

CSS INDUSTRIES INC

Form DEF 14A

June 19, 2014

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

CSS INDUSTRIES, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

CSS INDUSTRIES, INC.
1845 Walnut Street
Philadelphia, Pennsylvania 19103

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

The 2014 Annual Meeting of Stockholders of CSS Industries, Inc. ("CSS") will be held at The Rittenhouse, 210 West Rittenhouse Square, Philadelphia, Pennsylvania, on Tuesday, July 29, 2014, at 9:30 a.m. local time.

At our Annual Meeting, we will ask you to:

1. Elect a board of seven directors;
2. Ratify the selection of KPMG LLP as the independent registered public accounting firm for CSS and its subsidiaries for the fiscal year ending March 31, 2015;
3. Approve, on an advisory basis, the compensation paid to our named executive officers for the fiscal year ended March 31, 2014; and
4. Transact any other business that may properly be presented at the Annual Meeting.

If you were a stockholder of record at the close of business on June 2, 2014, you may vote at the Annual Meeting.

By order of the board of directors,

MICHAEL A. SANTIVASCI

Secretary

Philadelphia, Pennsylvania

June 19, 2014

We hope that you will attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, we encourage you to complete, sign and return the enclosed proxy card in the envelope provided.

CSS INDUSTRIES, INC.

PROXY STATEMENT

2014 Annual Meeting of Stockholders

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CSS INDUSTRIES, INC.
1845 Walnut Street
Philadelphia, Pennsylvania 19103

PROXY STATEMENT
2014 Annual Meeting of Stockholders

WHY YOU RECEIVED THIS PROXY STATEMENT

You received this proxy statement because the board of directors of CSS Industries, Inc. (“CSS”, “we”, “us”, “our”) is soliciting your proxy to vote at the 2014 Annual Meeting of Stockholders (the “Meeting”) to be held at The Rittenhouse, 210 West Rittenhouse Square, Philadelphia, Pennsylvania on Tuesday, July 29, 2014 at 9:30 a.m. local time. This proxy statement provides information regarding the matters to be presented at the Meeting. You may vote in one of two ways: (i) in person, by attending the Meeting and casting your vote, or (ii) by proxy, by completing, signing and returning the enclosed proxy card. Beginning on or about June 19, 2014, we are sending this Proxy Statement and the accompanying form of Proxy to stockholders of record at the close of business on June 2, 2014.

WHO CAN VOTE

Stockholders of record at the close of business on June 2, 2014 may vote at the Meeting. On the record date, 9,319,931 shares of CSS common stock, par value \$0.10 per share, were outstanding. Each share of common stock is entitled to one vote on any matter that is properly presented at the Meeting.

WHO WILL PAY THE COSTS OF THIS PROXY SOLICITATION

We are paying for this solicitation of proxies. In addition to this mailing, proxies may be solicited by telephone by officers, directors or employees of CSS and its affiliated companies, who will not receive payment specifically for these services. Additionally, we may engage a proxy solicitor to distribute our stockholder materials and solicit proxies. We may agree to pay a fee for such services and to reimburse the solicitor for all reasonable disbursements. Any such fee is estimated to be approximately \$10,000. We reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in forwarding solicitation material to the beneficial owners of shares of CSS common stock.

HOW TO BE PART OF AN EFFECTIVE VOTE

In order to have an effective vote on any matter at the Meeting, there must be a quorum. A quorum exists when the holders of a majority of the shares entitled to vote are present in person or represented by proxy. Based on the number of shares of CSS common stock outstanding on the record date, the holders of 4,659,966 shares of CSS common stock are required to be present in person or represented by proxy in order to have a quorum at the Meeting. Each share of CSS common stock entitles the holder thereof to one vote on the election of each of the nominees for director and one vote on each other matter that may properly come before the Meeting.

Directors will be elected by a plurality of the votes cast at the Meeting. This means that the seven nominees receiving the most votes will be elected as directors. The affirmative vote of the holders of a majority of the shares present at the Meeting (either in person or represented by proxy) will be required: to ratify the selection of KPMG LLP (“KPMG”) as our independent registered public accounting firm for the fiscal year ending March 31, 2015; to approve, on an advisory basis, the compensation paid to our named executive officers for the fiscal year ended March 31, 2014; and to approve any other matter to be voted on at the Meeting.

Abstentions may not be specified for the election of directors. An abstention on any other matters to be voted on at the Meeting will have the same effect as a vote against, while a “broker non-vote” will not be counted

on such matters. A “broker non-vote” occurs when a nominee (such as a broker) does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner.

You may vote at the Meeting by attending in person and submitting a ballot or by properly completing and submitting the enclosed proxy card. The shares represented by each properly completed proxy card will be voted at the Meeting in accordance with each stockholder’s instructions. If you do not indicate on the proxy card how you wish to have your shares voted, the shares will be voted as recommended by the CSS board of directors (the “Board”). If any additional matters are properly presented at the Meeting, the proxy holders will vote in their discretion. This authority is given to the proxy holders in the enclosed form of proxy.

HOW YOU MAY REVOKE YOUR PROXY

You may revoke your proxy at any time before the vote is taken at the Meeting by filing with the Secretary of CSS a written revocation or another form of proxy bearing a date later than the date of the proxy that you submitted previously. You also may revoke your proxy by attending the Meeting and voting in person. Your attendance at the Meeting will not in and of itself constitute revocation of a proxy if you do not file a written revocation, submit a later-dated proxy or vote in person.

Your vote is important. We therefore encourage you to complete, sign and return the accompanying proxy card whether or not you plan to attend the Meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 29, 2014:

The Notice of the CSS Industries, Inc. Annual Meeting of Stockholders to be held on July 29, 2014, the Proxy Statement for the Meeting and the CSS Industries, Inc. Annual Report for the fiscal year ended March 31, 2014 are available on the Internet at <https://materials.proxyvote.com/125906>.

PROPOSAL 1 — ELECTION OF DIRECTORS

Our Board currently has seven members. Upon the recommendation of our Board's Nominating and Governance Committee, our Board has nominated for election as directors the individuals listed below, all of whom are presently members of our Board. Directors who are elected will hold office until our 2015 Annual Meeting of Stockholders and until the election and qualification of their respective successors.

Our Board believes all of the nominees possess the experience, qualifications, attributes and skills to provide significant value to CSS. Below we provide information about the nominees for election to our Board, including information about each nominee's specific experience, qualifications, attributes and skills that led our Board to conclude that he or she should serve on our Board. Ages are stated as of the date of the 2014 Annual Meeting of Stockholders.

Scott A. Beaumont, age 61, has been Chief Executive Officer, Lilly Pulitzer Group of Oxford Industries, Inc., an international apparel design, sourcing and marketing company, since December 2010. From 1993 to December 2010, he was Chairman and Chief Executive Officer of Sugartown Worldwide, Inc. ("Sugartown"), a designer, marketer and distributor of apparel, accessories and home fashions under the Lilly Pulitzer® trademark. In December 2010, Oxford Industries, Inc. acquired Sugartown, of which Mr. Beaumont was a co-founder. Mr. Beaumont has served as one of our directors since 2005.

Our Board concluded that Mr. Beaumont should serve as a director on our Board in light of his extensive knowledge of the design, sourcing, distribution and sale of consumer products, and his significant leadership position as Chief Executive Officer, Lilly Pulitzer Group of consumer products company Oxford Industries, Inc.

James H. Bromley, age 76, as President and owner of Bromley Consulting Services, Inc., has been an independent consultant since 1996. From September 1996 to December 1997, he served as Chairman of our former Direct Mail Business Products Group and Vice Chairman of Rapidforms, Inc., formerly a subsidiary of CSS. He has served as one of our directors since 1989.

Our Board concluded that Mr. Bromley should serve as a director on our Board in light of his financial and corporate strategic planning expertise and his significant prior experience in leadership positions, including formerly serving as Chief Executive Officer of one of our former subsidiaries, Rapidforms, Inc.

Robert E. Chappell, age 69, served as Chairman of The Penn Mutual Life Insurance Company ("Penn Mutual"), a mutual life insurance company providing life insurance and annuity products, from 1996 until 2013, and he currently serves on Penn Mutual's Board of Trustees. He served as Penn Mutual's Chief Executive Officer from April 1995 until February 2011 and as its President from January 2008 to March 2010. Mr. Chappell also serves on the board of directors of Quaker Chemical Corporation, a producer and marketer of formulated chemical specialty products and provider of chemical management services. He has served as one of our directors since September 2012.

Our Board concluded that Mr. Chappell should serve as a director on our Board in light of his extensive experience in accounting and finance, financial reporting, risk assessment, organizational development, global organizations, governance, strategic planning and corporate development.

Jack Farber, age 81, has been our Chairman since 1979. From 1979 to May 1999, he was also our President and Chief Executive Officer. Mr. Farber has served as one of our directors since 1978.

Our Board concluded that Mr. Farber should serve as a director on our Board, and as its Chairman, in light of his exceptional financial, strategic planning, mergers and acquisitions and leadership experience, his detailed knowledge and extensive experience as our former President and Chief Executive Officer, his current and prior service on the boards of directors of numerous for-profit and non-profit organizations, and his entrepreneurial expertise.

Elam M. Hitchner, III, age 67, was a partner in the law firm Pepper Hamilton LLP ("Pepper Hamilton") from May 1992 to June 1999, and returned to the firm in January 2001 as a partner and subsequently as "of counsel" through 2004. Since 2005, he has provided consulting services to Pepper Hamilton, which provides legal services to CSS.

Mr. Hitchner does not participate in the firm's provision of legal services to CSS. From 1994 to 2011, Mr. Hitchner served as a director of Destination Maternity Corporation, a designer and retailer of

maternity apparel, and from 2004 to 2012, he was a director of eResearch Technology, Inc. (“eResearch Technology”), a provider of services and customizable medical devices to biopharmaceutical and healthcare organizations. He has been a member of our Board since May 2013.

Our Board concluded that Mr. Hitchner should serve as a director on our Board in light of his broad legal experience as a former partner of Pepper Hamilton, and his extensive experience serving on the boards of public companies Destination Maternity Corporation and eResearch Technology, including his board leadership experience as the former non-executive Chairman of the Board of eResearch Technology and Destination Maternity Corporation.

Rebecca C. Matthias, age 61, served as President of Destination Maternity Corporation, a designer and retailer of maternity apparel, from 1982 until 2010. She also served as its Chief Operating Officer from 1993 until 2007, and as its Chief Creative Officer from 2007 until 2010. Ms. Matthias served as a director of Destination Maternity Corporation from 1982 until February 2011. She has served as a director of Penn Series Funds, Inc, an open-end, diversified management investment company, since September 2010. Ms. Matthias has served as one of our directors since 2003.

Our Board concluded that Ms. Matthias should serve as a director on our Board in light of her significant leadership experience having served as the President of a publicly-held company, Destination Maternity Corporation, and her extensive knowledge of the design, sourcing, distribution and sale of consumer products.

Christopher J. Munyan, age 49, has been our President and Chief Executive Officer since July 2006. He served as our Executive Vice President and Chief Operating Officer from October 2005 until June 2006. From 1999 until 2005, Mr. Munyan served as President of our Berwick Offray LLC (“Berwick Offray”) business. From 1993 to 1999, Mr. Munyan served Berwick Offray in various capacities, including Senior Vice President — Finance and Administration. Mr. Munyan has served as one of our directors since 2006.

Our Board concluded that Mr. Munyan should serve as a director on our Board in light of his intimate knowledge of CSS as our President and Chief Executive Officer and his significant management and leadership skills.

Our Board believes that all of the above-listed nominees will be able to serve as directors. However, if this should not be the case, the proxies may be voted for one or more substitute nominees, to be designated by the Board, or the Board may reduce the number of directors, in each case, after considering the recommendation of its Nominating and Governance Committee.

Our Board recommends a vote “for” the election of all the nominees listed above.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER OUR EQUITY COMPENSATION PLANS

The following table provides information as of March 31, 2014 about our 2013 Equity Compensation Plan (“2013 Stock Plan”), 2000 Stock Option Plan for Non-Employee Directors (“2000 Stock Plan”), 2004 Equity Compensation Plan (“2004 Stock Plan”), 2006 Stock Option Plan for Non-Employee Directors (“2006 Stock Plan”) and 2011 Stock Option Plan for Non-Employee Directors (“2011 Stock Plan”), which are our only equity compensation plans under which stock options and other equity grants were outstanding as of such date, except that there were no awards outstanding as of such date under the 2013 Stock Plan. Each of the plans mentioned above was approved previously by the stockholders of CSS.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options ⁽¹⁾	Weighted-average exercise price of outstanding options ⁽²⁾	Number of securities remaining available for future issuance under equity compensation plans ⁽³⁾
Equity compensation plans approved by security holders	580,888	\$23.14	1,233,950
Equity compensation plans not approved by security holders	—	—	—
Total	580,888	\$23.14	1,233,950

(1) Includes 192,825 restricted stock units (“RSUs”) that are subject to service-based and/or performance-based vesting conditions.

(2) The RSUs described in footnote 1 above were disregarded in calculating the weighted average exercise price of outstanding options.

(3) The amount shown in this column is net of the RSUs described in footnote 1 above.

OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, THEIR FEES AND THEIR ATTENDANCE AT THE ANNUAL MEETING

The Audit Committee of our Board engaged KPMG as our independent registered public accountants to audit our financial statements for our fiscal year ended March 31, 2014. We expect representatives of KPMG to attend the Meeting. These representatives will be given an opportunity to make a statement if they so desire, and they will be available to respond to appropriate questions from our stockholders.

The audit fees billed by KPMG for each of our fiscal years ended March 31, 2014 and March 31, 2013, and fees billed by KPMG for other services in each of those fiscal years, were as follows:

Type of Fee	2014	2013
Audit Fees	\$785,000	\$811,500
Audit-Related Fees	24,150	1,650
Tax Fees	162,622	133,100
All Other Fees	—	—
Total	\$971,772	\$946,250

Audit Fees

We paid audit fees for the audit of our annual consolidated financial statements, the audit of our internal control over financial reporting, and the reviews of our consolidated financial statements included in our Quarterly Reports on Form 10-Q.

Audited-Related Fees

We paid audit-related fees of \$24,150 during fiscal 2014 for services performed in connection with KPMG's issuance of consent letters for certain Registration Statements on Form S-8 filed by the Company with the U.S. Securities and Exchange Commission ("SEC") and for a subscription to KPMG's on-line accounting research tool. We paid audit-related fees of \$1,650 during fiscal 2013 for a subscription to KPMG's on-line accounting research tool.

Tax Fees

We paid tax fees of \$162,622 and \$133,100 for tax compliance services and tax consulting in fiscal 2014 and 2013, respectively. Such compliance services included assistance with tax return preparation.

We paid no fees in fiscal 2014 or 2013 for products and services provided by KPMG other than the services referred to above.

**PROPOSAL 2 — RATIFICATION OF THE SELECTION OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM**

At the Meeting, our stockholders will vote on a proposal to ratify the selection by the Audit Committee of KPMG as our independent registered public accounting firm for the fiscal year ending March 31, 2015. Although the submission to our stockholders of the selection of KPMG is not required by law or our bylaws, the Audit Committee believes it is appropriate to submit this matter to our stockholders to enable our stockholders to express their views with regard to the Audit Committee's selection.

The vote on this matter is advisory. Our Audit Committee retains the sole authority to select and replace our independent registered public accounting firm at any time. If our stockholders do not ratify the selection of KPMG, the Audit Committee may reconsider whether or not to retain KPMG, but still may retain KPMG. Even if our stockholders ratify the selection of KPMG, our Audit Committee retains the authority to select another firm to serve as our independent registered public accounting firm, if it believes that it would be in the best interests of our stockholders to do so.

Our Board recommends a vote "for" ratification of the selection of KPMG as our independent registered public accounting firm for the fiscal year ending March 31, 2015.

AUDIT COMMITTEE REPORT

Management is responsible for the preparation of our consolidated financial statements, maintaining effective internal control over financial reporting, compliance with laws and regulations and ethical business conduct. The independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with applicable auditing standards and for expressing an opinion on whether those financial statements present fairly in all material respects our financial position, results of operations and cash flows, in conformity with United States generally accepted accounting principles. The independent registered public accounting firm is also responsible for performing an audit (in accordance with applicable auditing standards) of, and expressing an opinion on the effectiveness of, our internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee has reviewed and discussed with management our audited consolidated financial statements, and management has represented to the Audit Committee that these financial statements were prepared in accordance with United States generally accepted accounting principles. The Audit Committee has also discussed the audited consolidated financial statements with the independent registered public accounting firm, and the Audit Committee has discussed with that firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence. The Audit Committee has also discussed with the independent registered public accounting firm that firm's independence.

The Audit Committee has met with our internal audit staff and our independent registered public accounting firm, with and without management present, and discussed the results of their examinations, their evaluations of our internal controls, and the quality of our financial reporting. The Audit Committee has considered the results of management's assessment of, and the results of the independent registered public accounting firm's audit of, the effectiveness of our internal control over financial reporting, and the Audit Committee has held discussions with management and the independent registered public accounting firm concerning such results.

Based upon the Audit Committee's review of the audited consolidated financial statements and the results of its discussions with management, internal audit staff and the independent registered public accounting firm described above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 filed with the SEC.

AUDIT COMMITTEE

Robert E. Chappell, Chairman

Scott A. Beaumont

Elam M. Hitchner, III

OUR EXECUTIVE OFFICERS

Our executive officers are elected or designated annually by the Board to serve until their successors are elected and qualified or until their earlier resignation or removal. Our current executive officers are listed below. Ages are stated as of the date of our 2014 Annual Meeting of Stockholders.

Jack Farber is Chairman of our board of directors. His biographical information appears under Proposal 1 - Election of Directors.

William G. Kiesling, age 51, has been our Vice President – Legal and Human Resources and General Counsel since August 2006. He served as our Vice President and General Counsel from August 2005 until August 2006. From February 1995 to July 2005, Mr. Kiesling served in various legal capacities, including Vice President and Associate General Counsel, with ARAMARK Corporation, a provider of food, hospitality and facility management services and uniform and work apparel.

Christopher J. Munyan is our President and Chief Executive Officer and a member of our board of directors. His biographical information appears under Proposal 1 - Election of Directors.

Vincent A. Paccapaniccia, age 56, has been our Vice President – Finance and Chief Financial Officer since March 31, 2010. He served as Chief Financial Officer of ICT Group, Inc. (“ICT”), a provider of customer management and business process outsourcing solutions, from August 1998 until February 2010. He also served as ICT’s Executive Vice President, Finance and Administration from January 2003 until February 2010. From July 1998 until January 2003, Mr. Paccapaniccia served as ICT’s Senior Vice President, Finance. He served as ICT’s Vice President of Finance from January 1996 to July 1998.

Christian A. Sorensen, age 44, has been our Vice President – Operations since July 2013. From 2008 until July 2013, he served as a Vice President of CSS, with responsibility over the majority of our manufacturing, distribution and importing activities since December 2011. From 1996 to 2011, Mr. Sorensen served CSS and its subsidiaries in various operational and financial capacities.

OWNERSHIP OF CSS COMMON STOCK

The following table lists all persons who we know to have beneficially owned at least five percent of our common stock as of June 2, 2014, unless otherwise noted. The table also shows, as of that date, the beneficial ownership of our common stock by each of our current directors, each of the executive officers listed in the Summary Compensation Table and all directors and executive officers as a group.

Beneficial Owner	Number of Shares Beneficially Owned ⁽¹⁾		Percent of Class ⁽²⁾	
T. Rowe Price Associates, Inc. and T. Rowe Price Small Cap Value Fund, Inc.	1,476,310	(3)	15.8	%
Royce & Associates, LLC	1,379,787	(4)	14.8	%
Dimensional Fund Advisors LP.	809,274	(5)	8.7	%
BlackRock, Inc.	558,788	(6)	6.0	%
Scott A. Beaumont	20,000	(7)	*	
James H. Bromley	42,982	(8)	*	
Robert E. Chappell	5,000	(9)	*	
Jack Farber	462,311	(10)	5.0	%
Laurie F. Gilner ⁽¹¹⁾	—		*	
Elam M. Hitchner, III	—		*	
William G. Kiesling	40,409	(12)	*	
Rebecca C. Matthias	27,000	(13)	*	
Christopher J. Munyan	96,680	(14)	1.0	%
Vincent A. Paccapaniccia	33,175	(15)	*	
Christian A. Sorensen	20,285	(16)	*	
All directors and executive officers of CSS as a group (ten (10) persons, including the individuals named above, other than Ms. Gilner)	747,842	(17)	7.9	%

*denotes that ownership is less than 1 percent of the class.

“Beneficial ownership” is determined in accordance with SEC regulations. Therefore, the table lists all shares as to which a person listed has or shares voting power or investment power. In addition, shares issuable upon the exercise of outstanding stock options exercisable at June 2, 2014 or within 60 days thereafter are considered

(1) outstanding and to be beneficially owned by the person holding such options for the purpose of computing such person’s percentage beneficial ownership, but are not deemed outstanding for the purpose of computing the beneficial ownership percentage of any other person. Unless otherwise indicated, each person has the sole power to vote, and sole investment power over, the shares listed as beneficially owned by such person.

(2) This percentage is calculated based upon a total of 9,319,931 shares of CSS common stock outstanding at June 2, 2014.

This information is as of December 31, 2013 and is derived from Schedule 13G filed with the SEC on February 10, 2014 by T. Rowe Price Associates, Inc. (“Price Associates”) and T. Rowe Price Small-Cap Value Fund, Inc. (“Price Fund”). Price Associates and Price Fund are located at 100 E. Pratt Street, Baltimore, MD 21202. Price Associates is an investment adviser registered under the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”), and Price Fund is an investment company registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Price Associates has advised us that the shares shown in the table are (3) owned by various individual and institutional investors including Price Fund (which owns 1,001,900 of the shares shown in the table, representing 10.8% of the shares outstanding), which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. Price Associates and Price Fund have disclosed that they collectively possess sole voting power over 1,001,900 of the shares shown in the table. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Price Associates is deemed to be a beneficial owner of the shares shown in the table; however, Price Associates expressly disclaims that it is the beneficial owner of such shares.

This information is as of December 31, 2013 and is derived from Schedule 13G filed with the SEC on January 6, 2014. Royce & Associates, LLC ("Royce") is located at 745 Fifth Avenue, New York, NY 10151. Royce has disclosed that it is an investment adviser registered under the Investment Advisers Act. Royce has reported that (4) 974,000 of the shares shown in the table, representing 10.5% of the shares outstanding, are owned by Royce Special Equity Fund, an investment company registered under the Investment Company Act and managed by Royce.

This information is as of December 31, 2013 and is derived from Schedule 13G filed with the SEC on February 10, 2014. Dimensional Fund Advisors LP ("Dimensional") is located at Palisades West, Building One, 6300 Bee Cave Road, Austin, TX 78746. Dimensional has disclosed that it is an investment adviser registered under the Investment Advisers Act, and that it furnishes investment advice to four investment companies registered under the (5) Investment Company Act and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts being referred to as the "Funds"). Dimensional has disclosed that all of the shares shown in the table are owned by the Funds, and that Dimensional possesses sole voting power over 800,634 of the shares shown in the table. Dimensional expressly disclaims that it is the beneficial owner of such shares other than for purposes of Section 13(d) of the Exchange Act.

This information is as of December 31, 2013 and is derived from Schedule 13G filed with the SEC on January 28, 2014 by BlackRock, Inc. ("BlackRock"). BlackRock is located at 40 East 52 Street, New York, NY 10022. (6) BlackRock has disclosed that it possesses sole voting power over 531,349 of the shares shown in the table. BlackRock has reported that it is a parent holding company and that the shares shown in the table are held by six subsidiaries of BlackRock.

(7) The shares shown in the table include options to purchase 14,500 shares of common stock.

(8) The shares shown in the table include options to purchase 22,000 shares of common stock.

(9) The shares shown in the table include options to purchase 1,000 shares of common stock.

The shares shown in the table include: 140,746 shares held by a revocable trust for the benefit of Mr. Farber for which Mr. Farber is trustee and holds the power of revocation; 246,394 shares held by a revocable trust for the (10) benefit of Vivian Farber, Mr. Farber's spouse, as to which Vivian Farber is trustee and holds the power of revocation; and 75,171 shares held by an annuity trust for which Vivian Farber is the sole trustee. Mr. Farber disclaims beneficial ownership of all shares owned by trusts for the benefit of his family members.

(11) Ms. Gilner served as president of our C.R. Gibson, LLC ("C.R. Gibson") business until December 2, 2013, when her employment with us ended.

(12) The shares shown in the table include options to purchase 19,563 shares of common stock.

(13) The shares shown in the table include 1,000 shares owned jointly by Ms. Matthias and her spouse and options to purchase 22,000 shares of common stock.

(14) The shares shown in the table include options to purchase 42,550 shares of common stock.

(15) The shares shown in the table include options to purchase 29,875 shares of common stock.

(16) The shares shown in the table include options to purchase 9,100 shares of common stock.

(17) The shares shown in the table include options to purchase a total of 160,588 shares of common stock.

CORPORATE GOVERNANCE

Board Meetings; Director Attendance at Annual Meeting of Stockholders

The Board held five meetings during our past fiscal year. The Board does not have a formal policy concerning attendance by members of the Board at our Annual Meeting of Stockholders but encourages all directors to attend. All members of the Board attended our 2013 Annual Meeting of Stockholders.

Board Committees; Committee Membership; Committee Meetings

CSS has an Audit Committee, a Human Resources Committee, a Nominating and Governance Committee, an Executive Committee and a committee that administers the 2000 Stock Plan. (The 2006 Stock Plan and the 2011 Stock Plan are administered by the Board.) The Human Resources Committee performs the functions typically performed by a compensation committee. The following table shows the current committee membership and the number of meetings that each committee held during the fiscal year ended March 31, 2014.

Committee	Committee Members – *denotes Committee Chair	Number of Meetings in Fiscal 2014
Audit	Robert E. Chappell*, Scott A. Beaumont and Elam M. Hitchner, III	4
Human Resources	Elam M. Hitchner, III*, James H. Bromley and Rebecca C. Matthias	4
Nominating and Governance	Rebecca C. Matthias*, Scott A. Beaumont and James H. Bromley	2
Executive	Jack Farber*, James H. Bromley and Rebecca C. Matthias	—
2000 Stock Plan	Jack Farber and Christopher J. Munyan	—

Committee Charters; Corporate Governance Principles; and Other Corporate Governance Documents

The Audit Committee, Human Resources Committee and Nominating and Governance Committee each operate under a written charter adopted by the Board. Each of these charters and each of the documents listed below is available in print to any stockholder who requests it:

• CSS Corporate Governance Principles (including categorical standards for the determination of director independence)

• CSS Code of Ethics and Internal Disclosure Procedures

• CSS Code of Business Conduct and Ethics for our Directors

In addition, you may access the charters and documents listed above on our website at www.cssindustries.com/web/guest/corporate-governance. This and all other references in this proxy statement to our website are intended to be inactive textual references only.

Audit Committee

The Audit Committee oversees the integrity of our financial statements, has sole authority to retain, compensate, terminate, oversee and evaluate the independent auditors, and reviews and approves in advance all audit and lawfully permitted non-audit services performed by the independent auditors, subject to the pre-approval policy described below. In addition, the Audit Committee reviews and discusses with management and the independent auditors the annual audited financial statements and quarterly financial statements included in our filings with the SEC; oversees our compliance with legal and regulatory requirements; oversees the organizational structure of, and the activities and qualifications of the persons performing, our internal audit function; and meets separately with the independent auditors and our own internal auditors as often as deemed necessary or appropriate by the Audit Committee. The Audit Committee also oversees our internal control over financial reporting and periodically discusses with management our risks relating to financial reporting, pending and threatened litigation and legal compliance matters, and the steps that management has taken to assess, monitor and address such risks.

The annual audit services engagement terms are subject to specific pre-approval of the Audit Committee. The Audit Committee has adopted a pre-approval policy relating to non-audit services that may be performed by our independent auditors. Such services can be pre-approved by the Audit Committee. Additionally, any member of the Audit Committee can pre-approve such services for fees not exceeding \$50,000 in a fiscal year, and any two members of the Audit Committee can pre-approve such services for fees not exceeding \$100,000 in a fiscal year. Any approval by one or two members is reported to the Audit Committee, for informational purposes, at its next regular meeting following such approval.

In addition, the Audit Committee may pre-approve, on an annual basis, non-audit services that are described in sufficient detail so that the Audit Committee knows precisely what services it is being asked to pre-approve and can make a well-reasoned assessment of the impact of those services on our outside auditor's independence.

Our Board has determined that Messrs. Beaumont and Chappell each meet the criteria of an "audit committee financial expert" as that term is defined in SEC regulations. Each Audit Committee member is also independent as determined in accordance with applicable SEC and NYSE rules.

You may contact our Audit Committee to report complaints about our accounting, internal accounting controls or auditing matters by writing to the following address: Audit Committee, c/o CSS Industries, Inc., 1845 Walnut Street, Suite 800, Philadelphia, PA 19103. You can report your concerns to the Audit Committee anonymously or confidentially.

Human Resources Committee

The Human Resources Committee has responsibility and authority to review, modify and approve our corporate goals and objectives relevant to compensation of the chief executive officer and other CSS executive officers; review, modify and approve the structure of our executive compensation; evaluate the compensation (and performance relative to compensation) of the chief executive officer; determine the amounts and individual elements of total compensation for the chief executive officer; evaluate (in conjunction with the chief executive officer) and approve the compensation (and performance relative to compensation) of all other CSS executive officers and those employees of CSS and its subsidiaries having an annual base salary in excess of a threshold amount determined by the Committee (presently \$200,000) and approve the individual elements of total compensation for such employees.

In addition, the Human Resources Committee has responsibility and authority to evaluate our compensation policies for officers and senior management; evaluate and make recommendations to the Board with respect to the terms and administration of our annual and long-term incentive compensation plans and equity-based plans; evaluate and approve significant changes to our employee benefit programs; approve revisions to the Company's executive salary range structure and salary increase guidelines; make grants under and administer the 2013 Stock Plan; and administer grants previously made under the 2004 Stock Plan.

The Human Resources Committee makes executive compensation determinations at meetings held periodically over the course of a fiscal year. Near the beginning of a fiscal year, the Human Resources Committee evaluates the prior-year performance of the CSS executive officers, including the chief executive officer; determines annual base salaries for the new fiscal year for the chief executive officer and other executive officers; determines the extent to which the prior year's awards under our management incentive program ("MIP") have been earned and the extent to which there will be payouts under the discretionary component of our bonus program; determines the type and amount of available awards under our MIP for the new fiscal year and sets performance goals for such awards; and determines the form and amount of long-term incentive awards. The Human Resources Committee also meets periodically to review our compensation programs and practices and to evaluate whether it would be in the best interests of CSS and our stockholders to make changes to those programs and practices.

Use of Compensation Consultants

The Human Resources Committee directly engaged Frederic W. Cook & Co., Inc. ("F.W. Cook"), an independent compensation consulting firm, to assist the Human Resources Committee in making executive

compensatory determinations for our fiscal year ended March 31, 2014. In connection therewith, F.W. Cook prepared and presented to the Human Resources Committee an executive compensation trends report, a peer group share usage analysis, and a fair value transfer analysis. F.W. Cook also assisted the Human Resources Committee with the design of the 2013 Stock Plan, which was approved by our stockholders at the 2013 Annual Meeting of Stockholders. Additionally, the Human Resources Committee consulted with F.W. Cook concerning: the setting of annual base salaries for our named executives for fiscal 2014, the structure of our bonus program for fiscal 2014, including target and threshold performance criteria and award levels under the performance component of our fiscal 2014 bonus program; and the nature, structure and amount of long-term incentives granted in fiscal 2014.

The Human Resources Committee has determined that F.W. Cook is independent with respect to CSS and that there are no known conflicts of interest in connection with F.W. Cook's role as the Human Resources Committee's independent compensation adviser. In making such determination, the Human Resources Committee considered:

- That F.W. Cook provides no services to CSS or its management other than the services performed for the Human Resources Committee in F.W. Cook's capacity as an independent adviser to the Human Resources Committee.

- That the fees and expenses paid to F.W. Cook by CSS during 2013 were less than 1% of F.W. Cook's total consulting income during such period.

- F.W. Cook's policies and procedures designed to prevent conflicts of interest, and its affirmation as to its compliance with such policy.

- F.W. Cook's policy restricting its employees from trading in the securities of F.W. Cook's clients, and its affirmation as to its compliance with such policy.

- The absence, following inquiry, of any identified business or personal relationships between employees of F.W. Cook, on the one hand, and the members of the Human Resources Committee and our executive officers, on the other hand.

Management's Role in Determining Executive Compensation

In advance of meetings of the Human Resources Committee, members of CSS executive management provide the Human Resources Committee with written materials containing compensation-related information and recommendations, including recommendations as to the amount and form of compensation for executive officers other than the chief executive officer. These materials are prepared by or under the direction of Messrs. Munyan and Kiesling. In connection with the preparation of such materials, Messrs. Munyan and Kiesling confer with F.W. Cook, in its capacity as an independent advisor to the Human Resources Committee, and portions of such materials are prepared by, or reflect the advice and input of F.W. Cook, acting in such capacity. The Human Resources Committee determines the matters as to which F.W. Cook prepares materials or provides its advice and input to our executive management in connection with the preparation of such materials.

On an annual basis, and otherwise as deemed appropriate by Mr. Munyan or as requested by the Human Resources Committee, Mr. Munyan provides the Human Resources Committee with his evaluation of the performance of our named executives, including Mr. Munyan's own self-evaluation. Certain of our executive officers participate in meetings of the Human Resource Committee. Executive officers do not participate, and are not present, during portions of meetings in which the Human Resources Committee considers their individual performance and approves their compensation.

Human Resources Committee Interlocks and Insider Participation

As indicated above, the Human Resources Committee performs the functions typically performed by a compensation committee, and the members of the Human Resources Committee are Messrs. Hitchner and Bromley and Ms. Matthias. Mr. Bromley previously served as an executive officer of CSS. He ceased to be a CSS executive officer in December 1997. No member of the Human Resources Committee served as an officer or employee of CSS or any of its subsidiaries during the fiscal year ended March 31, 2014 or had any relationship requiring disclosure under SEC regulations.

Procedures and Processes with Regard to Director Compensation

Under our bylaws, our Board has authority and responsibility for fixing the nature and amount of all compensation paid to the members of our Board. Our Board reviews and sets the amount of fees paid to non-employee directors on an annual basis. In fiscal 2014, our Board determined to increase the attendance fees paid to non-employee directors for participation in Board and Committee meetings from \$1,000 to \$1,500 per meeting and to increase the fees paid for participation in telephonic meetings not exceeding one hour in duration from \$500 to \$750 per meeting. The Board did not adjust the annual fees paid for service on the Board or the annual fees paid to the Chairman of each of the Audit, Human Resources and Nominating and Governance Committees. In making these determinations, our Board considered information from published survey data on fees paid to outside directors by manufacturing companies having annual revenues between \$100 million and \$499 million, as well as recommendations of our executive officers. See Director Compensation – Fiscal 2014 for further information concerning the form and amount of director compensation provided by CSS.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for identifying qualified individuals for Board membership and recommending individuals for nomination to the Board and its committees. In addition, the Nominating and Governance Committee reviews and makes recommendations to the Board as to changes in Board structure, the range of qualifications that should be represented on the Board and eligibility criteria for individual Board membership. The Nominating and Governance Committee is also responsible for developing and recommending corporate governance principles to the Board and overseeing the evaluation of the Board and its Committees.

Executive Committee

The Executive Committee may exercise all the authority of the Board in our business and affairs, to the extent permitted by law, at a time when action of the entire Board is not feasible.

2000 Stock Plan Committee

The members of the Stock Option Committee under the 2000 Stock Plan are determined under the provisions of such plan. The 2000 Stock Plan provides that it is to be administered by a Committee of the Board consisting of directors who are not eligible to participate in the plan. (The 2006 Stock Plan and the 2011 Stock Plan are administered by the Board.) Although the 2000 Stock Plan has expired and no further options can be awarded under such plan, stock options previously granted under such plan remain outstanding. The 2000 Stock Plan provided for automatic, formula-based stock option grants to non-employee directors, which grants are not subject to adjustment by the members of the aforementioned Stock Option Committee. Grants under the 2000 Stock Plan were made from 2001 until 2005.

Board Independence

The Board has affirmatively determined that each of Messrs. Beaumont, Bromley, Chappell and Hitchner and Ms. Matthias has no material relationship with CSS (either directly or as a partner, stockholder or officer of an organization that has a relationship with CSS) and is an independent director within the meaning of the New York Stock Exchange (“NYSE”) rules.

The Board has further determined that each of the members of the Audit Committee, the Human Resources Committee and the Nominating and Governance Committee is independent within the meaning of the NYSE rules. To assist the Board in making determinations of independence, the Board has adopted the following categorical standards:

- (i) A director will not be independent if: (1)(A) the director is a current partner or employee of CSS’ internal or external auditor, or (B) an immediate family member of the director is either (x) a current partner of such a firm or (y) a current employee of such a firm and personally works on CSS’ audit, or (C) within the preceding three years the director or an immediate family member of the director was a partner or employee of CSS’ present or former external auditor and personally worked on CSS’ audit within that time; or (2) currently, or within the preceding three years: (A) the director is or was employed by CSS; (B) an

immediate family member of the director is or was employed by CSS as an executive officer; (C) the director, or an immediate family member of the director is or was employed as an executive officer of another entity, as to which any of CSS' executive officers at the same time served on the compensation committee of such other entity; (D) the director, or an immediate family member of the director received, during any 12 month period, more than \$120,000 in direct compensation from CSS, other than director related fees; or (E) the director is or was an executive officer or otherwise employed by an entity, or an immediate family member of the director is or was employed by an entity, that made payments to, or received payments from, CSS for property or services in an amount which in any of CSS' fiscal years exceeded the greater of \$1 million, or 2% of the other entity's gross revenues.

(ii) Service by a CSS director as an executive officer of a charitable organization as to which the charitable contributions made by CSS and the Farber Foundation to such charitable organization are less than the greater of 2% of that organization's total annual charitable receipts or \$1 million per annum, shall not be considered a material relationship that would impair a director's independence.

All independent directors satisfied these categorical standards, which are set forth in our Corporate Governance Principles, which can be accessed on our website at www.cssindustries.com/web/guest/corporate-governance.

Executive Sessions of Non-Management Directors

Ms. Matthias, in her capacity as Chair of the Nominating and Governance Committee, presides at the regularly scheduled executive sessions of our non-management directors, each of whom is an independent director. Each session has been scheduled to be held immediately following each regularly scheduled meeting of the Board.

Board Leadership Structure

Although our bylaws do not prohibit our chief executive officer from serving as chairman of our board of directors, these two positions are not held by the same individual, and they have not been held by the same individual since 1999, when Mr. Farber retired as our chief executive officer. The Nominating and Governance Committee and our Board believe that this organizational structure is appropriate because Mr. Farber, having previously served as our chief executive officer for approximately twenty years, is uniquely well-qualified to lead our Board and assist its committees in evaluating our performance and the performance of our chief executive officer.

In this regard, our independent directors sometimes invite Mr. Farber to participate in portions of their executive sessions, and our Human Resources and Audit Committees sometimes invite Mr. Farber to participate in portions of their executive sessions, conducted outside the presence of the chief executive officer. These sessions are chaired by Ms. Matthias in her capacity as Chair of the Nominating and Governance Committee, in the case of executive sessions of our independent directors and of the Nominating and Governance Committee, and by the Chairmen of the Human Resources and Audit Committees, respectively, in the case of executive sessions of their respective committees. While our independent directors value Mr. Farber's perspective and insight, these directors (as well as the Audit, Human Resources and Nominating and Governance Committees) also meet on a regular basis without the participation of Mr. Farber, who does not qualify as an independent director under the rules of the NYSE.

Board's Role in Risk Oversight

Management is responsible for risk management, including identifying risks, assessing threats posed by those risks, determining how those risks should be addressed, and monitoring the status of those risks and the status of any actions that management has determined to implement to address those risks. The Board's role in risk management is to oversee these activities. The Board administers its oversight responsibilities with regard to risk management by considering management presentations and reports, engaging in discussions with management, questioning management, and constructively challenging management's assessments and conclusions. The Board also directs management to consider, assess and report to the Board on matters that the Board views as potential risks, if management has not already identified or assessed those potential risks.

Operationally, the Board administers its risk oversight responsibilities at both the full Board level and at the Committee level. Generally, the full Board oversees risk management with respect to strategic and operational matters and as to risks that may significantly affect our business, results of operations or financial condition (which sometimes may involve risks primarily overseen at the Committee level). In this regard, there can be some overlap among matters overseen by the full Board and by Committees of the Board. The Audit Committee has primary oversight responsibility for risks that may impact the effectiveness of our internal controls over financial reporting, risks associated with pending and threatened litigation and those associated with our compliance with laws, rules and regulations applicable to our business. The Audit Committee oversees the activities of the Company's internal audit function and receives regular reports on internal audit's work as a means of evaluating the effectiveness of the Company's internal controls, management's procedures to identify and address business risks, and management's responses to those risks. The Human Resources Committee has primary responsibility for overseeing risks associated with our compensation and benefits policies and practices.

Our executive management identifies operational and strategic risks through, among other methods, regular and frequent communication with the personnel (such as the operations, sales and marketing staff) of our business units. Our chief executive officer routinely discusses operational and strategic risks with the appropriate employees at each of our businesses. In addition, our chief financial officer, general counsel and vice president of operations frequently participate in meetings with the staff at each of our businesses in order to understand operational and strategic risks. As risks are identified, our executive management assesses, or oversees the assessment of, such risks. Following assessment, our executive management determines how those risks will be addressed and monitors the status of those risks and of any actions that management has determined to take to address those risks. These activities form the basis for our executive management's reports to the Board and/or Committees of the Board on risks that may affect the business.

Communications with the Board

Stockholders or other interested persons wishing to communicate with members of the Board should send such communications to Ms. Matthias c/o CSS Industries, Inc. at 1845 Walnut Street, Suite 800, Philadelphia, PA 19103. Ms. Matthias will forward these communications to specified individual directors, or, if applicable, to all the members of the Board as she deems appropriate.

Consideration of Director Candidates

The Nominating and Governance Committee considers candidates for Board membership. Our Corporate Governance Principles provide that directors are expected to possess the highest personal and professional ethics, integrity and values and relevant experience. They are also expected to be committed to the long-term interests of our stockholders, and to have an inquisitive and objective perspective, practical wisdom and mature judgment. In addition, directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively. In this regard, our Corporate Governance Principles provide that directors should not serve on more than three other public company boards (two other public company boards if the director serves as chief executive officer of another entity, or in an equivalent position). The charter of the Nominating and Governance Committee provides that in evaluating nominees, the Nominating and Governance Committee will consider the attributes mentioned above, and such other factors as it deems appropriate, which may include judgment, skill, experience with businesses and other organizations comparable to CSS, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and its committees.

We do not have a formal policy with regard to the consideration of diversity in identifying nominees to stand for election to our Board. Our Board selects nominees after considering the recommendations of the Nominating and Governance Committee. In developing its recommendations, the Nominating and Governance Committee may consider, among other factors mentioned above, the interplay of the candidate's experience with the experience of other Board members. In considering this factor, the Nominating and Governance Committee may take into account the extent to which a candidate's experience broadens the range of experience already represented on the Board. The Nominating and Governance Committee believes that the interplay of a candidate's

experience with the experience of other Board members is one of multiple factors that may be appropriate for consideration in formulating its recommendations. Likewise, in considering the nominees recommended by the Nominating and Governance Committee, our Board may consider the interplay of a candidate's experience with the experience of other Board members, among other factors.

Under our bylaws, (i) no director, other than a director serving as Chairman of the Board, is eligible to be nominated for election to the Board or otherwise continue service as a director past the date of the Annual Meeting of Stockholders occurring in the calendar year in which such Director reaches or has reached his or her 77th birthday, and (ii) a director serving as Chairman of the Board is not eligible to be nominated for election to the Board or otherwise continue service as a director past the date of the Annual Meeting of Stockholders occurring in the calendar year in which such director reaches or has reached his or her 82nd birthday.

Stockholders can recommend candidates for nomination by writing to Ms. Matthias, c/o CSS Industries, Inc., 1845 Walnut Street, Suite 800, Philadelphia, PA 19103. To submit a candidate for consideration in connection with our 2015 Annual Meeting of Stockholders, a stockholder must submit the following information by February 19, 2015: (1) the name of the candidate and information about the candidate that would be required to be included in a proxy statement under the rules of the SEC; (2) information about the relationship between the candidate and the recommending stockholder; (3) the consent of the candidate to serve as a director; and (4) proof of the number of shares of our common stock that the recommending stockholder owns and the length of time the shares have been owned. The Nominating and Governance Committee may seek additional information regarding the candidate. In considering any candidate proposed by a stockholder, the Nominating and Governance Committee will reach a conclusion based on the criteria described above, and it will evaluate candidates recommended by stockholders in the same manner in which it evaluates candidates recommended by others. After full consideration, the Nominating and Governance Committee will notify the stockholder proponent of the Nominating and Governance Committee's determination.

Code of Ethics and Internal Disclosure Procedures (Employees) and Code of Business Conduct and Ethics (Board of Directors)

We have a Code of Ethics and Internal Disclosure Procedures ("Employee Code") applicable to all employees, including officers, and it contains specific provisions relating to our chief executive officer and our senior financial employees. Among other things, the Employee Code is designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosures in reports and documents required to be filed by us with the SEC and in other public communications we make; and to promote compliance with applicable governmental laws, rules and regulations. The Employee Code provides for the prompt internal reporting of violations and contains provisions regarding accountability for adherence to its provisions. The Board also has adopted a Code of Business Conduct and Ethics ("Director Code") applicable to the Board. We intend to satisfy the disclosure requirements regarding any amendment to, or waiver from, a provision of our Employee Code and our Director Code by making disclosures concerning such matters available on the corporate governance page of our website, www.cssindustries.com/web/guest/corporate-governance.

RELATED PARTY TRANSACTIONS

We do not have a formal policy on related party transactions. However, our Employee Code and our Director Code reflect our general policy that conflicts of interest are to be avoided by directors, officers and employees of CSS and its subsidiaries. These codes are intended to ensure that transactions that may involve conflicts of interest are identified, reviewed and approved. Our Director Code states that directors should avoid conflicts of interest, including those arising indirectly from activities of immediate family members, and report to the Chair of the Nominating and Governance Committee any situation that may involve a conflict of interest.

Under our Employee Code, our employees, including our executive officers, must observe honest and ethical behavior and avoid conflicts of interest, including those arising from activities of family members. We encourage dialog between employees and their supervisors to bolster awareness of situations that may pose ethical questions, including conflicts of interest. We expect employees to report suspected violations of the

Employee Code to our legal department for investigation. Under our Employee Code, our chief executive officer, chief financial officer, controller and those performing similar functions must disclose to our general counsel any material transaction or relationship that reasonably may be expected to violate the Employee Code, including actual or apparent conflicts of interest.

If a material transaction that may pose a conflict of interest is brought to the attention of the Chair of the Nominating and Governance Committee or our general counsel, as contemplated by our codes of conduct, those individuals generally would be expected to present such transaction to our Board for review, approval or ratification. Our Board has not adopted any particular standards applicable to its consideration of such matters.

On an annual basis, our employees, including our executive officers, are required to certify in writing that they are in compliance with the Employee Code, or, if not in compliance, to identify instances of non-compliance. Additionally, our executive officers and directors, on an annual basis, are required to report to us, in response to director and officer questionnaires, any related party transactions that may give rise to a disclosure obligation in our proxy statement under Item 404(a) of SEC Regulation S-K. Since the beginning of our 2014 fiscal year, we have not had any transactions required to be reported under Item 404(a) of SEC Regulation S-K.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In this Compensation Discussion and Analysis, we address the compensation paid or awarded to our current and former executive officers listed in the Summary Compensation Table that follows this discussion. We refer to these executive officers as our “named executive officers” or “named executives.”

Compensation Objectives

We have designed our executive compensation program to address principally the four objectives identified in the following table. This table also identifies the type(s) of compensation we utilize to address each objective:

Compensation Objectives and Corresponding Types of Compensation Utilized

Objective	Type
Competitiveness — providing compensation that is appropriately competitive to attract and retain executive talent, taking into account the size and business of CSS and its subsidiaries	Salary Incentive Compensation Equity Compensation
Performance Incentives — incentivizing and rewarding the achievement of performance goals	Incentive Compensation Equity Compensation
Ownership Incentives — encouraging the aggregation and maintenance of equity ownership to align executive and stockholder interests	Equity Compensation
Retention Incentives — incentivizing long-term continued employment with us	Equity Compensation

Say-on-Pay Consideration

At our Annual Meeting of Stockholders held on July 30, 2013, our stockholders voted to approve, on an advisory basis, the compensation paid to our named executive officers for our fiscal year ended March 31, 2013, with over 97% of the votes cast on the matter being for approval of our “say-on-pay” proposal. The Human Resources Committee believes that these results reflect that the holders of a substantial majority of our common stock concurred with the Company’s compensation objectives and its fiscal 2013 compensatory practices. Taking the results of the say-on-pay vote into consideration, the Human Resources Committee determined not to make significant changes to the Company’s compensatory practices during fiscal 2014.

Fiscal 2014 Compensation

Pay for Performance

To incentivize performance that benefits our stockholders, we have designed our compensation program to make a meaningful portion of target total direct compensation (salary, plus target annual incentive compensation, plus long-term incentives) dependent on the achievement of performance goals. For fiscal 2014, we increased the weight attributed to the performance component of our bonus program to 80% of each executive’s target bonus amount, up from 75% in fiscal 2013. Correspondingly, we reduced the weight attributed to the discretionary component to 20%, down from 25% in fiscal 2013. We made these changes to further align pay with performance. Payouts under the performance component were determined based on the extent to which management attained the specified performance goals. Payouts under the discretionary component were determined at the discretion of the Human Resources Committee.

Similarly, we structured our long term incentive awards for fiscal 2014 to include performance goals. These awards consisted of non-qualified stock options and restricted stock units (“RSUs”). The stock options will not

vest or become exercisable unless a total stockholder return (“TSR”) performance goal is met, except that vesting and exercisability are accelerated upon a change of control. Likewise, the RSUs will not vest or be redeemed for shares of CSS common stock unless the same TSR performance goal is achieved, except that vesting and redemption are accelerated upon a change of control.

As shown in the table below, approximately 65% of Mr. Munyan’s target total direct compensation (“TTDC”) for fiscal 2014 was conditioned upon the achievement of performance goals or (in the case of the discretionary component of the bonus program) was subject to the discretion of the Human Resources Committee. The percentages for our other named executives ranged from approximately 50% to 59%. Mr. Farber does not appear in the table because he does not participate in our bonus program or our equity compensation program.

Fiscal 2014 — Portion of TTDC Subject to Performance Goals or Committee Discretion

Executive	Salary (\$)	Target bonus amount (\$)	Stock awards (\$)	Option awards (\$)	TTDC (\$)	TTDC subject to performance goals or committee discretion (\$)	TTDC subject to performance goals or committee discretion (%)
C. J. Munyan	590,073	590,073	164,080	351,155	1,695,381	1,105,308	65%
V. A. Paccapaniccia	354,781	283,825	82,040	147,651	868,297	513,516	59%
W. G. Kiesling	346,489	277,191	82,040	147,651	853,371	506,882	59%
C. A. Sorensen	260,230	156,138	32,816	68,572	517,756	257,526	50%
L. F. Gilner	338,130	270,504	26,663	74,655	709,952	371,822	52%

In the tables that follow, we compare the TTDC components that were available to be awarded to our chief executive officer in each of the last three fiscal years (Table 1) to the corresponding amounts that were paid out or which may be considered realized (based on the methodology described below) as of March 31, 2014 (Table 2).

Table 1 presents each component of our chief executive officer’s TTDC for each of the last three fiscal years. The stock award and option award amounts in Table 1 reflect the grant date fair value of each such award, the same value at which such awards are required, under applicable SEC regulations, to be reflected in the Summary Compensation Table included in this Proxy Statement.

Table 1 — TTDC — Chief Executive Officer

Fiscal Year	Salary (\$)	Target bonus amount (\$)	Stock awards (\$)	Option awards (\$)	TTDC (\$)
2014	590,073	590,073	164,080	351,155	1,695,381
2013	572,886	572,886	237,958	277,714	1,661,444
2012	556,200	556,200	292,500	247,799	1,652,699
3-Year Total	1,719,159	1,719,159	694,538	876,668	5,009,524

Table 2 below shows how the Company’s performance and the Human Resources Committee’s discretion have affected bonus payouts, and how the design of our long-term incentives affect realization of the stock awards and option awards granted to our chief executive officer:

Table 2 — Total Direct Compensation that may be Considered Realized at 3/31/2014 as a Percentage of TTDC — Chief Executive Officer

Fiscal Year	Salary (\$)	Bonus payout (\$)	Value of stock awards at 3/31/2014 (\$)	Intrinsic value of option awards at 3/31/2014 (\$)	Total direct compensation at 3/31/2014 (\$)	Total direct compensation as of 3/31/2014 as a percentage of TTDC (%)	
2014	590,073	436,654	—	—	1,026,727	61	%
2013	572,886	386,792	415,702	349,530	1,724,910	104	%
2012	556,200	318,703	475,200	360,360	1,710,463	103	%
3-Year Total	1,719,159	1,142,149	890,902	709,890	4,462,100		
Comparison to Table 1 amount (%)	100%	66%	128%	81%	89%		

Below, we further discuss the information presented in the preceding tables:

Bonus Payouts. In Table 2, the “bonus payout” column shows the portion of the target bonus amount from Table 1 that we actually paid for each of the last three fiscal years. Payouts under the performance component were based on the level of earnings per share (“EPS”) achieved by CSS, after certain adjustments determined at the beginning of the performance period, as compared to threshold and target levels of EPS established by the Human Resources Committee at the beginning of the performance period. Based on the level of EPS achieved (as adjusted), payouts under the performance component represented approximately 80%, 68% and 50%, respectively, of the target for such component for fiscal 2014, 2013 and 2012. Payouts under the discretionary component were approximately 50%, 66% and 87%, respectively, of the target for such component for each such fiscal year.

Based on our use of performance goals and (in the case of the discretionary component of the bonus program) the exercise of discretion by the Human Resources Committee, payouts to our chief executive officer over the past three fiscal years have amounted to approximately 66% of the aggregate target bonus amount for such period. We believe that the design of our bonus program has resulted in payouts reflecting appropriate correlation between pay and performance. We also believe that our bonus program is designed to provide meaningful incentives and rewards for our chief executive officer to achieve performance goals designed to benefit our stockholders.

Fiscal 2014 Stock Awards and Option Awards. The stock awards (consisting of RSUs) and option awards for fiscal 2014 are valued at zero in Table 2 because these awards are subject to a TSR performance goal that has not been attained. If the TSR performance goal is not attained on or prior to the fourth anniversary of the grant date (and in the absence of a change of control), the RSUs will not vest or be redeemed for CSS common stock, and the stock options will not vest or become exercisable.

Fiscal 2013 and 2012 Stock Awards. The stock awards for fiscal 2013 and 2012 consist of RSUs subject to TSR performance goals that have been satisfied. These RSUs remain subject to service-based vesting conditions that were not satisfied as of March 31, 2014. For any RSUs that become vested, value realization will take place four years after the respective grant dates (May 2015 for the fiscal 2012 awards and May 2016 for the fiscal 2013 awards), at which time all vested RSUs will automatically be redeemed for an equivalent number of shares of CSS common stock. Although these awards were not vested as of March 31, 2014 and value realization will not take place until 2015 and 2016, these awards are valued in Table 2 at the closing market price per share of CSS common stock on March 31, 2014 of \$27.00, less the present value of anticipated regular quarterly dividends between March 31, 2014 and the redemption dates. We adjusted for dividends because we do not pay or accrue dividends or dividend equivalents on outstanding RSUs.

We structured the aforementioned stock awards to incentivize and reward performance intended to benefit our stockholders. The growth in the value of the RSUs reflects factors that directly benefit our stockholders: (i) the achievement of the applicable TSR performance goals, and (ii) stock price appreciation. The value ultimately realized from these awards will depend on: (i) the extent to which the service-based vesting conditions

become satisfied, and (ii) the market price of our common stock at the time of redemption in 2015 and 2016. In this regard, these awards continue to address our objectives of providing retention incentives and, given that value realization is dependent on our stock price at the time of redemption, performance incentives.

Fiscal 2013 and 2012 Option Awards. The option awards for fiscal 2013 and 2012 consist of options subject to TSR performance goals that have been satisfied. These options remain subject to service-based vesting conditions that were partially satisfied as of March 31, 2014. As of such date, 25% of the fiscal 2013 options and 50% of the fiscal 2012 options had become vested and exercisable, and these options were in fact exercised by Mr. Munyan during fiscal 2014. In Table 2, the unexercised portion of these option awards is valued at the difference between the closing market price per share of CSS common stock on March 31, 2014 of \$27.00 and the respective exercise prices of \$18.48 and \$18.25 per share. The exercised portion is valued at the difference between the closing market price on the day prior to the date of exercise of \$29.52 per share and the respective exercise prices. The value shown includes all options covered by such awards, including those that were not vested or exercisable as of March 31, 2014.

We structured the foregoing option awards to incentivize and reward performance intended to benefit our stockholders. The growth in the intrinsic value of the option awards reflects factors that directly benefit our stockholders: (i) the achievement of the applicable TSR performance goals, and (ii) stock price appreciation. Given that these awards become exercisable in installments over time (as service-based vesting conditions become satisfied), and given that value realization depends on our stock price at the time of exercise, these awards continue to address our objectives of providing retention and performance incentives.

Use of Comparative Data

In this section, we describe the comparative data considered by us in making compensatory determinations for fiscal 2014 and how that data was obtained. In later sections, we discuss how we utilized such comparative data in making our compensatory determinations.

The Human Resources Committee uses comparative compensation data to address its “competitiveness” compensation objective. The Committee utilizes its independent executive compensation consultant, F.W. Cook, to obtain, analyze, and advise the Committee with respect to comparative compensation data from a peer group of public companies and from available executive compensation surveys.

In consultation with F.W. Cook, the Committee has determined that comparative data should be obtained, analyzed and considered by the Committee periodically, but not necessarily every year. In this regard, the Committee directly engaged F.W. Cook to perform an executive compensation review that was utilized and considered by the Committee in making compensatory determinations for the immediately preceding fiscal year, fiscal 2013 (the “prior year review”). The prior year review included an analysis of executive compensation data from the proxy statements of a peer group of public companies comparable to CSS, as well as an analysis of compensation information from a national general industry survey.

The peer group used for the prior year review consisted of the following 15 public companies: American Greetings Corporation; Blyth, Inc.; CDI Corp.; Destination Maternity Corporation; Ennis, Inc.; Helen of Troy Limited; Hooker Furniture Corporation; JAKKS Pacific, Inc.; Kid Brands, Inc.; Knoll, Inc.; Lannett Company, Inc.; Libbey Inc.; Lifetime Brands, Inc.; National Presto Industries, Inc.; and Neenah Paper, Inc. This group was developed by F.W. Cook and approved by the Human Resources Committee, taking into account F.W. Cook’s recommendations. Members of the peer group were selected based on similarity to CSS with regard to business type and scope of operations, measured principally by revenues, earnings, market capitalization and location.

In the prior year review, F.W. Cook compared the total compensation paid to our four most highly compensated executive officers for fiscal 2013 to that received by comparable executives at each of the peer companies. The elements of pay included in such analysis were base salary, annual incentives and long-term incentives. Comparisons were based on an executive’s position and on pay rank (i.e., highest paid vs. highest paid, 2nd highest paid vs. 2nd highest paid, etc.). The Human Resources Committee took this comparative data into account and used it as a point of reference in setting salaries for fiscal 2013 and in structuring annual and long term incentives for fiscal 2013.

In making compensatory determinations for fiscal 2014, the Human Resources Committee was cognizant that the comparative data from the prior year review had been taken into account by the Committee in designing the Company's compensation program for fiscal 2013, and the Committee used the fiscal 2013 compensation program as a starting point of reference in making compensatory decisions for fiscal 2014. In addition, the Committee engaged F.W. Cook to advise the Human Resources Committee as to general trends and developments in executive compensation subsequent to the preparation of the prior year review and, with respect to long term incentives, to provide the Committee with an updated comparative analysis of share usage, dilution and fair value transfer for the peer group used for the prior year review. While F.W. Cook's trends and developments report did not, and was not intended to, update all of the comparative data in the prior year review, such report addressed marketplace trends and developments affecting levels of compensation, compensation structure and mix, and regulatory developments. In making its compensatory decisions for fiscal 2014, the Human Resources Committee considered the generalized "trends and developments" information and F.W. Cook's updated comparative analysis of peer group share usage, dilution and fair value transfer data.

Base Salaries

In setting base salaries for our executive officers for fiscal 2014, the Human Resources Committee considered, among the other factors discussed below, the Company's proposed budget (of approximately 3%) for fiscal 2014 salary increases. In considering the appropriateness of such budget, the Human Resources Committee consulted with F.W. Cook and considered information provided by F.W. Cook as part of its report on general trends and developments in executive compensation.

For fiscal 2014, the Human Resources Committee increased Mr. Munyan's annual base salary by approximately 3% to \$590,073. In so doing, the Human Resources Committee took into account, in addition to the salary increase budget mentioned above, CSS' performance during fiscal 2013, Mr. Munyan's individual performance during such period, his skill set and experience relative to the needs of CSS, his tenure in his current position, and his expected future contributions to CSS. In addition, the Human Resources Committee considered the advice of F.W. Cook, including the information provided as part of its general trends and developments report. The Human Resources Committee did not attribute any particular weight to the individual factors that it considered.

In approving annual base salary increases for Messrs. Paccapaniccia, Kiesling and Sorensen and Ms. Gilner, which ranged from 2% to 6%, the Human Resources Committee considered the same factors as those discussed above with respect to Mr. Munyan. In addition, the Committee considered Mr. Munyan's evaluation of each executive's individual performance, and his recommendations as to their respective salary increases. Furthermore, in the case of Ms. Gilner, the Human Resources Committee considered the performance of the business unit for which she then had responsibility as a subsidiary president. The Human Resources Committee did not attribute any particular weight to individual factors.

In determining Mr. Farber's annual base salary for fiscal 2014, the Human Resources Committee took into account Mr. Farber's value to CSS in his role as executive chairman, his skill set and experience relative to such position and to the needs of CSS, his tenure with CSS and his expected future contributions to CSS. The Human Resources Committee also considered Mr. Farber's view that his salary not be increased. The Committee did not attribute any particular weight to individual factors.

Annual Incentive Compensation

Fiscal 2014 Bonus Program Design

We provide annual incentive compensation opportunities under our bonus program. Our program has two components: (i) a performance component under our MIP for which payouts are determined by the level of achievement of performance goals established by the Human Resources Committee at the beginning of the performance period; and (ii) a discretionary component which may be paid in whole or in part at the discretion of the Human Resources Committee. Payouts under the discretionary component are determined taking into account the extent to which pre-established individual goals are achieved. We set target award levels for our executives based on a percentage of their respective salaries. Maximum award levels are equal to 200% of each executive's target

award level. The threshold amount represents the minimum payout for a specified level of performance versus a goal. For the fiscal year ended March 31, 2014, the applicable target award level percentages, and the threshold, target and maximum award amounts, were as follows (Mr. Farber does not appear in the table below because he does not participate in the bonus program):

Fiscal 2014 Bonus Program Summary⁽¹⁾

Executive	Target as % of base salary	Threshold (\$)	Target (\$)	Maximum (\$)
C. J. Munyan	100%	92,901	590,073	1,180,146
V. A. Paccapaniccia	80%	44,685	283,825	567,650
W. G. Kiesling	80%	43,641		