

HEXCEL CORP /DE/
Form DEF 14A
March 23, 2009

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[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

HEXCEL CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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(4) Date Filed:

Table of Contents

Hexcel Corporation
Two Stamford Plaza
281 Tresser Boulevard
Stamford, Connecticut 06901-3238

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held on May 7, 2009

The Annual Meeting of Stockholders of Hexcel Corporation will be held in the Community Room, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, Connecticut, on May 7, 2009 at 10:30 a.m. for the following matters:

1. To elect ten individuals (Joel S. Beckman, David E. Berges, Lynn Brubaker, Jeffrey C. Campbell, Sandra L. Derickson, W. Kim Foster, Jeffrey A. Graves, David C. Hill, David C. Hurley and David L. Pugh) to serve as directors until the next annual meeting of stockholders and until their successors are duly elected and qualified;
2. To consider and vote upon a proposal to adopt the Amended and Restated Hexcel Corporation 2003 Incentive Stock Plan;
3. To consider and vote upon a proposal to adopt the Hexcel Corporation 2009 Employee Stock Purchase Plan;
4. To ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2009; and
5. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Stockholders of record at the close of business on March 16, 2009 will be entitled to vote at the meeting and any adjournments or postponements. A list of these stockholders will be available for inspection at the executive offices of Hexcel and will also be available for inspection at the annual meeting.

By order of the board of directors

Ira J. Krakower
*Senior Vice President, General Counsel and
Secretary*

Dated: March 23, 2009

**YOUR VOTE IS IMPORTANT. PLEASE SIGN, DATE AND COMPLETE THE
ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED
PRE-ADDRESSED, POSTAGE-PAID, RETURN ENVELOPE.**

TABLE OF CONTENTS

	Page
<u>THE MEETING</u>	<u>1</u>
<u>Revoking a Proxy</u>	<u>2</u>
<u>Matters of Business, Votes Needed and Recommendations of the Board of Directors</u>	<u>2</u>
<u>How to Vote Your Shares</u>	<u>3</u>
<u>Inspectors of Election</u>	<u>4</u>
<u>ELECTION OF DIRECTORS</u>	<u>4</u>
<u>Information Regarding the Directors</u>	<u>5</u>
<u>Independence of Directors</u>	<u>7</u>
<u>Meetings and Standing Committees of the Board of Directors</u>	<u>8</u>
<u>Executive Sessions</u>	<u>10</u>
<u>Contacting the Board</u>	<u>10</u>
<u>Code of Business Conduct</u>	<u>11</u>
<u>EXECUTIVE OFFICERS</u>	<u>11</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>13</u>
<u>Stock Beneficially Owned by Principal Stockholders</u>	<u>13</u>
<u>Stock Beneficially Owned by Directors and Officers</u>	<u>14</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>15</u>
<u>Compensation Objectives and Policies</u>	<u>15</u>
<u>The Compensation Committee's Processes</u>	<u>17</u>
<u>Components of Executive Compensation for 2008</u>	<u>19</u>
<u>Perquisites</u>	<u>31</u>
<u>Stock Ownership Guidelines</u>	<u>32</u>
<u>Potential Impact on Compensation from Executive Misconduct</u>	<u>33</u>
<u>The Impact of Tax Regulations on our Executive Compensation</u>	<u>33</u>
<u>Severance and Change in Control Arrangements</u>	<u>35</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>36</u>
<u>Equity Compensation Plan Information</u>	<u>36</u>
<u>COMPENSATION COMMITTEE REPORT</u>	<u>37</u>
<u>EXECUTIVE COMPENSATION</u>	<u>38</u>
<u>Summary Compensation Table</u>	<u>38</u>
<u>Grants of Plan-Based Awards in 2008</u>	<u>42</u>
<u>Employment Agreement with Mr. Berges</u>	<u>43</u>
<u>Service Agreement with Mr. Hunt</u>	<u>43</u>
<u>Outstanding Equity Awards at 2008 Fiscal Year-End</u>	<u>44</u>
<u>Option Exercises and Stock Vested in 2008</u>	<u>46</u>
<u>Pension Benefits in Fiscal 2008</u>	<u>46</u>
<u>Nonqualified Deferred Compensation in Fiscal Year 2008</u>	<u>51</u>
<u>Potential Payments Upon Termination or Change in Control</u>	<u>52</u>
<u>Benefits Payable Upon Termination of Employment on December 31, 2008</u>	<u>57</u>
<u>Director Compensation in 2008</u>	<u>59</u>
<u>2003 INCENTIVE STOCK PLAN</u>	<u>61</u>
<u>General</u>	<u>61</u>
<u>Additional Shares</u>	<u>61</u>
<u>Other Amendments to the Plan</u>	<u>62</u>
<u>Reasons Why We Believe You Should Vote for this Proposal</u>	<u>62</u>
<u>Description of the Principal Features of the Plan</u>	<u>63</u>
<u>Plan Benefits</u>	<u>64</u>
<u>Federal Income Tax Consequences</u>	<u>65</u>

	Page
<u>Vote Required</u>	66
<u>2009 EMPLOYEE STOCK PURCHASE PLAN</u>	<u>67</u>
<u>General</u>	<u>67</u>
<u>Description of the Principal Features of the Plan</u>	<u>67</u>
<u>Federal Income Tax Consequences</u>	<u>68</u>
<u>Plan Benefits</u>	<u>69</u>
<u>Vote Required</u>	<u>69</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>70</u>
<u>RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>71</u>
<u>General</u>	<u>71</u>
<u>Fees</u>	<u>71</u>
<u>Audit Committee Pre-Approval Policies and Procedures</u>	<u>71</u>
<u>Vote Required</u>	<u>72</u>
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	<u>72</u>
<u>Review and Approval of Related Person Transactions</u>	<u>72</u>
<u>Related Person Transactions</u>	<u>73</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>73</u>
<u>OTHER MATTERS</u>	<u>73</u>
<u>STOCKHOLDER PROPOSALS</u>	<u>73</u>
<u>IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 7, 2009</u>	<u>74</u>
<u>ANNUAL REPORT</u>	<u>74</u>
<u>ANNEX A (Form of Amended and Restated Hexcel Corporation 2003 Incentive Stock Plan)</u>	<u>A-1</u>
<u>ANNEX B (Form of Hexcel Corporation 2009 Employee Stock Purchase Plan)</u>	<u>B-1</u>

Table of Contents

Hexcel Corporation

**Two Stamford Plaza
281 Tresser Boulevard
Stamford, Connecticut 06901-3238**

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To be held on May 7, 2009

THE MEETING

This proxy statement is furnished to the holders of Hexcel Corporation ("Hexcel" or the "company") common stock (the "Common Stock"), in connection with the solicitation of proxies on behalf of the Board of Directors of the company (the "board of directors" or the "board") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on May 7, 2009, or any adjournments or postponements thereof. This proxy statement and the accompanying proxy/voting instruction card are first being mailed to stockholders on or about March 23, 2009.

Only stockholders of record at the close of business on March 16, 2009, will be eligible to vote at the Annual Meeting or any adjournments or postponements thereof. As of that date, 96,516,019 shares of Common Stock were issued and outstanding and such shares were held by 1,160 holders of record. The holders of 48,258,010 shares will constitute a quorum at the meeting.

Each share of Common Stock entitles the holder thereof to one vote with respect to each matter that is subject to a vote at the Annual Meeting. All shares that are represented by effective proxies received by the company in time to be voted shall be voted at the Annual Meeting or any adjournments or postponements thereof. Where stockholders direct how their votes shall be cast, shares will be voted in accordance with such directions. If a stockholder returns a signed proxy and does not otherwise instruct how to vote on the proposals, then the shares represented by the proxy will be voted in favor of each of the director candidates nominated by the board of directors, in favor of Proposals 2 and 3 below, and in the discretion of the proxy holders on any other matters that may come before the Annual Meeting or any adjournments or postponements thereof. Proxies submitted with abstentions and broker non-votes (as defined below) will be included in determining whether or not a quorum is present. Broker non-votes will not be counted in tabulating the number of votes cast on proposals submitted to stockholders.

Pursuant to the rules of the New York Stock Exchange ("NYSE"), if you hold your shares in street name through a broker, your broker is not permitted to vote your shares on Proposal 2 (approval of Amended and Restated Hexcel Corporation 2003 Incentive Stock Plan) and Proposal 3 (approval of 2009 Employee Stock Purchase Plan) unless you give your broker specific instructions as to how to vote. If you are a street name holder and do not provide instructions to your broker on Proposals 2 and 3 below, your shares that are voted on any other matter will count toward a quorum but your broker cannot vote your shares on these proposals (a "broker non-vote"). Accordingly, a broker non-vote will not be counted as a vote on Proposals 2 and 3.

Table of Contents

We will pay all costs of preparing, assembling, printing and distributing the proxy materials. Management has retained Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut, to assist in soliciting proxies for a fee of approximately \$9,000, plus reasonable out-of-pocket expenses. Our employees may solicit proxies on behalf of our board of directors through the mail, in person, and by telecommunications. We will request that brokers and nominees who hold shares of common stock in their names furnish proxy solicitation materials to beneficial owners of the shares, and we will reimburse the brokers and nominees for reasonable expenses incurred by them.

Revoking a Proxy

Any stockholder giving a proxy may revoke it at any time prior to the voting thereof by:

mailing a revocation to Mr. Ira J. Krakower, the Secretary of the company, at the above address with a later date than any previously completed proxy so long as it is received prior to the Annual Meeting;

submitting another properly completed proxy dated later than any previously completed proxy so long as it is received prior to the Annual Meeting;

by filing a written revocation at the Annual Meeting with Mr. Krakower, the Secretary of the company; or

by casting a ballot at the meeting.

If you are an employee stockholder that holds shares through one of our benefit plans, you may revoke voting instructions given to the trustee for the applicable plan by following the instructions under "Employee Stockholder" in this proxy statement.

Matters of Business, Votes Needed and Recommendations of the Board of Directors

Proposal 1 Election of Directors

Each outstanding share of our stock is entitled to one vote for as many separate nominees as there are directors to be elected. There are ten directors to be elected. The board of directors has nominated David E. Berges, Joel S. Beckman, Lynn Brubaker, Jeffrey C. Campbell, Sandra L. Derickson, W. Kim Foster, Jeffrey A. Graves, David C. Hill, David C. Hurley and David L. Pugh for election to board of directors. Each of these ten nominees is currently a director of the company. A plurality of the votes cast in person or by proxy at the Annual Meeting and entitled to vote is required to elect each of the nominees for director. Under applicable NYSE rules, brokers are permitted to vote shares held for a customer without specific instructions from the customer. Under applicable Delaware law, a proxy marked to withhold authority to vote on a proposal to elect directors will be disregarded and will have no effect on the outcome of the vote. **The board of directors recommends that you vote FOR the election of each of the board's nominees for director.**

Proposal 2 Approval of Amended and Restated Hexcel Corporation 2003 Incentive Stock Plan

Approval of the amendment to the Hexcel Corporation 2003 Incentive Stock Plan requires the favorable vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. Under applicable NYSE rules, the total vote cast on the proposal must represent over 50% in interest of all shares of common stock entitled to vote on the proposal. Abstentions will be counted and will have the same effect as a vote against the proposal. Under applicable NYSE rules, brokers are not permitted to vote shares held for a customer without specific instructions from the customer. Broker non-votes will be disregarded and will have no

Table of Contents

effect on the outcome of the vote. **The board of directors recommends that you vote FOR the Amendment to the Hexcel Corporation 2003 Incentive Stock Plan.**

Proposal 3 Approval of Hexcel Corporation 2009 Employee Stock Purchase Plan

Approval of the Hexcel Corporation 2009 Employee Stock Purchase Plan requires the favorable vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. Abstentions will be counted and will have the same effect as a vote against the proposal. Under applicable NYSE rules, brokers are not permitted to vote shares held for a customer without specific instructions from the customer. Broker non-votes will be disregarded and will have no effect on the outcome of the vote. **The board of directors recommends that you vote FOR the Amendment to the Hexcel Corporation Employee Stock Purchase Plan.**

Proposal 4 Ratification of Independent Registered Public Accounting Firm

Ratification of the appointment of PricewaterhouseCoopers LLP to audit the company's financial statements for 2009 requires the favorable vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. Abstentions will be counted and will have the same effect as a vote against the proposal. Under applicable NYSE rules, brokers are permitted to vote shares held for a customer without specific instructions from the customer. The audit committee is directly responsible for appointing the company's independent registered public accounting firm, regardless of the outcome of this vote. The audit committee is not bound by the outcome of this vote but will, however, consider these voting results when selecting the company's independent auditor for 2009. **The board of directors recommends that you vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm for 2009.**

How to Vote Your Shares

Voting shares you hold through a nominee

If you hold shares through someone else, such as a stockbroker, bank or nominee, you will receive material from that firm asking you for instructions on how your shares should be voted. You can complete that firm's voting instruction form and return it as requested by the firm. If the firm offers Internet or telephone voting, the voting form will contain instructions on how to vote using those voting methods.

If You Plan to Attend the Meeting

Please note that attendance will be limited to stockholders as of the record date. Admission will be on a first-come, first-served basis. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts or by a bank or other nominee may be required to show a brokerage statement or account statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. You may contact Morrow & Co., LLC at (800) 607-0088 to obtain directions to the site of the Annual Meeting. The doors to the meeting will open at 10:00 a.m. local time and the meeting will begin at 10:30 a.m. local time.

Voting in person

If you are a registered stockholder, you may vote your shares in person by ballot at the Annual Meeting.

Table of Contents

If you hold your shares in a stock brokerage account or through a bank or other nominee, you will not be able to vote in person at the Annual Meeting unless you have previously requested and obtained a "legal proxy" from your broker, bank or other nominee and present it at the Annual Meeting along with a properly completed ballot.

Employee Stockholders

If you hold shares through our former employee stock purchase plan or our tax-deferred 401(k) savings plan, you will receive a separate voting instruction form to instruct the custodian or trustee for the applicable plan as to how to vote your shares. With respect to the 401(k) plan, all shares of Common Stock for which the trustee has not received timely directions shall be voted by the trustee in the same proportion as the shares of Common Stock for which the trustee received timely directions, except in the case where to do so would be inconsistent with the provisions of Title I of ERISA. With respect to our former employee stock purchase plan, we have been advised by the custodian that all shares of Common Stock for which the custodian has not received timely directions will not be present for quorum purposes and will not be voted.

Inspectors of Election

At the Annual Meeting, American Stock Transfer & Trust Company will count the votes. Its officers or employees will serve as inspectors of election.

ELECTION OF DIRECTORS

At the 2009 annual meeting, ten directors will be elected to hold office until the 2010 annual meeting and until their successors are duly elected and qualified. All nominees identified in this proxy statement for election to the board of directors are currently serving as directors of Hexcel.

Shares represented by an executed and returned proxy card will be voted for the election of the ten nominees recommended by the board of directors, unless the proxy is marked to withhold authority to vote. If any nominee for any reason is unable to serve, the shares of common stock represented by the proxy card may, at the board's discretion, be voted for an alternate person as the board may nominate. We are not aware of any nominee who will be unable to or will not serve as a director. Each of the nominees has consented to being named in this proxy statement and to serve if elected.

A plurality of the votes cast in person or by proxy at the Annual Meeting and entitled to vote is required to elect directors. Under applicable NYSE rules, brokers are permitted to vote shares held for a customer without specific instructions from the customer.

Table of Contents**Information Regarding the Directors**

All of our current directors have been nominated for re-election to the board of directors. Set forth below is certain information concerning each of our current directors. There are no family relationships among any of our executive officers and any of the nominees.

Name	Age on March 15, 2009	Director Since	Position(s) With Hexcel
David E. Berges	59	2001	Chairman of the Board; Chief Executive Officer; Director
Joel S. Beckman	53	2003	Director
Lynn Brubaker	51	2005	Director
Jeffrey C. Campbell	48	2003	Director
Sandra L. Derickson	56	2002	Director
W. Kim Foster	60	2007	Director
Jeffrey A. Graves	47	2007	Director
David C. Hill	62	2008	Director
David C. Hurley	68	2005	Director
David L. Pugh	60	2006	Director

DAVID E. BERGES has served as Chairman of the Board of Directors and Chief Executive Officer of Hexcel since July 2001, and was President of Hexcel from February 2002 to February 2007. Prior to joining Hexcel, Mr. Berges was President of the Automotive Products Group of Honeywell International Inc. from 1997 to July 2001 and Vice President and General Manager, Engine Systems and Accessories, at AlliedSignal Aerospace from 1994 to 1997. Previously Mr. Berges was President and Chief Operating Officer of Barnes Aerospace, a division of Barnes Group Inc. Mr. Berges spent the first fifteen years of his career in a variety of managerial and technical positions with the General Electric Company.

JOEL S. BECKMAN has been a director of Hexcel since March 2003, and is chair of the finance committee of Hexcel and a member of Hexcel's compensation committee. Mr. Beckman is a Managing Partner of Greenbriar Equity Group LLC, a private equity fund focused exclusively on making investments in transportation and transportation-related companies. Prior to founding Greenbriar in 2000, Mr. Beckman was a Managing Director and Partner of Goldman, Sachs & Co., which he joined in 1981. Mr. Beckman is a member of the board of directors of American Tire Distributors, Inc., Stag-Parkway, Inc., Grakon International, Inc. and Western Peterbilt, Inc., and is active in various civic organizations.

LYNN BRUBAKER has been a director of Hexcel since December 2005, and is a member of the compensation committee and nominating and corporate governance committee of Hexcel. She retired after spending over 25 years in the aerospace industry in a variety of executive, operations, sales and marketing and customer support roles. From 1999 until June 2005 she was Vice President/General Manager Commercial Aerospace for Honeywell International, with her primary focus in that role being on business strategies and customer operations for Honeywell's global commercial markets. From 1997 to 1999, Ms. Brubaker was Vice President Americas for Honeywell, and from 1995 to 1997, prior to AlliedSignal's merger with Honeywell, she was Vice President, Marketing, Sales and Support Operations, for AlliedSignal. Prior to joining AlliedSignal, Ms. Brubaker held a variety of management positions with McDonnell Douglas, Republic (predecessor to Northwest Airlines), and Comair. Ms. Brubaker currently serves on the board of a variety of private companies and other business organizations.

JEFFREY C. CAMPBELL has been a director of Hexcel since November 2003, and is chair of the audit committee of Hexcel. Mr. Campbell has served as Executive Vice President and Chief Financial Officer of McKesson Corporation, a leading healthcare services, information technology and

Table of Contents

distribution company, since January 2004. Mr. Campbell was Senior Vice President and Chief Financial Officer of AMR Corp, the parent company of American Airlines, from June 2002 to December 2003, served as a Vice President of American Airlines from 1998 to June 2002 and served in various management positions of American Airlines from 1990 to 1998.

SANDRA L. DERICKSON has been a director of Hexcel since February 2002. Ms. Derickson is chair of the nominating and corporate governance committee and is a member of the compensation committee of Hexcel. Ms. Derickson retired from HSBC in February 2007. She held several management positions at HSBC from September 2000 to February 2007 including President and Chief Executive Officer, HSBC Bank USA; Vice Chairman, HSBC Finance; and Group Executive, HSBC Finance. During her tenure, she was responsible for private label credit cards, insurance services, taxpayer services, auto financing and some of the Group's mortgage businesses. From 1976 to 1999, Ms. Derickson held various management positions with General Electric Capital Corporation, the last of which was President of GE Capital Auto Financial Services. Ms. Derickson was also an officer of the General Electric Company.

W. KIM FOSTER has been a director of Hexcel since May 2007, and is a member of the audit committee of Hexcel. Mr. Foster has served as Senior Vice President and Chief Financial Officer of FMC Corporation, a chemical manufacturer serving various agricultural, industrial and consumer markets, since 2001. Prior to serving in his current role, Mr. Foster held numerous other executive and management positions with FMC, including Vice President and General Manager Agricultural Products Group from 1998 to 2001; Director, International, Agricultural Products Group from 1996-1998; and General Manager, Airport Products and Systems Division, 1991-1996.

JEFFREY A. GRAVES has been a director of Hexcel since July 2007, and is a member of the finance committee and nominating and corporate governance committee of Hexcel. Dr. Graves has served as President and Chief Executive Officer of C&D Technologies, Inc., a producer of electrical power storage systems, since 2005. From 2001 to 2005 he was employed by Kemet Corporation as Chief Executive Officer (2003 to 2005); President and Chief Operating Officer (2002-2003); and Vice President of Technology and Engineering (2001-2002). From 1994 to 2001 Dr. Graves was employed by the General Electric Company, holding a variety of Management positions in GE's Power Systems Division from 1996 to 2001, and in the Corporate Research and Development Center from 1994 to 1996. Prior to General Electric, Dr. Graves was employed by Rockwell International and Howmet Corporation, now a part of Alcoa Corporation. Dr. Graves is also a member of the board of directors of C&D Technologies, Inc. and Teleflex, Inc.

DAVID C. HILL has been a director of Hexcel since May 2008, and is a member of the audit committee and finance committee of Hexcel. Dr. Hill served as President and Chief Executive Officer of Sun Chemical Corporation, a producer of printing inks and pigments, from 2001 until his retirement in Dec 2007. During this time he was also a Supervisory Board member of Sun Chemical Group B.V. Prior to joining Sun Chemical Corporation in 2001, Dr. Hill spent four years at JM Huber Corporation as President of Engineered Materials. From 1980 to 1997, Dr. Hill served at AlliedSignal Inc., where he was President, Fibers from 1991 to 1994, Chief Technology Officer, Engineered Materials from 1994 to 1995 and President, Specialty Chemicals through 1997. Dr. Hill began his career at Union Carbide Corporation in 1970, and has also been Director of Exploratory and New Ventures Research at Occidental Petroleum Corporation. He holds a Ph.D. in Materials Science and Engineering as well as an M.S. in Engineering and a B.S. in Materials Science and Engineering from Massachusetts Institute of Technology. Dr. Hill is a member of the board of directors of Symyx Technologies, Inc., and serves as a member of its compensation and governance committees.

DAVID C. HURLEY has been a director of Hexcel since November 2005, and is a member of the audit committee of Hexcel. He is currently the Vice Chairman of PrivatAir, a corporate aviation services company based in Geneva, Switzerland, where he served as Chief Executive Officer from 2000

Table of Contents

to February 2003. Prior to 2000, Mr. Hurley was the Chairman and Chief Executive Officer of Flight Services Group (FSG), a corporate aircraft management and sales company, which he founded in 1984 and was acquired by PrivatAir in 2000. Before founding FSG, Mr. Hurley served as Senior Vice President of Domestic and International Sales for Canadair Challenger. He currently serves on the boards of Genesee & Wyoming Inc., Genesis Lease Limited, Applied Energetics, Inc., ExelTech Aerospace, Inc. and Aviation Partners Boeing, Inc., a joint venture of The Boeing Company and Aviation Partners, Inc. Hurley is also chairman of the Smithsonian Institution's National Air and Space Museum board, and serves on the board of a variety of private companies.

DAVID L. PUGH has been a director of Hexcel since July 2006, and is chair of the compensation committee of Hexcel. Mr. Pugh has served as the Chairman of Applied Industrial Technologies Inc., one of North America's leading industrial product distributors, since October 2000, and as Applied's Chief Executive Officer since January 2000. He was President of Applied from 1999 to October 2000. Prior to joining Applied, Mr. Pugh was senior vice president of Rockwell Automation and general manager of Rockwell's Industrial Control Group. Prior to joining Rockwell, Mr. Pugh held various sales, marketing and operations positions at Square D. Co. and Westinghouse Electric Corp. Mr. Pugh is a director of OM Group, Inc.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR**

Independence of Directors

The board of directors affirmatively determined that each of our nominees, other than Mr. Berges, our Chairman and Chief Executive Officer, meets the director independence requirements of the listing standards of the NYSE. In making these determinations our board considered all relevant facts and circumstances including whether a director has a "material relationship" with Hexcel as contemplated by the NYSE listing standards. One non-employee director has a direct or indirect relationship with Hexcel other than as a director of Hexcel. Ms. Brubaker is a director of a private aerospace company that is a customer of Hexcel. In determining that Ms. Brubaker is independent, our board considered, among other things, the sales to the private aerospace company as a percentage of Hexcel's total sales, and that Ms. Brubaker has no significant direct or indirect pecuniary interest in the business relationship between Hexcel and the private aerospace company. Under applicable NYSE listing standards, Mr. Berges is not independent by virtue of his being employed by Hexcel.

Prior to March 15, 2006, Mr. Beckman was on our board as a result of being nominated for election by certain investment entities controlled by affiliates of Greenbriar Equity Group LLC and Berkshire Partners LLC (the "Berkshire/Greenbriar investors"). Since March 15, 2006 the Berkshire/Greenbriar investors have not had any right to nominate persons to sit on our board. Our board determined in February 2009 that Mr. Beckman was independent under the listing standards of the NYSE. Our board considered, among other things, that Mr. Beckman held a senior management position with the Berkshire/Greenbriar investors, and considered the former relationships and transactions between Hexcel and the Berkshire/Greenbriar investors, including the purchase by the Berkshire/Greenbriar investors of convertible preferred stock along with certain board representation rights and registration rights, and the payment by us to the Berkshire/Greenbriar investors of certain fees and expenses in connection with the investment. In concluding that this relationship and the transactions did not result in a material relationship between Hexcel and Mr. Beckman, our board considered, among other things, that many of the investors' rights and obligations arose directly as a result of their Hexcel stock ownership, and that the fees and expenses paid with respect to the preferred stock investment made in 2003 and the secondary offerings of common stock in December 2004, August 2005 and March 2006 were not material to the investors.

Table of Contents

Meetings and Standing Committees of the Board of Directors

General

During 2008 there were eight meetings of the board of directors and 24 meetings in the aggregate of the three standing committees of the board of directors. The board of directors also acted twice by written consent. Each of the incumbent directors who served on the board of directors and its committees during 2008 attended or participated in at least 75% of the aggregate number of board of directors meetings and applicable committee meetings held during 2008 during the time such person was a director. A director is expected to regularly attend and participate in meetings of the board and of committees on which the director serves, and to attend the annual meeting of stockholders.

The board of directors has established the following standing committees: audit committee; compensation committee; nominating and corporate governance committee; and, as of February 2009, finance committee. The board of directors may establish other special or standing committees from time to time. Members of committees serve at the discretion of the board of directors. Each of our four standing committees operates under a charter adopted by the board. The charter for each committee except the finance committee requires that all members be independent as required by NYSE listing standards. The charter of the finance committee prohibits the committee from taking any action that is required by NYSE rules to be taken by a committee composed entirely of independent directors, unless the finance committee is composed entirely of independent directors. Our board of directors has also adopted a set of corporate governance guidelines. All committee charters and the corporate governance guidelines can be viewed on the investor relations section of our website, www.hexcel.com, under "corporate governance." You may obtain a copy of any of these documents, free of charge, by directing your request to Hexcel Corporation, Attention: Investor Relations Manager, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901, telephone (203) 352-6826.

Audit Committee

The audit committee assists the board's oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent registered public accounting firm's qualifications, independence and performance, and our internal audit function. During 2008 the audit committee held eleven meetings. Additional information regarding the audit committee, including additional detail about the functions performed by the audit committee, is set forth in the Audit Committee Report included on page 70 of this proxy statement. The current members of the audit committee are Messrs. Campbell (chair), Foster, Hill and Hurley.

NYSE listing standards require each member of the audit committee to be independent, as described above under "Independence of Directors." Members of the audit committee are also required to satisfy an additional SEC independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from Hexcel or any of its subsidiaries other than directors' compensation. NYSE listing standards also require that each member of the audit committee be financially literate and that at least one member of the committee have accounting or related financial management expertise. Finally, SEC rules require that we disclose whether our audit committee has an "audit committee financial expert," which generally means a person with an understanding of financial and accounting matters, including internal controls and audit committee functions, who has acquired this understanding through appropriate professional experience.

Each member of our audit committee is independent under NYSE listing standards and satisfies the additional SEC independence requirement described above. All members of our audit committee meet the financial literacy requirements of the NYSE and at least one member has accounting or related financial management expertise as required by the NYSE. In addition, our board has determined that Jeffrey C. Campbell, who currently is Executive Vice President and Chief Financial Officer of McKesson Corporation, is an audit committee financial expert under SEC rules. In making

Table of Contents

this determination, the board considered, among other things, Mr. Campbell's extensive knowledge and experience with respect to the financial reporting process for public companies, including his former position as Senior Vice President and Chief Financial Officer of AMR Corp, the parent company of American Airlines, his experience as an auditor for a predecessor of Deloitte & Touche, and his formal education.

The audit committee has adopted procedures for the receipt, retention and handling of concerns regarding accounting, internal accounting controls and auditing matters by employees, stockholders and other persons. Any person with such a concern should report it to the board as set forth under "Contacting the Board" on page 10. The audit committee has also adopted procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Employees should consult the Hexcel Code of Business Conduct for information on how to report any such concern.

The audit committee has established policies and procedures for the pre-approval of all services provided by the independent registered public accounting firm. These policies and procedures are described on page 71 of this proxy statement.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee identifies and recommends to the board individuals qualified to serve as directors and on committees of the board; advises the board with respect to board and committee procedures; developed and recommended to the board, and reviews periodically, our corporate governance principles; and oversees the evaluation of the board, the committees of the board and management. The current members of the nominating and corporate governance committee are Ms. Derickson (chair), Ms. Brubaker and Mr. Graves, each of whom is independent under NYSE listing standards. During 2008 the nominating and corporate governance committee held four meetings.

The nominating and corporate governance committee believes that each nominee for director should demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the board's oversight of the business and affairs of Hexcel. The committee also considers the following when selecting candidates for recommendation to the board: knowledge, experience, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, potential conflicts of interest and such other factors that the committee considers appropriate, from time to time, in the context of the needs or stated requirements of the board.

The committee will consider director candidates recommended by stockholders, as well as by other means such as our non-management directors, our chief executive officer, and other executive officers. In considering candidates submitted by stockholders, the committee will take into consideration the needs of the board and the qualifications of the candidate. To have a candidate considered by the committee, a stockholder must submit the recommendation in writing to our corporate secretary at the address listed below under "Contacting the Board" so that it is received at least 120 days prior to the anniversary date of the notice given to stockholders regarding our prior year's annual meeting of stockholders. The stockholder must supply the following information with his or her recommendation:

The name and record address of the stockholder and evidence of the stockholder's ownership of Hexcel stock, including the class and number of shares owned of record or beneficially and the length of time the shares have been held

The name, age, business address and residence address of the candidate, a listing of the candidate's qualifications to be a director, and the person's consent to be named as a director if selected by the committee and nominated by the board

Table of Contents

Any information about the candidate which would be required to be disclosed in a proxy statement or other filing relating to the election of directors

A representation that the stockholder intends to appear in person at the annual meeting to nominate the candidate

Any material interest of the stockholder relating to the nomination of the candidate, including a description of all arrangements or understandings between the stockholder and the candidate

A description of all arrangements or understandings between the stockholder and any other person, naming such other person, relating to the recommendation of such candidate

The committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder, although the board may take into consideration the number of shares held by a recommending stockholder and the length of time that such shares have been held.

Compensation Committee

The compensation committee oversees, reviews and approves our compensation and benefit plans and programs and defines the goals of compensation policy. In this capacity, the compensation committee administers our incentive plans and makes grants of stock options and/or awards of restricted stock units or other equity based compensation to executive officers, other key employees, directors and consultants. The current members of the compensation committee are Mr. Pugh (chair), Mr. Beckman, Ms. Brubaker and Ms. Derickson, each of whom is independent under NYSE listing standards. During 2008 the compensation committee held nine meetings.

Additional information regarding the compensation committee, including additional detail about the objectives, policies, processes and procedures of the compensation committee, is set forth in Compensation Discussion and Analysis on page 15 of this proxy statement.

Executive Sessions

The independent directors are required under our corporate governance guidelines to meet in executive session, without management, a minimum of two times a year. Each executive session is presided over by a "presiding director." If our chairman of the board is independent, then our chairman will be the presiding director. If the chairman is not independent, as is the case with Mr. Berges, then the independent directors are required to designate an independent board member to serve as presiding director. The independent directors have designated Ms. Derickson to serve as presiding director.

Contacting the Board

Stockholders and other interested parties may contact the non-management members of the board or the presiding director by sending their concerns to: board of directors, c/o Corporate Secretary, Hexcel Corporation, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901; facsimile number (203) 358-3972; e-mail address boardofdirectors@hexcel.com. The Corporate Secretary will review all communications and forward them to the presiding director. The Corporate Secretary may, however, filter out communications that do not relate to our business activities, operations or our public disclosures, but will maintain a record of these communications and make them available to the presiding director. Any communications received by the presiding director regarding concerns relating to accounting, internal accounting controls or auditing matters will be immediately brought to the attention of the audit committee and will be handled in accordance with the procedures established by the audit committee to address these matters.

Table of Contents**Code of Business Conduct**

It is our policy that all of our officers, directors and employees worldwide conduct our business in an honest and ethical manner and in compliance with all applicable laws and regulations. Our board of directors has adopted the Hexcel Code of Business Conduct in order to clarify, disseminate and enforce this policy. The Code applies to all of our officers, directors and employees worldwide, including our chief executive officer, chief financial officer and controller. The Code can be viewed on the investor relations section of our website, www.hexcel.com, under "corporate governance." In addition, you may obtain a free copy of the Code by directing your request to Hexcel Corporation, Attention: Investor Relations Manager, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901, telephone (203) 352-6826. Any amendment to the Code of Business Conduct (other than technical, administrative or non-substantive amendments), or any waiver of a provision of the Code that applies to Hexcel's Chief Executive Officer, Chief Financial Officer or Corporate Controller, will be promptly disclosed on the investor relations section of our website under "corporate governance."

EXECUTIVE OFFICERS

Set forth below is certain information concerning each of our current executive officers. For additional information concerning Mr. Berges, see "Election of Directors Information Regarding the Directors" on page 5.

Name	Age on March 15, 2009	Executive Officer Since	Position(s) With Hexcel
David E. Berges	59	2001	Chairman of the Board; Chief Executive Officer; Director
Doron D. Grosman	50	2009	President
Wayne C. Pensky	53	2007	Senior Vice President; Chief Financial Officer
Ira J. Krakower	68	1996	Senior Vice President; General Counsel; Secretary
Robert G. Hennemuth	53	2006	Senior Vice President, Human Resources
Andrea Domenichini	61	2007	Vice President, Operations
Mark I. Clair	48	2007	Corporate Controller; Chief Accounting Officer
Michael J. MacIntyre	48	2003	Treasurer

DORON D. GROSMAN has served as President since February 2009. Prior to joining Hexcel, Mr. Grosman was President of the Magazine Printing Solutions Division of Quebecor World from 2007 to 2008. Quebecor World Inc. and a number of its US subsidiaries filed for bankruptcy protection in the Canada and the United States in January 2008. From 2002 to 2007, Mr. Grosman was with the American Standard Companies, where he served as Chief Financial Officer of Trane Commercial Air Conditioning and led day to day operations worldwide, including distribution, services and manufacturing. From 1991 to 2002, Mr. Grosman held a variety of management and executive positions with the General Electric Company, the last being Vice President and General Manager of GE Plastic's petrochemicals business from 1998-2002. Prior to joining GE, Mr. Grosman worked as a senior engagement manager for Bain & Company, a business and strategy consulting firm.

WAYNE C. PENSKY has served as Senior Vice President and Chief Financial Officer since April 2007. Prior to serving in his current role, Mr. Pensky served as Vice President, Finance and Controller of our Composites global business unit since 1998. From 1993 to 1998 Mr. Pensky was our Corporate Controller and Chief Accounting Officer. Prior to joining Hexcel in 1993, Mr. Pensky was a partner at Arthur Andersen & Co., where he had been employed since 1979.

IRA J. KRAKOWER has served as Senior Vice President, General Counsel and Secretary of Hexcel since September 1996. Prior to joining Hexcel, Mr. Krakower served as Vice President and

Table of Contents

General Counsel to Uniroyal Chemical Corporation from 1986 to August 1996 and served on the board of directors and as Secretary of Uniroyal Chemical Company, Inc. from 1989 to 1996.

ROBERT G. HENNEMUTH has served as Senior Vice President, Human Resources since March 2006. Prior to joining Hexcel, Mr. Hennemuth served as Vice President Human Resources of Jacuzzi Brands, Inc. from July 2003 to September 2005. Previously, he was employed by Honeywell International, formerly known as AlliedSignal Inc., where he served as Vice President of Human Resources & Communications for various businesses from December 1996 to June 2003, including Honeywell Consumer Products Group.

ANDREA DOMENICHINI has served as Vice President, Operations of Hexcel since January 2007, and served as Vice President, Operations of the former Hexcel Composites business unit from November 2001 through December 2006. Mr. Domenichini served as Head of Hexcel's Matrix Systems Business from October 1997 through October 2001. Prior to joining Hexcel in 1996, Mr. Domenichini held various managerial positions with Hercules Incorporated from 1973 to May 1996, the latest being Managing Director of Hercules Aerospace Spain.

MARK I. CLAIR has served as Vice President, Corporate Controller and Chief Accounting Officer since July 2007. Mr. Clair served as Assistant Controller Corporate of Terex Corporation, a diversified global manufacturer of capital equipment, from June 2005 to July 2007. From 1988 to June 2005, Mr. Clair held various positions for United States Steel Corporation, including Director General and Consolidation Accounting from June 2003 through May 2005, and Controller of US Steel's Minnesota Ore Operations from June 1999 through May 2003.

MICHAEL J. MACINTYRE has served as Hexcel's Treasurer since December 2002 and was Assistant Treasurer from October 2000 to December 2002. Prior to joining Hexcel, Mr. MacIntyre served as Assistant Treasurer of Hitachi America Capital, Ltd, a US financing subsidiary of Hitachi America, Ltd, a sales and manufacturing company serving the US electronics markets, from 1998 to 2000, and held various treasury management positions with Hitachi America, Ltd. from 1988 to 1998.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Stock Beneficially Owned by Principal Stockholders**

The following table sets forth certain information as of February 28, 2009 with respect to the ownership by any person (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) known to us to be the beneficial owner of more than five percent of the issued and outstanding shares of Hexcel common stock:

Name and Address	Number of Shares of Common Stock(1)	Percent of Common Stock(1)
Lord, Abbett & Co. LLC(2) 90 Hudson Street Jersey City, NJ 07302	9,706,084	10.1%
Earnest Partners LLC(3) 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	6,658,273	6.9%
AXA Financial, Inc.(4) 1290 Avenue of the Americas New York, NY 10104	5,037,754	5.2%
Ingalls & Snyder LLC(5) 61 Broadway New York, NY 10006	5,007,067	5.2%

- (1) "Number of Shares" is based on information contained in a Statement on Schedule 13D, 13D/A, 13G or 13G/A filed with the SEC as indicated in footnotes (2) through (5) below. The "Percent of Common Stock" is based on such number of shares and on 96,512,130 shares of common stock issued and outstanding as of February 28, 2009.
- (2) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 13, 2009.
- (3) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 13, 2009.
- (4) Based on information contained in a Statement on Schedule 13G filed with the SEC on February 13, 2009. This Schedule 13G was also filed on behalf of the following entities: AXA Assurances I.A.R.D. Mutuelle; AXA Assurances Vie Mutuelle; and AXA.
- (5) Based on information contained in a Statement on Schedule 13GA filed with the SEC on January 28, 2009.

Table of Contents**Stock Beneficially Owned by Directors and Officers**

The following table contains information regarding the beneficial ownership of shares of Hexcel common stock as of February 28, 2009 by our current directors and the executive officers listed in the Summary Compensation Table below, and by all directors and executive officers as a group. The information for the "Number of Shares" was supplied to us by the persons listed in the table.

Name	Number of Shares of Common Stock(1)	Percent of Common Stock(2)(3)
David E. Berges	1,710,875	1.7%
Joel S. Beckman	9,648(4)	*
Lynn Brubaker	9,358	*
Jeffrey C. Campbell	19,648	*
Sandra L. Derickson	59,368	*
W. Kim Foster	4,504	*
Jeffrey A. Graves	4,384	*
David Hill	2,306	*
David C. Hurley	9,316	*
David L. Pugh	10,590	*
William Hunt	191,814	*
Wayne C. Pensky	243,823	*
Ira J. Krakower	492,951	*
Robert G. Hennemuth	93,543	*
All executive officers and directors as a group (18 persons)(5)	2,914,157	3.0%

- (1) Includes shares underlying stock-based awards that either were vested as of February 28, 2009, will vest within sixty days of this date or would vest upon retirement of the individual. These shares are beneficially owned as follows: Mr. Berges 1,360,351; Mr. Beckman 8,145; Ms. Brubaker 9,358; Mr. Campbell 19,648; Ms. Derickson 29,812; Mr. Foster 4,504; Mr. Graves 4,384; Mr. Hill 2,306; Mr. Hurley 9,316; Mr. Pugh 5,590; Mr. Hunt 189,605; Mr. Pensky 102,085; Mr. Krakower 419,591; Mr. Hennemuth 34,521 and all other executive officers and directors as a group 2,221,953. None of our directors or named executive officers has pledged any of our common stock as security.
- (2) Based on 96,512,130 shares of common stock issued and outstanding as of February 28, 2009. As required by SEC rules, for each individual person listed in the chart the percentage is calculated assuming that the shares listed in footnote (1) above for such person are outstanding, but that none of the other shares referred to in footnote (1) above are outstanding. In particular, shares underlying stock-based awards are deemed outstanding to the extent they are vested as of February 28, 2009 or will vest within sixty days of this date, or would vest upon retirement of the individual.
- (3) An asterisk represents beneficial ownership of less than 1%.
- (4) Includes 1,590 shares underlying stock-based awards granted to Mr. Beckman that are held for the benefit of Greenbriar Equity Group LLC. Mr. Beckman disclaims beneficial ownership of these shares.
- (5) On February 23, 2009, Doron D. Grosman was appointed as President of Hexcel Corporation, and therefore is included in this group. As of February 28, 2009, Mr. Grosman does not beneficially own any shares of common stock.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

This section describes and analyzes the material elements of 2008 compensation for our executive officers identified in the Summary Compensation Table on page 38. We refer to these individuals as the named executive officers, or "NEOs." The compensation committee of the board of directors is responsible for determining the compensation and benefits of the NEOs, including salary, incentives, equity grants, benefits, perquisites, and other agreements and arrangements that have a compensation component. The committee's approval of the compensation of our CEO is subject to ratification by our independent directors.

Compensation Objectives and Policies

The committee strives to establish a compensation and benefits program that will enable us to attract, retain and motivate a high caliber of executive talent. The principal guidelines we follow in establishing this program are:

Our compensation should be competitive in the marketplace in which we compete for talent. We strive to provide total compensation in the mid-range of compensation for executives in a group of companies in similar or related industries, adjusted for size, which we define as a "comparator group" of peer companies.

Compensation should reflect the level of job responsibility and be related to individual and company performance. Since the performance of our NEOs greatly impacts our results, a significant portion of their compensation should be variable and based on performance.

Although our programs tie total compensation to individual and company performance, the twin objectives of pay-for-performance and retention of executive talent must be balanced. We believe competition for executive talent is vigorous, particularly in the commercial aerospace and defense industries. Our compensation programs should ensure that successful, high-achieving executives will remain motivated and committed to us even during periods of temporary downturns in the performance of our business.

Our compensation program should encourage long-term focus while recognizing the importance of short-term performance. Executives at the highest level should have an appropriate portion of their compensation dependent upon our long-term performance.

We establish specific programs where we feel it necessary to remain competitive such as by providing benefits upon retirement or upon other separation from service.

We closely monitor changes in competitive executive pay levels and practices, as well as potential regulatory changes and policy guidelines developed by governance groups pertaining to executive compensation. Any changes will be carefully considered in the context of our business and talent needs in planning for our ongoing executive compensation programs.

Our compensation programs are forward-looking. We do not determine current compensation on the basis of prior compensation or gains realized from equity awards. Our compensation-setting processes do, however, include a review of compensation history. We believe it is important to annually review total compensation through the use of tally sheets which include projected payments under existing compensation programs as well as under various termination scenarios such as retirement, involuntary termination and upon a change in control.

We align executive and shareholder interests by requiring executives to own our stock.

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We do not provide our CEO with executive perquisites and provide limited executive perquisites to other named executive officers.

Table of Contents

The global economic and credit crisis that became evident in late 2008 presents many challenges including finding appropriate ways to maintain our compensation philosophy in the face of severe dislocations affecting the economy and our business. Although the immediate crisis will impact short term results, we believe that our long-term strategy is sound and that its success depends on retaining the support of knowledgeable employees who remain motivated by long term rewards aligned with shareholder interests. The financial measure for our 2008-2009 performance share award ("PSA") program, return on net capital employed ("RONCE"), was established in January 2008 before the economic crisis was apparent. The committee, however, has not lowered the RONCE target despite the dramatic downturn in global economic prospects for 2009. Furthermore, despite the substantial drop in our share price since mid-2008, the committee has not considered re-pricing underwater options. The committee will continue to be forward-looking in establishing compensation programs that reward the achievement of company goals without taking imprudent risks. We do not believe that our compensation programs are structured to reward inappropriate risk taking for several reasons:

we use a variety of incentive performance measures, such as EBIT, net income, cash flow and RONCE, which discourages management from focusing solely on a single financial, operational or corporate goal for reward

we employ foreign exchange hedging strategies and interest rate swaps, but we do so only to the extent tied to actual manufacturing activity and outstanding debt, and not for speculative purposes

we engage independent compensation consultants to guide us in making compensation decisions

our board of directors, which is independent other than for our CEO, has adopted and implements appropriate corporate governance practices

The global economic and credit crisis influenced our choice of incentive performance measures in 2009. In 2008 our annual cash bonus program (Management Incentive Compensation Plan, or "MICP") established adjusted EBIT (weighted 75%) and adjusted net income (weighted 25%) as performance measures for awards. For 2009 the MICP performance measures are cash flow (weighted 50%), adjusted EBIT (weighted 25%) and adjusted net income (weighted 25%). This reflects our belief that in uncertain economic times and an environment of tightening credit, cash flow becomes a principal financial goal.

We also changed our PSA program in 2009. In 2008, performance shares were earned over a two year performance period depending on achievement of RONCE, followed by a one year service retention period for vesting. In 2009 we established a three year performance period to align with our medium term business plan, but we provided an opportunity to earn awards in each of the performance years since the financial crises made it difficult to objectively set a cumulative three year goal on which any award depended. Accordingly, for 2009 the number of shares awarded at the end of the three-year performance period will be the greater of (i) the shares earned based on achievement of three-year RONCE and (ii) the sum of the shares earned based on achievement of the performance measures for each of the three years in the performance period. However, if the threshold performance level for RONCE is not met, then any shares earned based on yearly achievement will be reduced 25%. The yearly performance measures for the PSA program will be those adopted under MICP for the corresponding year for 2009 they are cash flow, adjusted EBIT and adjusted net income as stated above. By providing alternative paths to earning performance shares, the 2009 PSA program has the advantage of allowing us flexibility to set annual goals in response to a changing economic climate while maintaining the objective of achieving the three-year goal. We believe this will result in significant motivational and retentive value to the company during this period of extreme unpredictability.

Table of Contents

The Compensation Committee's Processes

The committee operates under a written charter approved by the board and reviewed by the committee annually. The charter provides that the committee is accountable for overseeing, reviewing and approving our compensation and benefit plans and programs and for defining the goals of compensation policy. The committee reviews and approves the compensation of the NEOs on an annual basis, including incentives and equity grants. The committee is also the designated body responsible for overseeing the administration of benefit plans applicable to all of our employees, including the NEOs.

The committee has established a number of procedures to assist it in aligning our executive compensation program to meet its objectives:

Compensation Consultant. The committee retains an independent compensation consultant to assist it in establishing and reviewing executive compensation. From 2004 through mid-2008 the committee retained Frederic W. Cook & Co. ("FWC"). FWC provided advice to the committee in connection with setting 2008 executive compensation. The committee deemed it a good governance practice to periodically consider engaging other consultants, and in July 2008 the committee retained Semler Brossy Consulting Group, LLC ("Semler Brossy") in place of FWC. There were no disagreements with FWC leading to this decision.

The committee has the sole authority to approve the consultant's fees and the other terms of engagement. FWC did not, and Semler Brossy does not, provide any services to us other than consulting regarding our executive compensation. The committee periodically receives written presentations from the consultant, and exchanges correspondence and confers with the consultant on a variety of compensation matters, both with and without management present. With the consent of the committee our CEO confers with the consultant when developing compensation recommendations for the other NEOs. On behalf of the committee, senior management periodically confers with the consultant on our executive compensation programs and may request the consultant's views regarding modifying or adopting new programs or preparing offers of employment to senior executives. The committee reviews data developed for us by the consultant reflecting competitive compensation practices of our comparator group of companies, as well as general industry survey data obtained from other compensation resources which encompasses a broader and larger group of companies.

Benchmarking. Each year the committee specifically reviews and authorizes the salaries, incentives and equity grants for the NEOs. In making these determinations the committee considers prevailing compensation practices of the comparator group. The comparator group is comprised of companies which have attributes such that, when viewed as a whole, represent a reasonable comparison to us in a number of relevant respects. The comparator group is selected by the committee based on recommendations by our consultant with input from management on the relevance of potential peer companies to our company. The peer companies are reviewed annually for an assessment of their continued relevance to the company. The comparator group companies considered by the committee in determining NEO compensation for 2008 were:

A. Schulman, Inc.	Crane Co.	H.B. Fuller Company
AAR Corp.	Cytec Industries Inc.	Kaman Corporation
Alliant Techsystems Inc.	Esterline Technologies Corp.	PerkinElmer, Inc.
Barnes Group Inc.	FMC Corporation	Precision Castparts Corp.
BE Aerospace, Inc.	Goodrich Corporation	Rockwell Collins, Inc.
Cabot Corporation		

This comparator group was selected based on the following criteria relevant to us:

Industry, such as aerospace, defense and specialty chemicals

Table of Contents

Competitor or provider of similar products

Revenues, net income, and total assets

Market capitalization and number of employees

Business complexity and international presence

Companies with whom we compete for executive talent

This comparator group is identical to the comparator group used by the committee for purposes of determining 2007 compensation.

The committee compares each NEO's salary, target bonus and target long-term incentive compensation, both separately and in the aggregate, to the compensation of similarly situated executives of the comparator group companies. With the aid of our consultant, the committee strives to establish an executive compensation program in the mid-range of target compensation of similar executive positions in the comparator group.

In late 2007, the committee reviewed available comparator group executive compensation data obtained by FWC. Where available data permitted a correlation, FWC's data were adjusted by regression analysis in order to meaningfully compare compensation paid by comparator group companies with substantially higher or lower revenues than ours to the compensation of our NEOs in similar positions. In order to provide comparable compensation data with respect to Mr. Hunt, who was based in the UK, FWC relied upon a UK executive compensation consulting firm, New Bridge Street Consultants, to assist it in developing recommendations for Mr. Hunt. New Bridge Street was retained directly by FWC. The committee also reviewed the Towers Perrin General Industry Executive Database, a large, multiple-industry compensation survey. This market survey was not prepared specifically for us, and included hundreds of companies in various industries, including aerospace, chemicals, automotive and defense. The committee considered the FWC data as most relevant since it reflected the comparator group, but also viewed the Towers Perrin data as relevant to provide assurance that the comparator group data reflects compensation practices similar to those in a broader industry index of companies.

Assessment of Company Performance. We provide the opportunity for both cash and stock incentives based on achievement of individual and company performance measures. Annual cash awards are available under the MICP. PSAs are made under our 2003 Incentive Stock Plan ("ISP"). PSAs granted in 2007 and 2008 established a cumulative two-year performance cycle for earning share awards, followed by a one-year service retention period for vesting in the shares. The committee, in consultation with the consultant and senior management, adopts performance measures for earning awards and determines the relationship between achievement of performance and the size of award payable at threshold, target and maximum levels of performance. This resulting plan design reflects the committee's views on the achievability of the performance measure based on the business plan reviewed by the board. The committee believes that consultation with management is important to understanding the relevance of the performance measure, and the specific performance goals, to our overall business objectives in the performance period.

Assessment of Individual Performance. At the beginning of each year we establish individual performance objectives for the CEO for the year and we evaluate the CEO's performance against the objectives for the preceding year. We base the CEO's MICP award opportunity solely on company performance. However, we consider achievement of his individual objectives in deciding whether to exercise negative discretion to reduce his MICP award, and in setting his target compensation for the subsequent year. Periodically the independent directors review the CEO's performance and the Presiding Director then discusses the board's assessment with the CEO. This assessment includes a review of overall performance of the company, the degree to which strategic objectives were met,

Table of Contents

leadership accomplishments and other factors deemed relevant to the CEO's performance. Our compensation committee charter requires that all decisions regarding CEO compensation be ratified by our independent directors.

Mr. Berges' employment agreement is evergreen for additional one-year periods unless notice is given by us or Mr. Berges of an intention not to extend for an additional year. Each year, prior to the automatic renewal of the agreement, the board affirmatively considers whether or not to extend the term of his employment for an additional year based on an assessment of his performance. In 2008 the board extended Mr. Berges' employment agreement at least to its current expiration date in July 2010.

At the beginning of each year, the committee asks the CEO to establish individual performance objectives for the other NEOs and evaluate their attainment of the prior year's objectives as part of an annual performance review. Prior to 2008, the MICP award opportunity for the other NEO's was based 70% on company performance and 30% on attainment of the other NEO's individual objectives. For 2008 the MICP award opportunities for the other NEOs were based 100% on company performance. The committee, however, receives the CEO's assessment of the degree to which each NEO has attained individual objectives, and each NEO's overall performance, criticality to business strategy, career potential and retention risk. The CEO makes a compensation recommendation for each NEO based on these factors. These recommendations are reviewed by the committee's compensation consultant to assure that the recommended compensation is reasonable with respect to competitive norms. While the committee gives appropriate weight to benchmarking data and the CEO's recommendations, the committee also exercises its judgment based on the committee's assessment of the performance of the other NEOs.

Total Compensation Review. As part of the committee's review of the annual target compensation of the NEOs, the committee reviews "tally sheets" for each of the NEOs which reflect other forms of compensation such as deferred compensation, retirement benefits, severance payments and perquisites under various scenarios including termination of employment for death or disability, or by us with or without "cause," or by the executive with or without "good reason," and termination benefits resulting from a change of control (see pages 52-58 for a complete description of benefits and enhancements upon termination). The tally sheets also reflect realized and unrealized amounts from awards of equity incentives.

Consistent with the committee's views that an executive's compensation should reflect individual and company performance and reflect competitive practices, the compensation previously earned by the NEOs, including realized and unrealized gains under equity grants, is not a determinant in setting compensation for subsequent years. However, the committee does utilize the tally sheet data to understand the impact that compensation actions under consideration could have on future payments on retirement, termination and change in control scenarios. With the assistance of the committee's consultant, the committee also uses the tally sheets to provide assurance that our compensation programs and payments upon termination under various scenarios are reasonable and in line with competitive norms.

Components of Executive Compensation for 2008

For 2008, executive compensation consisted of four primary components—salary, cash incentive bonus, equity awards and a benefits package. The following chart shows the total direct target compensation of the NEOs in 2008, which includes salary, target cash bonus under the MICP, and the grant date value of equity awards. The value of an equity award is determined in the same manner used to determine the values appearing in the last column of the grant of plan-based awards table on

Table of Contents

page 42. The percentages shown reflect the percentage of total direct target compensation represented by each compensation component for each NEO.

NEO	Salary	Percentage	Target Cash Bonus	Percentage	Grant Date Value of 2008 Equity Awards	Percentage
Berges	\$875,000	22%	\$875,000	22%	\$2,231,250	56%
Hunt	\$447,169	30%	\$335,377	22%	\$726,747	48%
Pensky	\$351,000	30%	\$228,150	19%	\$596,700	51%
Krakower	\$329,680	33%	\$214,292	21%	\$461,552(1)	46%
Hennemuth	\$310,500	35%	\$170,775	19%	\$403,650	46%

(1)

The equity award value for Mr. Krakower excludes the value of a one-time grant of 12,000 RSUs in recognition of performance that exceeded expectations in 2007. If the value of this grant, \$253,320, is included, the percentages for Mr. Krakower represented by salary, bonus and equity awards for 2008 would be 26%, 17% and 57%.

Each of these compensation components is described in detail below.

Salary. Mr. Berges' salary was increased from \$837,000 in 2007 to \$875,000 in 2008, an increase of 4.5%. In January 2007 the CEO presented the committee his recommendations regarding salary increases for our other NEOs. The committee approved, salary increases for the other NEOs as follows: Mr. Hunt, 3.5%; Mr. Pensky, 8.0%; Mr. Krakower, 4.0%; Mr. Hennemuth, 3.5%.

Analysis

The committee sets salaries for NEOs using the comparative data described above under "Benchmarking" as a guide and targets the mid-range of the comparator group, but is also influenced by other factors. These include job responsibilities, internal equity among the NEOs, individual performance, retention risk, and experience. In particular, the committee considered the following 2007 accomplishments of the NEOs in approving their 2008 compensation packages, including salary increases:

Mr. Berges: growth in our revenues and earnings, successful execution of a strategy to re-focus the company's efforts on growing markets by reorganizing operations and divesting non-core businesses, and positioning us to take advantage of future composite materials opportunities through enhanced research and technology activities and global expansions.

Mr. Hunt: his focus on sales and marketing in targeted markets and on manufacturing strategies including establishing prepreg production facilities near major customers, and his efforts in reorganizing the company from three business units to one to reduce costs.

Mr. Pensky: his successful transition to the CFO role following the unexpected departure of our former CFO in April 2007, including demonstrated ability to deal with analysts, investors and lenders, and the successful recruitment of individuals for critical accounting and tax positions. Mr. Pensky's initial compensation package when he became CFO in 2007 was set at a level to reflect his entry into the CFO position. The committee is adjusting his compensation commensurate with his increasing tenure as CFO to bring his compensation more in line with the mid-range of the comparator group.

Mr. Krakower: his work to facilitate the sale of our Electronics, Ballistics and General Industrial business, in negotiating resolution of the Zylon investigation with the Department of Justice, and in advancing and completing significant commercial contract negotiations with major customers.

Table of Contents

Mr. Hennemuth: successful advancement of succession planning, recruitment of individuals to fill key finance and HR positions, and the improvement of management and organizational development practices.

Cash Incentive Bonuses. We maintain the MICP, a shareholder-approved plan, to provide for an annual cash bonus opportunity to select key employees including the NEOs. The MICP aligns employees' incentives with our financial goals for the current year. The bonuses paid for 2008 appear in the Summary Compensation Table under the "Non-equity Incentive Plan Compensation" column. Under the plan, competitively-based bonus target amounts, expressed as a percentage of salary, are established for participants at the beginning of each year by the committee. Bonus awards paid in 2008 for the NEOs were determined exclusively based on the degree of attainment of predetermined objective financial performance measures. The MICP provides for "qualified awards," which are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code, and for "non-qualified" awards that are not qualified under Section 162(m). At the end of the performance period, the committee has discretion to adjust a qualified award downward, but not upward, from the objectively determined level of attainment of the performance measure. Non-qualified awards can be adjusted upward or downward. The MICP gives the committee the authority to make appropriate adjustments in all awards to reflect the impact of unusual, non-recurring or extraordinary income or expense not reflected in the performance measures at the time they are set. The following describes the setting of awards for 2008:

Bonus Targets. Bonus targets for 2007 and 2008 were as follows, based on a percentage of salary:

Name	Target MICP bonus opportunity for 2007 expressed as a percentage of salary	Target MICP bonus opportunity for 2008 expressed as a percentage of salary
David E. Berges	100%	100%
William Hunt	60%	75%
Wayne C. Pensky	55%	65%
Ira J. Krakower	55%	65%
Robert G. Hennemuth	50%	55%

Analysis

Mr. Berges' employment contract provides him with an annual target bonus opportunity of at least 100% of his salary, with a maximum opportunity equal to 200% of salary. In approving these percentages for our CEO, the committee concluded that these award opportunities were competitive with the CEO's peers in the comparator group. For each of the other NEOs, the committee considered competitive data in relation to the comparator group, the accomplishments of each NEO in 2007, internal equity among the NEOs based on the CEO's assessment of performance and the importance of each NEO's position to our strategic goals, and tenure in position. The FWC data indicated that target cash awards for the other NEOs were below competitive norms, and this was an important factor in the committee's decision to increase target MICP percentages from 2007 to 2008.

Company Performance Measure. In January, 2008 the committee established company performance measures for all participants in the MICP including our NEOs (there were 159 participants overall). The measures were adjusted EBIT (weighted 75%) and adjusted net income (weighted 25%) in a change from adjusted EBITDA which had been the sole performance measure in prior years. Although the maximum payout based on each performance measure was 250% of the weighted target award for that performance measure, the range of each NEO's total award could range from zero to a maximum of 200% of the total target amount.

Table of Contents

"Adjusted EBIT" means operating income plus the sum of income taxes, interest expense, gains or losses on the sale of interests in joint ventures, other non-operating expenses (income), business consolidation and restructuring expense and other non-operating expenses (income).

"Adjusted net income" means income from continuing operations plus the after tax impact of gains or losses on the sale of interests in joint ventures, other non-operating expenses (income) and other expenses (income).

The following chart indicates the portion of an award, as a percentage of target award, at attained levels of adjusted EBIT. Nothing is paid based on adjusted EBIT if the level attained is below the threshold amount of \$132.4 million.

2008 MICP Payout Schedule Portion Based on Adjusted EBIT

Table of Contents

The following chart indicates the portion of an award, as a percentage of target award, at attained levels of adjusted net income. Nothing is paid based on adjusted net income if the level attained is below the threshold amount of \$73.4 million.

2008 MICP Payout Schedule Portion Based on Adjusted Net Income

Analysis

The committee adopted adjusted EBIT and adjusted net income as the 2008 performance measures, as opposed to adjusted EBITDA, as well as the relative weightings, because it believed this shift reflected the progress made by the company toward a more normalized financial condition. This normalized financial condition is reflected by our reduced leverage and increased operating earnings, as well as a less volatile tax rate. In addition, these measures could be derived from the company's audited consolidated financial statements.

In setting the objective performance target we considered the company's target performance under the 2008 business plan reviewed by the board and the scaling of potential awards at different achievement levels of adjusted EBIT and adjusted net income. For achieving adjusted EBIT and adjusted net income over target, we believe it is appropriate to leverage the awards to recognize superior performance. The adjusted EBIT and adjusted net income performance targets for 2008 required significant year-over-year growth in our business and we determined that performance exceeding target was not easy to achieve. For example, a 22.8% growth in adjusted EBIT from \$134.8 million in 2007 was required in order to achieve the target 2008 adjusted EBIT of \$165.5 million, and a 47.3% increase from 2007 adjusted EBIT was required for a maximum award at 2008 adjusted EBIT of \$198.6 million. A 31.9% growth in adjusted net income from \$69.5 million in 2007 was required in order to achieve the target 2008 adjusted net income of \$91.7 million, and a 58.3% increase from 2007 adjusted net income was required for a maximum award at 2008 adjusted net income of \$110.0 million. These adjusted EBIT and adjusted net income amounts exclude the results of the discontinued operations sold in 2007.

Individual Performance. As discussed under "Assessment of Individual Performance" on page 18, in 2008 the committee decided that, like the CEO, each other NEO's MICP bonus opportunity should be based exclusively on objective financial performance measures.

Table of Contents*Analysis*

The decision was based on: (1) the belief that the NEOs' performance significantly impacts the company's financial performance, and therefore their MICP awards should be based upon such results; (2) ensuring the tax deductibility of NEO awards under Section 162(m) of the Internal Revenue Code, and (3) the belief that eliminating the individual component from the MICP calculation did not materially impact the CEO's or the committee's ability to negatively adjust an award or to determine compensation in a subsequent year based on an NEO's degree of achievement of individual objectives.

Cash bonuses awarded for 2008. Using the MICP chart described above, in January 2009 the committee certified the degree of attainment of the financial measures after performing appropriate due diligence. Our adjusted EBIT for 2008 was \$145.0 million, which resulted in an award payout of 69% of target based on adjusted EBIT. Our adjusted net income for 2008 was \$105.9 million, which resulted in a 177.6% of target award payout based on adjusted net income. This resulted in a combined payout of 96.2% of target MICP award for each NEO.

Analysis

Once the combined 96.2% of target award was objectively determined, the committee considered whether to use negative discretion to reduce any award. The committee assessed the individual performance of each NEO and decided not to exercise negative discretion.

Equity Incentives. We make annual awards of equity incentives to participants in the ISP. In 2008 there were 163 participants who received grants under the ISP. On occasion we make individual awards when special recognition is warranted. In 2008 we used three forms of equity incentives granted to the NEOs under the ISP: non-qualified stock options ("NQOs"), Restricted Stock Units ("RSUs") and PSAs. In its meeting in January 2008, the committee approved the dollar value of each NEO's equity award for 2008 and approved the type of awards to be granted, NQOs, RSUs and PSAs, each representing one-third of the total award value. On January 28, 2008, the grant date for 2008 awards as determined by our equity award policy (which is described below on page 25), the dollar values were converted into a number of NQOs, RSUs and PSAs based on the valuation methodology used by us to determine the fair value accounting expense of the awards under FAS 123(R). The RSUs and PSAs were valued, for each share they represented, at the closing price of our common stock on the NYSE on January 28, 2008 (\$21.11). The NQOs were valued at \$9.97 for each share based on a Black-Scholes value determined as 47.2% of the closing price.

The value of each NEO's equity award, expressed as a percentage of salary in 2007 and 2008, was as follows:

Name	Total value of 2007 equity grants expressed as a percentage of salary	Total value of 2008 equity grants expressed as a percentage of salary
David E. Berges	250%	255%
William Hunt	170%(1)	150%
Wayne C. Pinsky	120%	170%
Ira J. Krakower	140%	140%(2)
Robert G. Hennemuth	140%	130%

(1)

The 170% figure for Mr. Hunt for 2007 excludes the impact of a one-time award of 25,000 RSUs granted in January 2007 that cliff-vests on April 1, 2009. If one-half of the value of this award is included (one-half as opposed to the full value due to its two-year cliff-vesting nature), Mr. Hunt's percentage for 2007 would have been 220%.

Table of Contents

(2)

The 140% figure for Mr. Krakower for 2008 excludes a one-time grant of 12,000 RSUs as described above on page 20. If the value of this award is included, Mr. Krakower's percentage would have been 217%.

Analysis

These equity incentives foster the long-term perspective necessary for continued success in our business. They also align the interests of our NEOs with shareholder value and are an important element of our goal to be competitive with peer companies. The aggregate grant date values for our equity incentives, determined as a percentage of salary, are consistent with the mid-range of the comparator group data and other industry survey data described above under "Compensation Consultant" on page 17.

As stated earlier, in addition to the comparative data described under "Benchmarking" on page 17, the committee considers other factors in setting NEO compensation such as job responsibilities, internal equity among the NEOs, individual performance, retention risk and experience. These considerations result in modest fluctuations of award levels year to year. The significant increase in Mr. Pensky's percentage is reflective of the committee's intent to increase Mr. Pensky's compensation commensurate with his increasing tenure as CFO to bring his compensation in line with the mid-range of the comparator group.

Each year the committee, after consulting with the compensation consultant and senior management, decides how to allocate equity award value among types of equity awards for all participants in the ISP. The committee determines this allocation after considering a variety of factors such as the practices of the comparator group, our equity plan "burn rate" and "overhang," alignment of the interests of our NEOs with those of shareholders and the desired risk/reward profile and desired emphasis of performance of our annual equity award program. The committee also considers employee perception of the value of each type of award to be significant to realizing the award's motivational and retentive value for the company. After considering these factors, the committee decided to allocate one-third of the total equity award value for NEOs to each of NQOs, RSUs and PSAs in 2008.

Mr. Krakower received a one-time grant of 12,000 RSUs, as described above on page 20.

Equity Award Policy

Under our equity award policy:

The grant date for annual equity awards to employees is the third full trading day after we issue our year-end earnings release

The grant date for equity awards to directors is the date of initial election and/or re-election to the board

The grant date of any other award, such as for a new hire award or a special recognition or retention grant to an existing employee or director, is the third trading day following the first date on which financial results for a quarter are publicly disclosed following the date the award was authorized

The exercise price of a stock option shall not be less than the closing price of our common stock on the NYSE on the date of grant

Equity awards shall be valued in the same manner for compensation and accounting purposes in accordance with FAS 123(R) as of the grant date

All awards must be in the form of a specified number of shares or the approval of an amount or percent of base pay along with a pre-defined algorithm by which the number of shares can be calculated with certainty on the grant date

Table of Contents

Equity awards may only be authorized by the board or the compensation committee or by an equity grant committee, if specifically authorized by the board or the compensation committee

Each authorization of granting authority to the equity grant committee must state the aggregate maximum number of shares, the relevant period, the eligible recipients, and the maximum number of shares that may be granted to any single person; in addition, the compensation committee must be informed of all awards made by the equity grant committee each quarter

The committee has the discretion to authorize grants outside the policy when the circumstances warrant

We chose to value equity grants and to set the exercise price of an NQO on the third trading day after we next release earnings following a grant authorization to allow the public market an opportunity to digest our financial results and establish the fair market value of a share of our common stock on the date of grant.

In early 2008 the committee authorized the equity grant committee, which is composed solely of our CEO, to grant equity awards to non-executives during 2008 for new hires, retention and special recognition. This authority was granted with respect to up to 100,000 shares, but no individual award could exceed 10,000 shares.

Stock Options

NQOs provide for financial gain derived from the potential appreciation in stock price from the date that the NQO is granted until the date that the NQO is exercised. The exercise price for our NQO grants is set at the closing price of our common stock on the NYSE on the grant date. Our long-term performance ultimately determines the value of NQOs, as gains from NQO exercises are entirely dependent on an increase in our stock price. NQOs granted generally vest and are exercisable at the rate of one-third on each of the first three anniversaries after the grant date and expire ten years from the grant date.

All NQOs issued to ISP participants since 2005, and NQOs issued to our NEOs prior to 2005, provided for a three-year period to exercise vested NQOs after retirement. "Retirement" for this purpose is defined as age 65, or age 55 with five or more years of service. Effective January 1, 2009, we extended this three-year period to five years for all outstanding NQOs and for all NQOs on a going forward basis.

The income of an NEO attributed to the exercise of our NQOs is considered performance-based compensation under Section 162(m) of the Internal Revenue Code, so we are generally permitted to deduct, on an unlimited basis, the compensation expense associated with any such income.

Analysis

Because financial gain from NQOs is only possible after the price of our common stock has increased, we believe grants encourage NEOs and other employees to focus on behaviors and initiatives that should lead to a longer-term increase in the price of our common stock, which aligns the interests of our NEOs and employees with those of our shareholders.

The committee determined that NQOs granted by the company should provide for a longer post-retirement exercisability period for all NQO recipients, including named executive officers. This change was implemented in order to enhance the incentive and retentive elements of NQOs by increasing the opportunity for employees approaching retirement eligibility to perceive added value from their NQOs. In determining the value of an NQO for compensation purposes the committee assumes the full ten-year term for exercisability. However, the actual value of the NQO to an employee who may become retirement eligible during the term of the NQO can be considerably less because of the shorter effective term following retirement. The company accounts for NQO expense as though all

Table of Contents

NQOs remained exercisable for ten years. Accordingly, there is no expense incurred as a result of the change to the post-retirement exercisability period. The committee considered whether this change might negatively affect the retentive element of the company's NQOs by encouraging earlier retirement, and determined that extending the post-retirement exercisability period would more likely result in a decision to defer rather than to accelerate retirement.

Restricted Stock Units

RSUs represent units that generally vest and convert into shares of our common stock on a one-to-one basis at the rate of one-third on each of the first three anniversaries of the grant date or at some other schedule of vesting. Since RSUs are valued at the closing price of common stock on the date of grant, a grant of equity award value in the form of RSUs results in the issuance of fewer shares and less dilution than would result from providing the same value in the form of NQOs.

Our annual awards of RSUs do not qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code, and so may not be deductible to the extent that an NEO's aggregate compensation, other than performance-based compensation, exceeds \$1 million in the year in which the RSUs vest.

Analysis

Unlike NQOs, which have no value if the stock price does not increase from the date of grant, RSUs have value so long as the stock is not worthless. RSUs therefore have a retentive feature that should ensure that successful, high-achieving employees will remain motivated and committed to us despite temporary downturns in our performance. Because a higher stock price increases the value of RSUs, we believe that, similar to the case with NQOs, grants encourage NEOs and other employees to focus on behaviors and initiatives that should lead to an increase in the price of our common stock, which aligns the interests of our NEOs with those of our shareholders.

Performance Share Awards

PSAs provide an opportunity to receive shares of our common stock depending upon a measure of our performance over a multi-year period. The PSAs granted in 2007 and 2008 provided for a threshold, target and maximum number of shares that can be earned over a two-year performance period. In 2007, the maximum number of shares that could be earned was 150% of target; in 2008, it was 200% of target. The shares vest and are distributed to the grantee only if the grantee completes a third year of service, although an award is pro-rated upon certain terminations.

Analysis

PSAs strengthen the connection between company performance and equity grants. If we fail to achieve the threshold level of performance, the PSAs have no value, and if we achieve above-target performance, the PSAs increase in value. In addition, the service requirement helps us retain and motivate our executives and key employees including during temporary downturns in our performance.

PSA grants encourage NEOs and other employees to focus on improved medium-term financial performance and a long-term increase in the price of our common stock. The medium-term performance determines how many shares are acquired, and our long-term performance increases the value of the shares distributed after the service period. This serves to align the interests of employees with those of our shareholders.

Table of Contents

2008-2009 PSAs

In January 2008 the committee adopted RONCE as the financial measure for the 2008-2009 period. For the 2008 grant, RONCE was defined as the average return for 2008 and 2009 divided by the average capital employed as of December 31, 2007, 2008 and 2009, where:

Return generally means operating income, adjusted for non-operating gains and losses, and

Capital employed generally means shareholder equity plus net debt.

The following chart indicates the scaling of awards for the 2008-2009 period, as a percentage of target award, at various levels of attained RONCE. In the chart, RONCE results are expressed as a percentage of target RONCE:

**2008-2009 PSA
Payout Schedule**

The structure of the 2008-2009 PSAs require a threshold level of performance before any payout is earned, and includes target, stretch (150% of payout) and maximum (200% of payout) award levels.

Under the PSAs, upon termination of employment due to death, disability or retirement, or upon termination of the employee without cause or, in the case of our NEOs, by the executive for good reason, the employee is entitled to receive a pro-rata portion, based on time employed during the performance period, of the earned award determined at the end of the performance period.

2008-2009 PSAs analysis

The committee adopted RONCE as the performance measure for the 2008-2009 PSAs for two reasons. First, RONCE could be derived from the audited consolidated financial statements. Second, using RONCE would focus management in operating returns, cash flow and net assets employed, at a time when we anticipate growth in our sales and increased levels of capital expenditure to service this growth. Under these circumstances, it is important to provide an incentive for the efficient utilization of our net assets and to motivate improvement in the return that we earn on these net assets.

Table of Contents

Target levels were established by the committee in early 2008 based on the business plan for 2008 and the company's longer-range planning projections for 2009. The target levels chosen were challenging, yet attainable, giving consideration to

the expected increase in capital expenditures over the 2008-2009 period, and

the fact that, in the aerospace industry, there is a substantial time lag between the investment of capital and the realization of return on capital investment.

The 2007 PSAs contained a maximum payout at 150% of target. A 200% maximum was adopted for the 2008 PSAs, but with the structure designed so that attainment of the 150% level in 2008 would require the same performance above target as required to attain the 150% level in 2007, and attainment of the 200% level in 2008 would require substantially greater performance than that required to attain the 150% level in 2007. This modification was made to encourage superior performance even after the 150% level is, or is close to being, obtained.

As shown by the graph above, a fixed increase in RONCE between target and stretch results in a greater enhancement in payout than the enhancement that would result from the same increase between threshold and target. Similarly, a fixed increase in RONCE between stretch and maximum performance results in a greater enhancement in payout than the enhancement that would result from the same increase between target and stretch. This payout structure was adopted to reflect that once target, and then stretch, levels are obtained, it is more difficult to increase operating income as a percentage of capital employed and a greater reward is justified.

Payout of 2007-2008 PSAs

RONCE was also the financial measure adopted for the 2007-2008 period. The rationale for using RONCE was the same as for the 2008-2009 period. The payout structure was depicted by a straight line, meaning that a fixed increase in RONCE resulted in the same increase in the payout level regardless of where on the line the increase occurs. The threshold level of RONCE was 16%, target RONCE was 18%, and the maximum payout would be achieved at 20% RONCE. In January 2009, the compensation committee, after performing appropriate due diligence, certified attained RONCE at 19%, which resulted in a payout of 125% of target for all participants including the NEOs. After a one-year retention period, the shares will be delivered to employees in January 2010.

Benefits and Retirement Plans. Our employees are offered participation in a variety of retirement, health and welfare, and paid time-off benefit plans which generally are comparable to plans offered by other employers in the markets from which we recruit our workforce. These benefits ensure that we can offer competitive benefits and promote employee well-being and retention. Our NEOs may participate in these plans to the same extent as our other employees. These plans may be tax-qualified or otherwise subject to tax and regulatory regimes of the jurisdiction in which employees are located. These legal requirements may limit benefits payable under the plan or impose adverse consequences if benefits are paid based on compensation above certain levels. We offer to supplement these benefits where these and other considerations are important to maintaining competitive benefits. Our NEOs receive the following supplemental benefits:

Our US-based NEOs are eligible to participate in the nonqualified deferred compensation plan described on page 51 under "Nonqualified Deferred Compensation in Fiscal Year 2008"

We have entered into the following supplemental retirement agreements with our NEOs, which are described on page 46 under "Pension Benefits in Fiscal 2008":

supplemental executive retirement agreements ("SERPs") with Messrs. Berges and Krakower

Table of Contents

executive deferred compensation arrangements ("EDCAs") with Messrs. Pensky and Hennemuth

a supplemental pension arrangement with Mr. Hunt

We provide a death benefit for each of our US-based NEOs while employed by us equal to two times the sum of (i) the NEO's salary on the date of death and (ii) the average of the annual cash incentive bonuses paid to the NEO in the two years prior to death. This benefit is in the form of insurance paid by us up to a maximum insured amount of \$1,500,000 for Mr. Berges and \$750,000 each for Messrs. Pensky, Krakower and Hennemuth. With respect to Messrs. Pensky, Krakower and Hennemuth, to the extent the death benefit exceeds the maximum insured amount we will make a payment to the estate of the NEO for the excess amount. Mr. Berges' death benefit is capped at \$1,500,000.

We provide Mr. Hunt with additional life insurance while employed by us that provides for a death benefit equal to \$1,484,144, and additional private health insurance and disability/personal accident and illness insurance

Our cost of providing the supplemental death and insurance benefits to our NEOs are reflected in the "All Other Compensation" column of the Summary Compensation Table on page 38 and are described in more detail in footnote (7) to that table with respect to our US based NEOs, and footnote (10) to that table with respect to Mr. Hunt.

Our qualified 401(k) Plan allows substantially all US employees to contribute up to 20% percent of their cash compensation (salary and bonus under the MICP). There is an aggregate limit on total annual contributions (whether by the employee or the company) imposed by the Internal Revenue Code (the limit was \$46,000 for 2008). The Internal Revenue Code further limits the amount that may be contributed on a pre-tax basis; that amount was \$15,500 for 2008 (\$20,500 for persons age 50 or older). The plan further provides:

that employee contributions and earnings thereon are 100% vested at all times.

for a 50 percent match on employee contributions, up a maximum of 6% of total cash compensation.

for a discretionary profit sharing contribution into the plan annually

for a fixed contribution of an additional 2% of each employee's cash compensation each year, or 4% for employees who were 45 years of age on or before December 31, 2000 and employed by us as of such date

for all matching, discretionary and fixed contributions and earnings to vest at the rate of 20% for each year of service with us meaning that all contributions are fully vested after five years

for an array of investment options as selected by plan fiduciaries from time to time

for distributions to be made in a lump sum or in a series of monthly, quarterly or annual installments after termination of service

for loans and in-service distributions under certain circumstances, such as a hardship, attainment of age 59^{1/2} or a disability

One of the investment options in the 401(k) plan is a Hexcel stock fund. Senior executives, including all the NEOs, are not permitted to invest in this fund. Other employees may only invest company contributions, and not their own contributions and earnings, in the Hexcel stock fund. Senior executives, including all NEOs, are also prohibited from taking loans.

Table of Contents

Mr. Hunt, as a UK-based executive, participates in the Hexcel Composites Limited Pension Scheme, a tax qualified defined benefit plan available to all of our UK employees. We have also entered into a supplemental pension arrangement with Mr. Hunt. Upon reaching age 65 in January 2008, Mr. Hunt starting receiving benefits under the Pension Scheme and supplemental pension arrangement. The Pension Scheme and supplemental arrangement are described on pages 47 48.

Amendments to SERP Agreements

On December 31, 2008, we amended the SERPs between us and each of Messrs. Berges and Krakower. The vast majority of the changes were to comply with Section 409A of the Internal Revenue Code, as described on page 34. We also:

changed the default form of payment on normal or early retirement under the SERPs from an annuity to an actuarially equivalent lump sum (previously the lump sum was an elective form of payment)

provided for a pre-retirement survivor benefit equal to the lump-sum equivalent of a 50% survivor annuity had the executive retired immediately prior to his death. The executive also has the option to elect a 75% or 100% survivor annuity or a survivor benefit equal to the lump sum the executive would have received had he retired immediately prior to his death. However, if the executive elects any of these alternative forms of pre-retirement survivor benefit, the additional actuarial cost (above the cost of providing the benefit based on a 50% survivor annuity) reduces the amount of the executive's retirement benefit (and hence the survivor's benefit as well). Prior to this amendment, the executive was required to pay the full cost of providing any pre-retirement survivor benefit.

Amendments to SERP Agreements Analysis

In approving the modification providing for a pre-retirement survivor benefit funded by the company, the committee was guided by its compensation consultant and took into consideration that:

this type of feature is a required feature of tax-qualified pension plans and SERPs commonly track it

there would be no accounting charge associated with this modification

Perquisites

Mr. Berges does not participate in our perquisites program and does not receive a perquisites allowance. For each of Messrs. Pensky, Krakower and Hennemuth, our perquisites program provides for an annual car allowance of \$12,000, and an additional annual allowance of \$10,600 (for Messrs. Pensky and Krakower), and \$5,600 (for Mr. Hennemuth). The additional allowance may be used for:

reimbursement of club membership dues

expenses incurred for financial counseling and tax preparation

premiums for supplemental life and health insurance beyond the standard life and health insurance available to our executives

reimbursement to the NEO for taxes due on the income recognized by the NEO as a result of receiving these reimbursements (but only to the extent of any remaining balance)

Table of Contents

As a non-US based executive, Mr. Hunt does not participate in the same perquisites program as our US executives. Mr. Hunt is entitled to the following perquisites:

An annual allowance of \$22,262 for reimbursement of housing expenses for housing in Duxford, England, where Hexcel Composites Limited's offices are located, and for travel expenses between Duxford and Mr. Hunt's residence in Cheshire, England. This arrangement existed between Mr. Hunt and his former employer, Ciba-Geigy Ltd, and was continued by us when we purchased Ciba-Geigy's composites business in 1996 and Mr. Hunt became employed by us. A portion of the allowance is intended to be used to cover tax liabilities related to the income realized by Mr. Hunt as a result of receiving this reimbursement.

A company car and related expenses

Club dues for one club

Our cost of providing these perquisites to our NEOs is reflected in the "All Other Compensation" column of the Summary Compensation Table on page 38. The cost is described in more detail in footnote (7) to that table with respect to our US-based NEOs, and footnote (10) to that table with respect to Mr. Hunt.

Analysis

These perquisites are not part of an executive's base compensation, and therefore are not a factor in calculating pay increases, bonus payouts, equity awards, retirement benefits or any other program tied to base compensation. We believe that the perquisites we offer to our NEOs are reasonable in amount. The committee's compensation consultant reviews our perquisites program annually.

Stock Ownership Guidelines

Under the company's stock ownership guidelines:

the target for compliance is stated in dollar amounts

the executive or director is required to reach the target dollar value through ownership of shares of unrestricted common stock and to retain those shares until termination of service; vested restricted stock units count as shares owned

the target dollar value is as follows:

CEO	5x Salary
Executive Officers other than CEO	2x Salary
Directors	3x Annual Retainer Fee

until the target dollar value is reached, an executive must retain 50%, and a director must retain 100%, of all "net" shares received under any company equity compensation program

"net" shares means all shares remaining after the sale by the executive or director, or the withholding by us of shares to pay the exercise price (in the case of options) and any taxes due in respect of the shares received

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testing for compliance is done when a director or executive joins the company, and on the last day of each fiscal quarter

once the executive or director holds the target dollar value as of a testing date, he is deemed to be in compliance with the policy so long as he continues to hold at least the number of shares he held as of that testing date

Table of Contents

In early 2009, the guidelines were revised so that shares or vested restricted stock units held by a parent, child or grandchild of the executive or director, or by a trust or other entity established for any such family members, would count toward reaching the guideline dollar value so long as the executive or director retained the power to dispose of the shares. The committee approved this change because it believed that the purpose of aligning the interests of directors and executives with those of stockholders through stock ownership is still served when shares are held by immediate family members or trusts or other entities for their benefit. Making this change also removed the disincentive that previously existed in the stock ownership guidelines to transfer shares to family trusts in order to facilitate estate planning.

Under these guidelines, Messrs. Berges, Hunt and Krakower, all of whom held shares with a value greater than the target dollar value on a prior testing date and continue to hold at least that number of shares, are in compliance with the policy. Messrs. Pensky and Hennemuth, both of whom became an executive officer in the last three years, have not yet acquired shares with the requisite target value. Messrs. Beckman, Campbell, Hurley and Pugh, and Ms. Brubaker and Ms. Derickson, are in compliance with the policy; our remaining three non-employee directors, each of whom joined our board in the last three years, have not yet acquired shares with the requisite target value. Our NEOs and directors who do not hold shares with the requisite target value are restricted from selling 50% (in the case of our NEOs) and 100% (in the case of our directors) of the "net" shares received from their equity grants. We monitor compliance with the guidelines by all NEOs and directors at least annually.

Employees and directors are not permitted to "sell short" Hexcel stock or to otherwise hedge their economic exposure to the Hexcel stock they own.

Potential Impact on Compensation from Executive Misconduct

If we were to determine that an executive officer has engaged in fraudulent or intentional misconduct, we would take action to remedy the misconduct, prevent its recurrence, impose appropriate discipline on the individual who engaged in the misconduct and report the misconduct to the audit committee. Discipline would vary depending on the facts and circumstances, and may include:

termination of employment

initiating an action for breach of fiduciary duty

if the misconduct resulted in inaccurate reporting of our financial results, seeking reimbursement of any portion of performance-based or incentive compensation paid or awarded that is greater than would have been paid or awarded if calculated based on the accurate reporting of our financial results

These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

The Impact of Tax Regulations on our Executive Compensation

Deductibility of Compensation Section 162(m). Under Section 162(m) of the Internal Revenue Code there is a \$1.0 million annual limit on the deductibility of nonperformance-based compensation paid to certain NEOs. Section 162(m) contains a number of requirements for qualifying an award for deductibility, including the adoption of a plan containing performance criteria approved by stockholders, the authorizing of awards by a committee consisting solely of "outside directors," the certification of performance results and other requirements. We consider deductibility as one factor along with others that are relevant in setting compensation. The ISP is a qualified plan, and NQOs and PSAs issued under the ISP generally qualify for deductibility. As noted on page 27, we also grant RSUs without any performance requirement as one of the mechanisms we employ to foster retention of key employees. The MICP is a qualified performance-based plan, and provides for performance-based qualified awards and non-qualified awards. Under Internal Revenue rulings, if the terms of

Table of Contents

performance-based compensation would, under certain circumstances, allow payment to be made without regard to whether performance goals are met, the compensation would not qualify as performance-based under Section 162(m) even if performance goals were met. Generally our performance-based compensation is payable only if performance is attained; however we do provide for certain payments upon a change of control irrespective of whether performance goals are attained, and those payments would be disqualified under Section 162(m).

We were able to deduct all expense associated with the compensation paid to our US-based NEOs in 2008 except for \$583,000 out of \$2,496,000 total expense associated with compensation to Mr. Berges, primarily because Mr. Berges' salary and the market value of shares received from RSUs that converted in 2008 exceeded \$1.0 million.

Deferred Compensation Rules Section 409A. Section 409A of the Internal Revenue Code generally changes the tax rules that affect most forms of deferred compensation that were not earned and vested prior to 2005. Section 409A limits the timing of deferral elections, the range of permissible payment events, and the ability to accelerate payments under nonqualified deferred compensation plans, and imposes certain additional taxes and penalties on participants if the plan fails to comply. Deferred compensation plans and arrangements were required to be in full compliance with 409A by December 31, 2008. We had revised some of our deferred compensation arrangements to be in compliance with 409A in 2007, and we completed the remaining necessary amendments to the following agreements and plans at the end of 2008:

Employment Agreement with Mr. Berges

SERPs with Mr. Berges and Mr. Krakower

Severance Agreements with Mr. Krakower, Mr. Pensky and Mr. Hennemuth

RSU Agreements and PSA Agreements with various directors and employees, including the NEOs

The compensation plans in which one or more of our NEOs participate that were amended and restated are:

Hexcel Corporation 2003 Incentive Stock Plan

Hexcel Corporation Management Incentive Compensation Plan

Hexcel Corporation Nonqualified Deferred Compensation Plan

Hexcel Corporation Management Stock Purchase Plan

The significant changes made to the above agreements and plans to comply with 409A include the following:

Amending the definition of "change in control" where compensation is payable to employees upon the occurrence of events constituting a change in ownership or voting control

Amending the definition of "good reason" where compensation is payable to an employee who terminates employment as a result of a "material negative change" to the employee's relationship with the company

Adding a variety of restrictions and limitations relating to

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the timing of payments under the agreements and plans, including the addition of a mandatory six-month payment delay for certain "specified employees" in the event of the employee's termination of employment, and

the timing for making deferral elections under the agreements and plans as well as elections as to the form and timing of payments

Table of Contents

Adding default timing and form of payment to the plans and agreements where appropriate. In addition, we changed the default form of payment on normal or early retirement under the SERPs from an annuity to an actuarially equivalent lump sum which previously had been an elective form of payment.

Severance and Change in Control Arrangements

As described on pages 52-58 of this proxy statement, we provide certain payments, benefits, or enhancements to our NEOs as a result of certain terminations of employment or a change in control. In addition, as described on pages 53-54, we accelerate vesting of many of our equity grants upon certain terminations and upon a change of control. We also provide a modified gross-up for excise taxes incurred by our US-based NEOs on "excess parachute payments" under 280G of the Internal Revenue Code.

Analysis

These severance and change of control benefits enhance our ability to attract and retain executives as we compete for talented individuals in a competitive marketplace.

In approving arrangements that provide for payments and enhancements upon termination by us without cause or by the NEO for good reason, other than in connection with a change of control, the committee considered the following:

affording a level of these benefits that are reasonable and competitive

we provide for the opportunity to sunset enhanced severance benefits for new NEOs by giving the company the right to not renew such benefits after an initial term

the likelihood that it will take more time for an executive-level employee to find comparable new employment

In adopting a "single-trigger" for vesting equity awards which means the equity awards vest upon a change in control regardless of whether the NEO's employment is terminated the committee considered the following:

a single trigger on equity vesting can be an especially powerful retention device for senior executives during change in control discussions, as equity represents a significant portion of total compensation

the desire to provide NEOs with the same opportunity as shareholders would have to realize value at the time of a change in control, consistent with the intended alignment of NEO's interests to those of shareholders

the company may no longer exist after a change in control, or performance measures may become misaligned with strategies formulated by new management or a new board

With respect to approving the enhanced benefits for our NEOs under their SERP and severance agreements following a termination in connection with a change of control, the committee determined that it is important to motivate executives to consider corporate transactions that are in the best interests of the company and its shareholders without undue concern over the impact of the transaction on the NEO's personal situation.

With respect to the modified gross-up for excise taxes incurred on "excess parachute payments," we were specifically guided in providing this modified benefit by our compensation consultant in 2004 and believe that it serves to support the general principle of preserving the benefits intended to be delivered to the NEO and removing personal interests from decisions that enhance stockholder value. The effects of Section 280G are unpredictable and can have widely divergent and unexpected effects based on an NEO's personal compensation history (such as whether or not options have been exercised

Table of Contents

in prior years). As indicated in footnote (5) to the table on page 57, if a change in control occurred on December 31, 2008 none of our NEOs would have received any gross-up payment.

As described on pages 52-53, Mr. Berges' employment agreement and the severance agreements with each of Messrs. Pensky, Krakower and Hennemuth include post-termination obligations on these executives, principally an obligation to not compete over a period whose duration is tied to the amount of severance payments received.

Compensation Committee Interlocks and Insider Participation

The following directors were members of the compensation committee during 2008: Joel S. Beckman, Lynn Brubaker, Sandra L. Derickson and David L. Pugh.

Equity Compensation Plan Information

The following information is provided as of December 31, 2008:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))(1)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,789,928(2) \$	11.55(3)	2,504,801(4)
Equity compensation plans not approved by security holders(5)	678,047 \$	10.50	0
Total	4,467,975 \$	11.34(3)	2,504,801(4)

(1) All numbers in these columns refer to shares of Hexcel common stock.

(2) Includes 486,326 shares of common stock issuable upon the vesting and conversion of restricted stock units, and 592,915 shares of common stock issuable as a result of outstanding PSAs. With respect to PSAs for the 2007-2008 performance period, reflects shares to be issued at 125% of the target number of shares in early 2010, based on the level of attainment of RONCE (the applicable performance measure) during the 2007-2008 period. With respect to the 2008-2009 period, assumes that we will attain the maximum level of RONCE under the PSAs for the 2008-2009 performance period, which would result in the PSAs converting into the maximum number of RSUs in early 2010. This is an assumption required by SEC rules.

(3) Excludes the restricted stock units referred to in note 2 above.

(4) Includes (i) 2,352,949 shares of common stock available for future issuance under the Hexcel Corporation 2003 Incentive Stock Plan, which shares of common stock could be issued in connection with awards other than options, warrants or rights, and (ii) 151,852

shares reserved for issuance under the Management Stock Purchase Plan.

(5)

The only equity compensation arrangements in which equity securities were authorized that have not been approved by stockholders are two option agreements with Mr. Berges entered into in connection with his employment agreement, as described under the heading "Employment Agreement with Mr. Berges" on page 43.

Table of Contents

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed the Compensation Discussion and Analysis and discussed it with management. Based on its review and discussions with management, the committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our 2009 proxy statement and incorporated by reference into our Annual Report on Form 10-K for 2008. This report is provided by the following independent directors who comprise the committee:

David L. Pugh (Chair)

Joel Beckman

Lynn Brubaker

Sandra L. Derickson

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth the compensation paid to, or accrued by us for

our Chief Executive Officer

our Chief Financial Officer

our next three most highly compensated executive officers who were employed by us on December 31, 2008

We refer to these individuals as the named executive officers, or NEOs.

Name and Principal Position	Year	Salary (\$)	Bonus	Stock Awards \$(1)(2)	Option Awards \$(2)(3)	Non-Equity Incentive Plan Compensation \$(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(5)	All Other Compensation (\$)	Total (\$)
David E. Berges; Chairman and CEO	2008	875,000		1,267,137	909,551	841,313	543,434(6)	94,499(7)	4,530,934
	2007	837,000		1,221,197	1,527,605	913,167	2,278,909(6)	78,414	6,856,292
	2006	837,000		876,459	1,644,919	700,000	819,644(6)	103,495	4,981,517
William Hunt; President(8)	2008	447,182		491,221	243,463	322,474	5,989(9)	113,463(10)	1,623,792
	2007	466,206		738,336	462,130	305,179	96,881(9)	121,328	2,190,060
	2006	390,189		268,388	403,387	206,441	163,007(9)	103,828	1,535,240
Wayne C. Pensky; SVP and CFO(11)	2008	351,000		234,855	117,364	219,366	57,460(14)	79,829(7)	1,059,874
	2007	289,320	\$ 100,000(12)	197,006	64,609	195,016(13)	100,670(14)	254,878	1,201,499
Ira J. Krakower; SVP; General Counsel; Secretary	2008	329,680		517,003	154,769	206,042	0(15)	71,774(7)	1,279,268
	2007	317,029		164,733	277,832	190,234	600,234(15)	58,749	1,608,811
	2006	306,013		179,725	305,050	126,567	35,356(15)	74,363	1,027,074
Robert G. Hennemuth; SVP Human Resources	2008	310,500		249,701	156,640	164,200	64,409(16)	68,397(7)	1,013,847
	2007	300,000		186,959	109,277	163,646	48,500(16)	356,905	1,165,287

(1)

Reflects the expense recognized in accordance with FAS 123(R) in the financial statements of the company for the year indicated with respect to all outstanding RSUs and PSAs held by the NEO during such year. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based conditions. As Messrs. Berges, Hunt and Krakower already meet the criteria for continued vesting after retirement under the terms of our RSUs, under FAS 123(R) the fair value of their RSUs is fully expensed in the year of grant. Under the PSAs, a retirement-eligible employee who retires during the two-year performance period receives a pro rata award of RSUs based on the portion of the performance period for which he was employed and the extent to which the performance target is attained; retirement during the one-year service period results in conversion of the RSUs into shares of common stock.

When PSAs are first granted, we recognize expense assuming that the target level of performance will be achieved. During the performance period, if the assumed level of performance increases, we recognize additional expense, and if the assumed level of performance decreases, we reverse expense that we previously recognized. The amounts in the "Stock Awards" column for each year reflect the total expense recognized in such year for RSUs and PSAs, and therefore these amounts reflect the reversal of expense previously recognized with respect to PSAs granted in a prior year if the assumed

level of performance for such PSAs has decreased.

For additional information regarding the assumptions made in calculating these amounts, see Note 12, "Stock-Based Compensation," to the consolidated financial statements, and the discussion under the heading "Critical Accounting Policies Share-Based Compensation" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2008, and Note 13, "Share-Based Compensation," to the consolidated financial statements, and the discussion under the heading "Critical Accounting Policies Share-Based Compensation" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2007. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value that will be realized by the NEO. Under FAS 123(R), performance conditions do not reduce the grant date fair value of PSAs, but changes in operating performance may result in adjustments to recognized expense in subsequent reporting periods.

(2)

The expense recognized in accordance with FAS 123(R) in the financial statements for the year ended December 31, 2008 for equity awards granted to each NEO in 2008 is set forth in the chart below. All of these grants were made on January 28, 2008 and are reflected in the "Grants of Plan-Based Awards in 2008" table below. Messrs. Berges, Hunt and

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Table of Contents

Krakower meet the criteria for continued vesting after retirement under the terms of our NQOs and RSUs, and therefore under FAS 123(R) the fair value of their NQOs and RSUs is fully expensed in the year of grant. This principle regarding fully expensing the fair value on the date of grant does not apply to the PSAs, as described above in footnote (1).

	NQOs (\$)	RSUs (\$)	PSAs (\$)
David E. Berges	743,752	743,748	209,345
William Hunt	242,251	242,258	68,189
Wayne C. Pinsky	72,367	72,366	37,340
Ira J. Krakower	153,867	407,191	43,311
Robert G. Hennemuth	41,493	41,496	25,261

- (3) Reflects the expense recognized in accordance with FAS 123(R) in the financial statements of the company for the year indicated with respect to all outstanding NQOs held by the NEO during such year. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based conditions. As Messrs. Berges, Hunt and Krakower already meet the criteria for continued vesting after retirement under the terms of our NQOs, under FAS 123(R) the fair value of their NQOs is fully expensed in the year of grant. For information regarding the assumptions made in calculating these amounts, see Note 12, "Stock-Based Compensation," to the consolidated financial statements, and the discussion under the heading "Critical Accounting Policies Share-Based Compensation" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2008, and Note 13, "Share-Based Compensation," to the consolidated financial statements, and the discussion under the heading "Critical Accounting Policies Share-Based Compensation" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2007. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value that will be realized by the NEO.
- (4) Reflects amounts earned under the MICP with respect to 2008, 2007 and 2006. Such amounts were paid in 2009, 2008 and 2007, respectively.
- (5) Represents the change in pension value for the year indicated for each NEO. The amounts in this column were calculated assuming retirement at age 65 for all NEOs except Mr. Krakower and Mr. Hunt, which is the normal retirement age under the relevant pension plans and arrangements. Since Mr. Krakower and Mr. Hunt are over age 65, current age was used as the assumed retirement age for each of them. The interest rate and mortality assumptions used are consistent with those used in the preparation of Hexcel's financial statements. See Note 8, "Retirement and Other Postretirement Benefit Plans" to the consolidated financial statements, and the discussion under the heading "Retirement and Other Postretirement Benefit Plans" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2008, for a description of these interest rate and mortality assumptions.
- Substantially all of the increase in pension value for the US NEOs from 2006 to 2007 was due to two factors. First, in December 2007, in light of the limited transitional period to make elections as to forms of payment under Section 409A of the Internal Revenue Code, the US NEOs elected to receive their benefits under the SERPs and EDCAs in the form of a lump sum. The lump sum is based in part on the use of the interest rate in the applicable plan document. Second, the increase in pension value reflected an additional year of service and, in the case of the SERPs, higher average compensation, and in the case of the EDCAs, additional earned compensation.
- The increase in pension value from 2007 to 2008 for Messrs. Berges and Pinsky was much less than the increase from 2006 to 2007, and in the case of Mr. Krakower the value decreased. This is primarily because the interest rate used to compute the pension value as of December 31, 2008 was much higher than the December 31, 2007 interest rate. The plan documents specify that the lump sum interest rate to be used is 120% of the PBGC interest rate for the month in which benefits commence.
- (6) For each year, represents the difference between the actuarial present value of Mr. Berges' accumulated benefit under his SERP as of December 31 of the current year and December 31 of the prior year. See footnote (5) for an explanation of the changes in value from year to year.
- (7) The amounts in the "All Other Compensation Column" for 2008 for all NEOs except Mr. Hunt include the following:

Name	Hexcel	Hexcel	Cash in Lieu	Premiums for	Premiums for	Perquisites	Relocation
	Contributions to 401(K) Retirement Savings Plan	Contributions to Nonqualified Deferred Compensation Plan	of 401(K) Contributions on Earnings Exceeding ERISA Limits	Life Insurance in excess of \$50,000	Long-Term Disability Insurance	Allowance(a)	Expenses(b)
David E. Berges	\$ 18,475		\$ 71,803	\$ 3,741	\$ 480		
Wayne C. Pinsky	\$ 23,075	\$ 30,712		\$ 1,806	\$ 480	\$ 22,600	\$ 1,156
Ira J. Krakower	\$ 23,075		\$ 23,813	\$ 1,806	\$ 480	\$ 22,600	
	\$ 18,475	\$ 16,767		\$ 1,806	\$ 480	\$ 17,600	\$ 13,269

Robert G.
Hennemuth

- (a) The perquisites allowance consists of a car allowance of \$12,000 and an additional amount of \$10,600 (in the case of Messrs. Pensky and Krakower) and \$5,600 (in the case of Mr. Hennemuth). The additional amount may be used for

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Table of Contents

reimbursement of club membership dues, expenses incurred for financial counseling and tax planning and preparation, premiums for supplemental life and health insurance beyond the standard life and health insurance available to our executives and, to the extent of any remaining balance, to reimburse the NEO for taxes due on the reimbursements ("tax gross-up"). The additional amount was used by the NEOs for the following benefits: Mr. Pensky supplemental life insurance; Mr. Krakower tax planning, tax preparation, financial planning and \$2,200 in tax gross up; and Mr. Hennemuth supplemental life insurance and \$1,230 in tax gross up. While the compensation committee always has the discretion to authorize additional perquisites for an NEO, our perquisites allowance has remained unchanged since 2000, except that all perquisites were eliminated for Mr. Berges in 2006.

- (b) With respect to Mr. Pensky, consists of expenses incurred in connection with Mr. Pensky's relocation from the San Francisco area to Stamford, Connecticut in the amount of \$792, and a tax gross-up of \$363 with respect to such amount. With respect to Mr. Hennemuth, consists of expenses incurred in connection with Mr. Hennemuth's relocation from Florida to Stamford, Connecticut in the amount of \$8,273, and a tax gross-up of \$4,996 with respect to such amount. Messrs. Pensky and Hennemuth completed their relocation to the Stamford, Connecticut area prior to 2008; these were the last of the expenses related to the relocations, and were not paid until 2008.
- (8) For Mr. Hunt, certain amounts included in the table and in the footnotes, including the amounts in the "Salary" columns, are paid in the local currency, pounds sterling, and converted to dollars. The rates used are, for 2008, £1 = \$1.85518, for 2007, £1 = \$2.00181, and for 2006, £1 = \$1.84295. These rates are the average of the average ask prices for each day in the applicable year. Mr. Hunt's salary in pounds sterling was in £241,045 in 2008, £232,892 in 2007 and £211,720 in 2006, each of which includes a guaranteed 4% Christmas Bonus received by all Hexcel UK employees.
- On February 23, 2009, we announced that, effective immediately, Mr. Doron D. Grosman became our President, and that Mr. Hunt would remain with Hexcel in an advisory role until his retirement on April 1, 2009.
- (9) For 2008, represents the difference between the actuarial present value of Mr. Hunt's accumulated benefit in connection with the retirement payment due to Mr. Hunt as of December 31, 2008 and December 31, 2007. The actuarial present value of Mr. Hunt's accumulated benefit under each of the Hexcel Composites Limited Pension Scheme and the supplemental pension arrangement between Hexcel and Mr. Hunt decreased from December 31, 2007 to December 31, 2008 (by an amount of \$1,281,968 and \$212,677, respectively), and therefore such amounts are not reflected in the table, as required by SEC rules. The main reason for these reductions in value is that Mr. Hunt began drawing his benefits under these plans, as described on pages 47-48.
- For 2007, represents the sum of (a) the difference between the actuarial present value of Mr. Hunt's supplemental pension arrangement as of December 31, 2007 and December 31, 2006 (\$84,182), and (b) the difference between the actuarial present value of Mr. Hunt's accumulated benefit in connection with the retirement payment due to Mr. Hunt as of December 31, 2007 and December 31, 2006 (\$12,699). The actuarial present value of Mr. Hunt's accumulated benefit under the Hexcel Composites Limited Pension Scheme decreased from December 31, 2006 to December 31, 2007 (by an amount of \$7,285), and therefore is not reflected in the table, as required by SEC rules. For 2006, represents the sum of (a) the difference between the actuarial present value of Mr. Hunt's accumulated benefit under the Hexcel Composites Limited Pension Scheme as of December 31, 2006 and December 31, 2005 (\$156,632), and (b) the difference between the actuarial present value of Mr. Hunt's accumulated benefit in connection with the retirement payment due to Mr. Hunt as of December 31, 2006 and December 31, 2005 (\$6,375). The actuarial present value of Mr. Hunt's accumulated benefit under the supplemental pension arrangement between Hexcel and Mr. Hunt decreased from December 31, 2005 to December 31, 2006 (by an amount of \$190,148), and therefore is not reflected in the table, as required by SEC rules.
- (10) As a non-US based executive, Mr. Hunt does not participate in the same plans as the other NEOs. For Mr. Hunt, the amounts in the "All Other Compensation" column consist of a life insurance premium of \$25,816, a private health insurance premium of \$800, a disability/personal accident and illness insurance premium of \$38,861, an annual allowance in the amount of \$13,135 for reimbursement of housing and travel expenses (Mr. Hunt commutes each week from his hometown of Cheshire, England to Hexcel's offices in Duxford, England), an amount of \$9,127 for the tax liability he incurs as a result of the housing and travel expense allowance, the annual cost of a car and related incidental expenses equal to \$22,376, use of a pool car while Mr. Hunt is at the Duxford facility valued at \$1,855, and club dues in the amount of \$1,493.
- (11) Mr. Pensky was promoted to Senior Vice President and Chief Financial Officer effective April 27, 2007. Effective on such date, Mr. Pensky's salary was \$325,000.
- (12) It was a condition to Mr. Pensky's promotion to Senior Vice President and Chief Financial Officer that he relocate from the San Francisco area to the Stamford, Connecticut area. Upon his promotion, Mr. Pensky received a promotional bonus of \$100,000, which was payable upon the closing of the purchase of his home in the Stamford, Connecticut area.
- (13) Mr. Pensky elected to defer \$68,256 of this amount to purchase RSUs under the Management Stock Purchase Plan (MSPP). Mr. Pensky purchased 4,259 RSUs at a price of \$16.0256 per RSU on January 22, 2008. Under the MSPP, certain senior executives were given the opportunity to apply a portion of their annual cash bonus to purchase RSUs at a price of 80% of the average of the closing price of Hexcel common stock for the five trading days preceding the date of grant. The RSUs vest at the rate of one-third per year for three years, and convert to shares of Hexcel common stock on a one-to-one basis on the third anniversary of the grant date. The difference between the price paid by Mr. Pensky for the RSUs and the fair market value

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of the RSUs on the date of grant was \$12,029, and is reflected in the "All Other Compensation Column." For this purpose, the fair market value of an RSU on

Table of Contents

the grant date is deemed to be equal to the closing price of a share of Hexcel common stock on the grant date, which was \$18.85. This plan was discontinued with respect to annual cash bonuses for years after 2007.

- (14) For 2008, represents the difference between the actuarial present value of Mr. Pensky's accumulated benefit under his EDCA as of December 31, 2008 and December 31, 2007. For 2007, represents the sum of (a) the difference between the actuarial present value of Mr. Pensky's accumulated benefit under his EDCA as of December 31, 2007 and December 31, 2006 (\$96,431), and (b) the difference between the actuarial present value of Mr. Pensky's accumulated benefit under our former pension plan as of December 31, 2007 and December 31, 2006 (\$4,239). Our pension plan was terminated, and all amounts under the pension plan were paid out, in 2007. See footnote (5) for an explanation of the changes in value from year to year.
- (15) The actuarial present value of Mr. Krakower's accumulated benefit under his SERP decreased by \$239,541 from December 31, 2007 to December 31, 2008, and is reported as zero as required by SEC rules. For 2007, represents the sum of (a) the difference between the actuarial present value of Mr. Krakower's accumulated benefit under his SERP as of December 31, 2007 and December 31, 2006 (\$577,686), and (b) the difference between the actuarial present value Mr. Krakower's accumulated benefit under our former pension plan as of December 31, 2007 and December 31, 2006 (\$22,548). For 2006, represents the sum of (a) the difference between the actuarial present value of Mr. Krakower's accumulated benefit under his SERP as of December 31, 2006 and December 31, 2005 (\$25,036), and (b) the difference between the actuarial present value Mr. Krakower's accumulated benefit under our former pension plan as of December 31, 2006 and December 31, 2005 (\$10,320). See footnote (5) for an explanation of the changes in value from year to year.
- (16) Represents the difference between the actuarial present value of Mr. Hennemuth's accumulated benefit under his EDCA as of December 31 of the current year and December 31 of the prior year. See footnote (5) for an explanation of the changes in value from year to year.

Table of Contents**Grants of Plan-Based Awards in 2008**

The following table provides the following information about equity and non-equity awards granted to the NEOs in 2008: (1) the grant date (for equity awards); (2) the date the compensation committee authorized the grant (for equity awards); (3) the estimated future payouts under non-equity incentive plan awards, which consists of potential payouts under the MICP for 2008; (4) estimated future payouts under equity incentive plan awards, which consist of the potential shares to be awarded to each NEO resulting from the PSAs granted in 2008; (5) the number of shares underlying all other stock awards, which consist of RSUs awarded to each NEO; (6) all other option awards, which consist of the number of shares underlying stock options awarded to each NEO; (7) the exercise price of the stock option awards, which reflects the closing price of our common stock on the date of grant; and (8) the grant date fair value of each equity award computed in accordance with the provisions of FAS 123(R).

Name	Grant Date	Date Compensation Committee took Action to Grant Such Award(3)	Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares or Units (#)(4)	All Other Securities Underlying Options (#)(5)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(6)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
David E. Berges			437,500	875,000	1,750,000							
	01/28/2008	01/22/2008				17,616	35,232	70,464				
	01/28/2008	01/22/2008							35,232		743,748	
William Hunt			167,693	335,386	670,777							
	01/28/2008	01/22/2008				5,738	11,476	22,952				
	01/28/2008	01/22/2008							11,476		242,258	
Wayne C. Pensky			114,075	228,150	456,300							
	01/28/2008	01/22/2008				4,711	9,422	18,844				
	01/28/2008	01/22/2008							9,422		198,898	
Ira J. Krakower			107,146	214,292	428,584							
	01/28/2008	01/22/2008				3,645	7,289	14,578				
	01/28/2008	01/22/2008							7,289		153,871	
Robert G. Hennemuth			85,388	170,775	341,550							
	01/28/2008	01/22/2008				3,187	6,374	12,748				
	01/28/2008	01/22/2008							6,374		134,555	
	01/28/2008	01/22/2008							13,495	21.11	134,545	

(1) The amounts shown reflect the range of potential awards for 2008 under the MICP, which is Hexcel's annual cash bonus plan. The actual awards paid for 2008 are shown in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table above. If the threshold performance measure related to payment of an MICP award is not attained, no MICP award is paid.

(2) Reflects PSAs granted under the ISP, which will convert into RSUs and then shares of Hexcel common stock after a two-year performance period and a one-year service period, if Hexcel achieves the required performance. The terms of the PSAs are described in more detail on page 28.

- (3) The committee approved the algorithm under which annual equity awards would be determined at its meeting on January 22, 2008. In accordance with our equity grant policy, the grant date for the 2008 annual equity awards was January 28, 2008, the third trading day following the release of fourth-quarter and year-end earnings.
- (4) Reflects RSUs granted under the ISP, which will vest and convert into shares at the rate of one-third on each of the first three anniversaries of the grant date. The terms of the RSUs are described in more detail on page 27.
- (5) Reflects NQOs granted under the ISP, which will vest and become exercisable at the rate of one-third on each of the first three anniversaries of the grant date. The terms of the NQOs are described in more detail on page 26.
- (6) Reflects the full grant date fair value of PSAs, RSUs and NQOs as computed in accordance with the provisions of FAS 123(R) granted to the NEOs in 2008. Generally, the full grant date fair value is the amount that we will expense in our financial statements over the award's vesting schedule. As Messrs. Berges, Hunt and Krakower are eligible for continued vesting after retirement, the fair value of their awards is fully expensed upon grant. For RSUs, fair value is calculated using the closing price of our common stock on the grant date (\$21.11). For stock options, fair value is calculated using the Black-Scholes value on the grant date which was \$9.97. For additional information on the valuation assumptions, see Note 12, "Stock-Based Compensation," to the consolidated financial statements, and the discussion under the heading "Critical Accounting Estimates Share-Based Compensation" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2008. These amounts reflect the company's accounting expense, and do not correspond to the actual value that will be realized by the NEOs.

Table of Contents

Employment Agreement with Mr. Berges

We entered into an employment agreement with Mr. Berges when he began his employment with us on July 30, 2001 for an initial term of four years. The agreement was amended and restated on December 31, 2008, primarily to comply with new tax regulations regarding deferred compensation. It provides for Mr. Berges to be our Chairman and Chief Executive Officer for the initial term. The agreement will automatically be extended for successive one-year terms unless either Mr. Berges or the company gives at least one year's prior notice to the other that the agreement shall not be extended. As no notice has been given, the agreement is currently in force to July 30, 2010. Mr. Berges may terminate the agreement for good reason or upon 30 days' notice to us. The agreement provides that Mr. Berges is entitled to:

an annual base salary of not less than his current salary, subject to annual review by the compensation committee;

a target annual bonus opportunity of not less than 100% of annual base salary, and a maximum annual bonus opportunity of not less than 200% of annual base salary; and

participation in all other employee benefit plans generally available to senior executives.

Under the employment agreement, on July 30, 2001 we granted Mr. Berges separate options to purchase 550,000 and 275,000 shares of Hexcel common stock. Each of the options has a term of ten years and an exercise price of \$10.50 per share. The option to purchase 550,000 shares vested over four years at a rate of one-sixteenth of the shares at the end of each three-month period beginning with the three-month period ending October 31, 2001. The option to purchase 275,000 shares becomes exercisable in full on July 29, 2011, but is subject to earlier vesting in equal one-third parts if the price of a share of Hexcel common stock reaches \$15.75, \$21.00 and \$26.25 over consecutive thirty-day trading periods. The option vested as to one-third of the underlying shares in 2005 as Hexcel stock closed at \$15.75 or higher for thirty consecutive days, and vested as to an additional third of the underlying shares in 2006 as Hexcel stock closed at \$21.00 or higher for thirty consecutive days.

Mr. Berges' employment agreement also provides that we will make payments to Mr. Berges upon his termination of employment with us under various circumstances, and imposes certain obligations on Mr. Berges following termination. These terms and provisions are described on page 52.

Service Agreement with Mr. Hunt

In January 1992 Mr. Hunt entered into a service agreement with Ciba-Geigy PLC. We purchased Ciba's composites business in February 1996, at which time Mr. Hunt became an employee of Hexcel and we assumed Mr. Hunt's agreement. The agreement provides that he will receive an annual salary of at least £92,667, an annual Christmas bonus of 4% of his salary and a performance bonus in our discretion. The agreement also provides for the use of a company car, and provides that Mr. Hunt will be provided with life insurance and private health insurance at the company's cost. Either party may terminate the agreement on twelve months prior notice, but it may be terminated earlier in accordance with the employer's disciplinary procedures. The agreement prohibits Mr. Hunt from working for a business that competes with us for a period of twelve months after his employment with Hexcel terminates. If Mr. Hunt receives an offer of employment during this period then we must either permit Mr. Hunt to accept such employment or pay him for the period for which he forgoes such employment, based on his salary at the time of termination with Hexcel. The agreement also contains customary terms regarding our ownership of, and the protection and confidentiality of, our trade secrets, proprietary information, and processes, technologies, designs and inventions.

On February 23, 2009, we entered into an amendment to the employment agreement with Mr. Hunt in order to facilitate the transition of our newly hired President and Mr. Hunt's retirement. Under the amendment, Mr. Hunt's date of retirement will be a date chosen by us. Mr. Hunt waived the requirement under the service agreement that we give him 12 months' written notice prior to his retirement. However, if Mr. Hunt's date of retirement is prior to April 1, 2009, he will still receive the salary and benefits to which he would have been entitled had his retirement date been April 1, 2009.

Table of Contents**Outstanding Equity Awards at 2008 Fiscal Year-End**

The following table provides information on the holdings of outstanding stock options and unvested stock awards held by the NEOs as of December 31, 2008:

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$/Sh)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(3)
David E. Berges		74,599		21.11	01/28/2018	76,219	563,258	53,605	396,141
	40,502	81,003		18.17	01/29/2017				
	56,706	28,352		22.00	02/07/2016				
	121,082			14.51	01/06/2015				
	145,257			7.38	01/06/2014				
	280,713			3.13	01/06/2013				
	403,047			10.50	07/30/2011				
	183,334(5)			10.50	07/30/2011				
			91,666(5)	10.50	07/30/2011				
William Hunt		24,298		21.11	01/28/2018	50,338	371,998	19,078	140,987
	15,013	30,026		18.17	01/29/2017				
	17,560	8,779		22.00	02/07/2016				
	28,073			14.51	01/06/2015				
	18,321			3.13	01/06/2013				
	40,046			11.00	12/20/2010				
	13,700			9.9375	12/20/2010				
Wayne C. Pensky		19,950		21.11	01/28/2018	19,627	145,043	7,241	53,511
	2,848	5,694		18.17	01/29/2017				
	3,622	1,810		22.00	02/07/2016				
	8,252			14.51	01/06/2015				
	15,937			7.38	01/06/2014				
	37,466			3.13	01/06/2013				
	17,500			9.9375	12/20/2010				
	810			9.0625	02/03/2009				
Ira J. Krakower		15,433		21.11	01/28/2018	27,610	204,038	11,279	83,352
	8,591	17,181		18.17	01/29/2017				
	11,057	5,528		22.00	02/07/2016				
	20,888			14.51	01/06/2015				
	47,129			7.38	01/06/2014				
	107,885			3.13	01/06/2013				
	44,000			2.74	01/10/2012				
	50,613			11.00	12/20/2010				
	31,800			9.9375	12/20/2010				
	71,000			5.75	12/02/2009				
Robert G. Hennemuth		13,495		21.11	01/28/2018	16,851	124,529	10,411	76,937

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8,130	16,258	18.17	01/29/2017
8,909	4,454	20.82	03/20/2016

(1)

See footnote (5) below for an explanation as to the vesting of the option held by Mr. Berges to purchase 275,000 shares, which is separated into a vested option to purchase 183,334 shares and an unvested option to purchase 91,666 shares. All other options listed in this table vest at a rate of one-third per year on each of the first three anniversaries of the grant date. The grant date for each option is the date ten years prior to the option expiration date, as all options have a ten year term.

Table of Contents

(2) This column reflects the following:

	RSUs under the ISP(a)	PSAs that have converted to RSUs(b)	MSPP RSUs(c)
David E. Berges	61,559	14,660	
William Hunt	45,799	4,539	
Wayne C. Pensky	18,691	936	4,259
Ira J. Krakower	24,751	2,859	
Robert G. Hennemuth	14,548	2,303	

- (a) RSUs granted under the ISP, which generally vest and convert into shares at the rate of one-third per year on each of the first three anniversaries of the grant date. However, Mr. Hunt received a grant of 25,000 RSUs on January 29, 2007 that vests in full on April 1, 2009.
- (b) PSAs in which the performance period has ended, the level of performance attained has been determined, and the PSA has been converted into a certain number of RSUs that then converted into shares on January 1, 2009
- (c) RSUs that were issued under the MSPP. These were issued on January 22, 2008 at a purchase price of \$16.0256 per RSU at the election of Mr. Pensky in lieu of a portion of his bonus for 2007. These RSUs vest at the rate of one-third per year on each of the first three anniversaries of the grant date, and convert into shares at the end of the three year vesting period. See footnote (13) to the Summary Compensation Table on page 38 for further information regarding the MSPP.

(3) Values were computed using a price of \$7.39 per share, the closing price of Hexcel common stock on December 31, 2008.

(4) This column reflects the shares that each NEO would receive under

the PSA granted on January 29, 2007 at 125% of target, which is the actual percentage of performance attained as determined by the compensation committee in January 2009. These RSUs will convert into shares on January 1, 2010 if the service condition is met, although for each of Messrs. Berges, Hunt and Krakower, the executive will receive the shares if his employment terminates before then for any reason other than for cause, as they each meet the definition of retirement under our equity award agreements.

the PSA granted on January 28, 2008 at the threshold level, which is 50% of target. The January 28, 2008 grant, including the number of shares that will be awarded to each NEO if the threshold, target or maximum levels of the performance measure were obtained, are included in the "Grants of Plan-Based Awards in 2008" table above under the column "Estimated Possible Payouts Under Equity Incentive Plan Awards." If the threshold level for the performance criteria is met for these PSAs, in early 2010 each NEO will receive a number of RSUs based on the extent to which the threshold level is met or exceeded. These RSUs will then convert into shares after a one-year service period.

(5) On July 30, 2001, Mr. Berges' hire date with Hexcel, he was granted an option to purchase 275,000 shares of common stock. The option provided that it would become exercisable in full on July 29, 2011, subject to earlier vesting, in whole or in part, if the price of a share of Hexcel common stock reached \$15.75, \$21.00 and \$26.25 over a consecutive thirty-day trading period. The option vested as to one-third of the underlying shares in 2005 as Hexcel stock closed at \$15.75 or higher for thirty consecutive trading days, and vested as to an additional one-third of the underlying shares in 2006 as Hexcel stock closed at \$21.00 or higher for thirty consecutive trading days. The option will vest immediately as to the remaining one-third of the underlying shares if Hexcel stock closes at above \$26.25 for thirty consecutive trading days.

Table of Contents**Option Exercises and Stock Vested in 2008**

Name	Option Awards		Stock Awards(1)	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
David E. Berges			28,481	629,675
William Hunt	30,000	\$ 382,648	8,491	186,201
Wayne C. Pinsky	50,700	\$ 544,197	5,664	128,393
Ira J. Krakower			5,454	120,143
Robert G. Hennemuth			6,250	128,573

(1) Reflects RSUs that vested during 2008.

Pension Benefits in Fiscal 2008

Our NEOs participate in the following pension plans and arrangements:

Supplemental Executive Retirement Agreements with Messrs. Berges and Krakower. In May 2000 we entered into a supplemental executive retirement agreement (SERP) with Mr. Krakower, and in July 2001, upon Mr. Berges commencing employment with us, we entered into a SERP with Mr. Berges. The SERP provides for a retirement benefit intended to supplement the executive's retirement income from our other retirement plans. On December 31, 2008, we amended and restated the SERPs, primarily to comply with new tax regulations regarding deferred compensation. These amendments are described on pages 31 and 34. The material features of the SERPs, as amended, are as follows:

The monthly normal retirement benefit is equal to the product of the executive's final average pay, benefit percentage and vesting percentage, offset by any vested contributions made by us under our 401(k) plan and supplemental 401(k) plan.

Final average pay equals the executive's average monthly compensation for the highest paid 36 months out of his final 60 months of employment, and includes salary and bonus, but not equity compensation. Bonus is deemed to be earned ratably over the period in which it was earned.

The current vesting percentage for each of Messrs. Berges and Krakower is 100%, as the SERP becomes fully vested after five years of service.

The benefits percentage for Mr. Berges is $\frac{1}{2}$ of 1% for each of the first 96 months of service, and $\frac{1}{6}$ of 1% for each of the next 60 months of service.

The benefits percentage for Mr. Krakower is $\frac{5}{12}$ of 1% for each of the first 60 months of service, $\frac{1}{4}$ of 1% for each of the next 60 months of service, and $\frac{1}{6}$ of 1% for each additional month of service.

Upon retirement after reaching age 65, the executive will receive a lump sum that is actuarially equivalent to a lifetime payment stream of the monthly normal retirement benefit starting the month after employment terminates and ending on death, but is guaranteed to be at least 120 monthly payments

If the executive's employment terminates prior to age 65 (early retirement), he will receive a lump sum that is actuarially equivalent to a lifetime payment stream of the monthly normal retirement benefit, reduced by 3% for each year by which the date of the first payment precedes age 65. The assumed payment stream starts the month after his employment terminates (but no

Table of Contents

earlier than the month he reaches age 55), and ends on death, but is guaranteed to be at least 120 monthly payments. This does not apply to Mr. Krakower, as he has already attained the age of 65.

Should the executive die before receiving any benefits under the SERP, the executive's designated beneficiary will receive a lump sum that is actuarially equivalent to the 50% survivor annuity the beneficiary would have received had the executive retired immediately prior to his death and elected to receive his benefit in the form of a 50% joint and survivor annuity. The executive also may elect to have the lump sum survivor benefit calculated on the basis of a 75% or 100% survivor annuity, or for it to equal the full lump sum he would have received had he retired immediately prior to his death. If the executive elects any of these alternative forms of benefit, the additional actuarial cost (above the cost of providing the benefit based on a 50% survivor annuity) reduces the amount of the executive's retirement benefit (and hence the survivor's benefit as well).

Upon certain other types of termination, the amount of benefit is different:

Upon termination for cause, no benefits are payable.

Upon termination without cause or by the executive for good reason, 12 months of service are added for purposes of computing the benefits percentage

Upon termination without cause or by the executive for good reason within two years after a change in control or during a period which qualifies as a potential change in control, 36 months of service are added for purposes of computing the benefits percentage

Upon termination due to disability, the lump sum is calculated without reduction if the assumed payment stream would start prior to age 65.

These enhanced benefits payable upon termination are quantified in the table on page 57.

The executive may choose to receive an actuarially equivalent payment stream in lieu of a lump sum, in accordance with the requirements of Section 409A of the Internal Revenue Code.

Retirement Plans in which Mr. Hunt participates

UK Pension Scheme and Supplemental Pension Agreement

Mr. Hunt participates in the Hexcel Composites Limited Pension Scheme, a United Kingdom pension plan, which includes limitations on the earnings that can be included for determination of a pension. The UK Pension Scheme requires that the employee contribute 7.5% of his salary into the plan, and provides an annual benefit based on following formula:

$$\begin{array}{rcl}
 [1/60 * \text{final salary at} & & [1/62 * \text{final salary at} & & [1/80 * \text{final salary *} \\
 \text{March 31, 2007 * years} & + & \text{March 31, 2007 * years} & + & \text{years of service} \\
 \text{of service prior to} & & \text{of service from January 1,} & & \text{since April 1, 2007}] \\
 \text{January 1,} & & & & \\
 \text{2003}] & & \text{2003 to March 31, 2007]} & &
 \end{array}$$

Salary means the employee's regular salary plus the fixed 4% Christmas bonus. For service prior to January 1, 2003, final salary means the employee's average salary over the final 12 months before retirement, and for service since January 1, 2003, final salary means the employee's average salary over the final 24 months before retirement. Benefits are payable as a life annuity, although a participant is permitted, upon retirement, to take part of his benefit as a lump sum, generally up to four times the initial annual benefit, in which case the annual pension payment will be actuarially reduced. An employee is also permitted to start taking his pension benefits upon reaching age 65, the retirement age under the UK Pension Scheme, even if he continues working past age 65. Mr. Hunt reached age 65 in

Table of Contents

January 2008 and took part of his benefit as a lump sum and began taking his monthly pension benefits. An employee's annual pension payment is increased each year by the lesser of a fixed percentage (5% until March 31, 2007; 2.5% after that) and the Retail Price Index, a standard cost of living measure in the UK.

We have agreed to give Mr. Hunt an additional pension designed to provide, when combined with the UK Pension Scheme, a pension that Mr. Hunt would receive if there were no earnings limitation under the UK Pension Scheme. Mr. Hunt's total pension payments were based on $\frac{2}{3}$ of his salary over his final year prior to retirement. We also agreed to permit Mr. Hunt to start taking his monthly benefits under the additional pension upon reaching age 65. Mr. Hunt elected to receive, and began receiving, monthly benefits in February 2008. Mr. Hunt's pension obligation will be funded through three sources: (i) a Standard Life Personal Pension in Mr. Hunt's name, purchased by Hexcel; (ii) the UK Pension Scheme; and (iii) direct payments from Hexcel. The annual increase to Mr. Hunt's pension payment will be equal to the lower of 5% and the Retail Price Index. In the event of disability or death, to the extent Mr. Hunt or his beneficiary receives benefits from disability or life insurance policies paid for by Hexcel, any benefits due under Mr. Hunt's pension will be reduced to reflect the receipt of these insurance proceeds. Mr. Hunt is entitled, upon retirement, to take a portion of his additional pension in the form of a lump sum up to the limit that would be permitted if the additional pension were governed by the UK Pension Scheme. If Mr. Hunt takes a portion of his additional pension in the form of a lump sum upon retirement, his annual pension payments provided for by his additional pension will be actuarially reduced.

Retirement Payment

Upon retirement, Mr. Hunt is also entitled to a retirement payment in accordance with a policy applicable to all Hexcel employees in the UK. This payment is equal to 0.5% of salary at the time of retirement multiplied by the number of years of continuous service with Hexcel. The retirement payment is only available if the employee retires at or after the normal retirement age, which is 65.

Retirement Agreements with Messrs. Pensky and Hennemuth. We entered into an Executive Deferred Compensation and Consulting Agreement (EDCA) with Mr. Pensky in June 1995 and with Mr. Hennemuth in March 2006. On December 31, 2007, we amended the EDCAs with Messrs. Pensky and Hennemuth, primarily to comply with new tax regulations regarding deferred compensation. The material terms of the EDCAs, as amended, are as follows:

The executive is entitled to receive a monthly benefit upon retirement equal to $\frac{1}{12}$ th of his accrued benefit. The accrued benefit is equal to 1.5% of the executive's aggregate salary and cash bonuses earned while employed by us multiplied by a fraction of $X/67$, with X =the number of months the executive has been employed by us since entering into his EDCA, subject to a maximum of 67 months.

The normal monthly retirement benefit is payable starting the month after employment terminates on or after age 65 and ending on death, but is guaranteed to be at least 120 monthly payments; any payments after death are made to a surviving beneficiary or the executive's estate.

If the executive's employment terminates prior to age 65, then

the payments will be actuarially reduced to reflect commencement prior to age 65

the executive's monthly retirement benefit will start the calendar month after he terminates employment and will end on death, but is guaranteed to be at least 120 monthly payments; any payments after death are made to a surviving beneficiary or the executive's estate.

If the executive dies prior to commencement of payments to him, a benefit is payable to his beneficiary for the duration of the beneficiary's life, and is based on the actuarial equivalent of

Table of Contents

the early retirement benefit described above, as if the executive had retired immediately prior to his death.

Upon a change in control, the executive's benefits become payable.

Upon termination for cause, no benefits are payable.

Each executive has agreed to consult with us at our request for up to ten days a year for a period of ten years following his termination of employment with Hexcel.

Each executive has agreed not to solicit our employees and not to engage in any activity competitive with our business for ten years after termination of his employment with us, unless he can show that such actions were taken without the use of confidential information regarding Hexcel.

The executive is entitled to an additional amount based on the value of Hexcel providing medical, dental and life insurance from termination of employment to age 75

the value of the medical and dental insurance is based on the group insurance provided by Hexcel to its employees at the time of termination of the executive's employment

the amount gets added to the value of the lump sum or increases the annuity, depending on the form of payment chosen by the executive.

The executive may elect to receive his benefit in the form of a lump sum upon termination of employment that is actuarially equivalent to the annuity to which the executive is entitled.

Provided we consent in our sole discretion, the executive may elect to receive his benefit in the form of any type of life annuity that is actuarially equivalent to the monthly benefit provided for in the EDCA.

The elections described above, as well as all other elections as to forms of payment, and the timing of payments, must be made in compliance with Section 409A of the Internal Revenue Code

Messrs. Pensky and Hennemuth have elected to receive their EDCA benefit in the form of an actuarially equivalent lump sum.

Pension Benefits Table. The table below shows the present value of accumulated benefits payable to each NEO as of December 31, 2008, including the number of years of service credited to each NEO, under each pension and retirement plan listed below, determined using interest rate and mortality rate

Table of Contents

assumptions consistent with those used in our financial statements. The table also shows payments made to the NEOS under the plans indicated during 2008.

Name	Plan Name	Number of Years Credited Service(#)	Present Value of Accumulated Benefit (\$)(1)	Payments During Last Fiscal Year(\$)
David E. Berges	Supplemental Executive Retirement Agreement	7.42	6,582,482(2)	0
William Hunt	Hexcel Composites Limited Pension Scheme	N/A(3)	1,529,370	654,262
	Supplemental Pension Agreement	N/A(3)	2,244,790	123,123
	Retirement Payment	50.63	113,204	0
Wayne C. Pensky	Executive Deferred Compensation Agreement	15.42	543,273(2)	0
Ira J. Krakower	Supplemental Executive Retirement Agreement	12.25	2,250,257	0
Robert G. Hennemuth	Executive Deferred Compensation Agreement	2.75	243,073(2)	0

- (1) The amounts in this column were calculated assuming retirement at age 65 (except with respect to Mr. Krakower and Mr. Hunt, each of whom was over age 65 at December 31, 2008), the normal retirement age under the relevant pension plans and arrangements, and using the interest rate and mortality assumptions consistent with those used in the preparation of Hexcel's financial statements. See Note 8, "Retirement and Other Postretirement Benefit Plans" to the consolidated financial statements, and the discussion under the heading "Retirement and Other Postretirement Benefit Plans" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2008, for a description of these interest rate and mortality assumptions.
- (2) These amounts represent the amounts required to be disclosed by SEC rules, and assume that each currently active executive will retire at the normal retirement age under the plan, which is age 65 (except with respect to Mr. Krakower and Mr. Hunt, each of whom was over age 65 at December 31, 2008), and reflect a discount rate of 6.15% to determine the present value of the lump sum payable at age 65, which rate is used for purposes of pension calculations in our financial statements. The actual amount that would have been paid to Mr. Berges under his SERP had he terminated his employment as of December 31, 2008 is \$8,481,178. The actual amount that would have been paid to Mr. Pensky under his EDCA had he terminated his employment as of December 31, 2008 is \$826,379. The reasons these amounts are higher than the amounts reflected above in the table is because the SERP and EDCA documents specify a different interest rate to be used to calculate lump sums, and also provide for subsidized early retirement benefits. The actual amount that would have been paid to Mr. Hennemuth under his EDCA had he terminated his employment as of December 31, 2008 is \$55,903. This amount is lower than the amounts specified in the table above because, until Mr. Hennemuth has been employed by us for five years, he is not entitled to the value of certain continuing medical and life insurance benefits, as described above.
- (3) "Number of Years Credited Service" under the Hexcel Composites Limited Pension Scheme and the Supplemental Pension Agreement is not relevant for Mr. Hunt, as we have promised to provide him an aggregate pension based on $\frac{2}{3}$ of his salary over his final year prior to retirement.

Table of Contents**Nonqualified Deferred Compensation in Fiscal Year 2008**

All information in the table below is with respect to our Nonqualified Deferred Compensation Plan ("NDCP"). The NDCP is an unfunded plan that permits a select number of highly compensated employees to defer a percentage of their pay and receive Hexcel matching and profit sharing contributions above the IRS limits permitted under our qualified 401(k) plan. Terms of the plan are as follows:

participants can defer any amount of their cash compensation (salary and bonus) on a pre-tax basis

all of our matching contributions are made on the same 50% basis as described on page 30 with respect to the qualified 401(k) plan, but only with respect to the participant's deferrals under the NDCP up to 6% of their compensation in excess of the compensation taken into account for purposes of determining contributions to the qualified 401(k) plan

all of our other contributions discretionary profit-sharing, and fixed weekly contributions are made on the same basis as described on page 30 with respect to the qualified 401(k) plan, but only with respect to the amount of the participant's compensation in excess of the amount used for purposes of determining contributions to the qualified 401(k) plan

employee and company contributions are 100% vested at all times.

the investment options generally mirror those available in our qualified 401(k) plan, except that the Hexcel stock fund is not an option

distributions are in a lump sum or in a series of monthly, quarterly or annual installments after termination of service, as elected by the employee

in-service distributions are generally prohibited except in the case of an unforeseeable emergency

loans from the NDCP are prohibited

Messrs. Pinsky and Hennemuth participated in this plan in 2008. As a non-US based executive, Mr. Hunt is not eligible to participate in the NDCP. Messrs. Berges and Krakower did not participate in the NDCP in 2008, and instead received a taxable cash payment equal to the contributions they would have received if they participated. Hexcel's contributions to this plan for the NEOs or related payments to the NEOs in 2008 are included in "All Other Compensation" in the Summary Compensation Table on page 38.

	Executive Contributions in Last FY\$(1)	Registrant Contributions in Last FY\$(2)	Aggregate Earnings in Last FY\$(3)	Aggregate Balance at Last FYE\$(4)
David E. Berges			17,314	261,072
William Hunt				
Wayne C. Pinsky	21,735	30,712	5,094	99,139
Ira J. Krakower				
Robert G. Hennemuth	17,607	16,767	610	35,019

(1) The NEO's contributions to the NDCP are included in the "Salary" column in the Summary Compensation Table on page 38.

(2)

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Hexcel's contributions to the NDCP are included in the "All Other Compensation" column in the Summary Compensation Table on page 38.

Table of Contents

- (3) The aggregate annual earnings in 2008 are not reported in the Summary Compensation Table, as SEC rules provide that only above-market or preferential earnings be reported in that table.
- (4) The NEO's contributions in prior years, and Hexcel's contributions in prior years, were included in the Summary Contribution Table for the year in which the amount was contributed.

Potential Payments upon Termination or Change in Control

Severance Agreements and Arrangements

Under Mr. Berges' employment agreement, we have agreed to make certain payments to Mr. Berges upon termination of his employment under certain circumstances. In particular:

in the event that we terminate Mr. Berges for any reason other than for disability or cause, or if Mr. Berges terminates his employment for good reason, then Mr. Berges will receive

an annual bonus prorated for the portion of the year he was employed

a lump sum payment equal to two times the sum of his then current base salary and his average bonus over the prior three years

participation for two years after termination in all medical, dental, life insurance and other welfare and perquisite plans and programs in which Mr. Berges was participating on the date of termination

in the event that we terminate Mr. Berges for any reason other than for disability or cause, or if Mr. Berges terminates his employment for good reason, in each case during a period which qualifies as a potential change in control period or within two years after a change in control, Mr. Berges will receive the same payments and benefits as described above except that

the lump sum payment will be equal to three times the sum described above

participation in health, welfare and perquisite plans and programs will be for three years instead of two

Mr. Berges will be entitled to receive a modified gross-up payment for any excise tax incurred under Section 280G of the Internal Revenue Code, but only if the total "parachute payments" exceed Mr. Berges' untaxed safe harbor amount by 10% or more. We have agreed to reimburse Mr. Berges for the excise tax as well as any income tax and excise tax payable by Mr. Berges as a result of any reimbursements for the excise tax.

in the event of termination due to death or disability, Mr. Berges will receive an annual bonus prorated for the portion of the year he was employed

Mr. Berges has agreed that, in consideration for these payments, he will not compete with us in any capacity for a period of two years following the termination of his employment. This includes, for example, any situation in which Mr. Berges is an employee of, consultant to, or owner of a business. If Mr. Berges' termination is in connection with change in control, the period is extended to three years. However, this restriction would not apply if Mr. Berges' duties and responsibilities with a company that competes with us do not relate to the business segment of that company that competes with us. Mr. Berges also agreed to customary terms regarding our ownership of, and the protection and

confidentiality of, our trade secrets, proprietary information, and processes, technologies, designs and inventions.

Table of Contents

We have entered into severance agreements with each of Messrs. Pensky, Krakower and Hennemuth that contain terms substantially similar to the severance terms described above for Mr. Berges, except that:

if we terminate the executive for any reason other than for disability or cause, or if the executive terminates his employment for good reason, then the lump sum payment will be equal to the sum of his then current base salary and his average bonus over the prior three years described above (rather than two times the sum)

the non-compete term in the circumstances described in the immediately preceding bullet will be one year instead of two

upon the executive's death, if the amount received by the executive's estate as payment under the insurance policy that we provide to the executive is less than two times the sum of the executive's then current base salary and his average bonus over the prior three years, then we will pay the difference to the executive's estate

These severance agreements were amended and restated on December 31, 2008, primarily to comply with new tax regulations regarding deferred compensation.

As described on page 43, under Mr. Hunt's service agreement as amended, his retirement date will be a date chosen by us. However, if we chose a retirement date prior to April 1, 2009, then we will be required to pay Mr. Hunt his final salary, and provide the benefits he received prior to termination, for the period beginning on the date of retirement and through April 1, 2009.

Retirement Agreements

As described on pages 29-31, our NEOs are party to various arrangements that provide for benefits payable upon retirement. As described on page 47, the SERP agreements that we entered into with each of Messrs. Berges and Krakower provide for enhanced benefits upon our termination of the executive without cause, the executive's termination for good reason or the executive's termination during a potential change of control or within two years after a change in control. None of our other retirement programs provide for any form of enhanced or accelerated benefit upon termination of the executive for any reason.

Equity Awards

Each of our NEOs have various NQOs, RSUs, PSAs and, in some cases, MSPP RSUs outstanding. Upon termination of employment of an NEO, the treatment of the equity award depends on the nature of the termination. Below is a description of what happens to the NEO's outstanding equity awards upon each different type of termination and upon a change in control.

NQOs

Voluntary departure or termination without cause upon any termination other than retirement, disability, death, or cause, the NEO has 90 days to exercise the option to the extent vested; to the extent not vested, the option terminates.

Disability/Death all options vest and remain exercisable for one year.

Retirement any unvested NQOs continue to vest on the schedule set forth in the option agreement, and the NEO has five years from the date of retirement to exercise the NQOs.

Table of Contents

Cause all options are forfeited.

Change in control all options vest, and if the NEO is terminated without cause or terminates his employment for good reason within two years after the change in control, the option remains exercisable for three years.

RSUs

Voluntary departure or termination without cause all RSUs are forfeited.

Disability/Death all RSUs vest and convert to stock.

Retirement all RSUs continue to vest on the schedule set forth in the RSU agreement.

Cause all RSUs are forfeited.

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