mr. Sales maintains excellent relations with certain of our suppliers to enable us to obtain products in a timely manner at the best available pricing for the types of orders.

Director Compensation

In 2010 the Nominating and Governance Committee engaged Pay Governance, LLC to review and evaluate director compensation. Pay Governance, LLC recommended a change in the structure of compensation paid to directors. Beginning with 2011, the Company pays annual retainers of \$120,000 to its directors, payable in quarterly installments, and pays additional amounts to the committee chairs and the Lead Director. See "Director Compensation" below.

Following the adoption of the Directors Equity Plan, which was approved by the shareholders at the 2011 Annual Meeting, non-employee directors receive an automatic grant of shares of our common stock on the date of each Annual Meeting of Shareholders having a market value approximately equal to \$120,000 based on the closing price of our common stock on the New York Stock Exchange Composite Index on the grant date. In February 2007, the Board of Directors adopted minimum requirements for directors to own the Company's common stock. Directors are required to own shares of the Company's common stock having a market value equal to approximately \$300,000, and directors have five years in which to acquire and begin maintaining that amount of the Company's common stock. Each of our directors is in compliance or on the way to be compliant within the five year period from the date of appointment.

Certain Federal Income Tax Considerations

The following summarizes certain Federal income tax considerations relating to the Company's executive compensation plans in effect as of the date of this Proxy Statement and does not purport to be a complete statement of the law. Furthermore, the discussion does not address foreign, state, or local tax laws or considerations, and such tax laws may not correspond to the Federal income tax treatment described below. The exact Federal income tax treatment of transactions will vary depending upon the specific facts and circumstances involved and the participants are advised to consult their personal tax advisors.

Limits on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits the deduction we can take for compensation paid to our Chief Executive Officer and certain of our other highly paid executive officers (determined as of the end of each year) to \$1 million per year per individual, subject to certain exemptions. Performance-based compensation that meets the requirements of Section 162(m) does not have to be included in determining whether we have exceeded the \$1 million limit. Our Stock Plan is designed so that stock options granted to the covered individuals meet the requirements of Section 162(m) for performance-based compensation, but we have granted restricted stock to our named executive officers which is not designed to meet the requirements of Section 162(m). The performance-based restricted stock units granted to the named executive officers in 2012 should meet the requirements of Section 162(m), however. Our Corporate Officers Bonus Plan is also intended to provide performance-based compensation, with respect to certain cash awards. To the extent consistent with the Company's executive compensation objectives, we seek to preserve the ability to deduct compensation paid to our executive officers under these plans, but the Compensation Committee may approve compensation to one or more executive officers that is not deductible if the Compensation Committee determines that it is in the best interests of the Company.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors is composed entirely of the independent, non-employee directors listed below. Mark V. Kaminski became the Chair of the Compensation Committee in January 2011.

The Compensation Committee has reviewed the Compensation Discussion and Analysis and has discussed it with management. Based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and, to the extent appropriate, the Company's Annual Report on Form 10-K.

This report is submitted on behalf of the members of the Compensation Committee.

Mark V. Kaminski, Chair	John G. Figueroa	Andrew G. Sharkey, III	Douglas M. Hayes	Leslie A. Waite
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The following table summarizes certain information concerning the compensation that we paid for the years 2011, 2010 and 2009 to our Chairman and Chief Executive Officer, who was our only principal executive officer during these years, our Executive Vice President and Chief Financial Officer, who was our only principal financial officer during these years, and each of the other four most highly compensated executive officers who served in that capacity during 2011:

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus \$(⁽¹⁾)	Stock Awards \$(⁽²⁾)	Option Awards \$(⁽³⁾)	Change in Pension Value and Non-Equity Incentive Plan			All Other Compensation \$(⁽⁶⁾)	Total (\$)
						Nonqualified Compensation \$(⁽⁴⁾)	Deferred Earnings \$(⁽⁵⁾)			
David H. Hannah Chairman and Chief	2011	\$ 800,000	\$ 1,207,000	\$ 1,491,600	\$ 2,697,650	\$	\$ 1,998,616	\$	31,421	\$ 8,226,287
	2010	\$ 725,000	\$ 457,500	\$ 824,800	\$ 2,055,960	\$	\$ 1,198,880			