

# **NALCO HOLDING COMPANY**

## **Amended And Restated Charter Of**

### **The Compensation Committee**

#### **I. Organization**

The Compensation Committee (the "Committee") of Nalco Holding Company ("NHC") shall consist of at least three directors. Pursuant to the exemption provided to "controlled companies" by Section 303A of the rules of the New York Stock Exchange, for such time that NHC qualifies as a "controlled company" NHC may avail itself of such exemption and, therefore, the Compensation Committee may not be composed entirely of independent directors. Committee members shall be appointed by the Board of Directors in accordance with NHC's Articles of Incorporation and By-Laws, as amended (the "Articles") on the recommendation of the Compensation Committee. Committee members shall hold their offices for one year and until their successors are elected and qualified, or until their earlier resignation or removal. All vacancies in the Committee shall be filled by the Board in accordance with the Articles. The Board shall designate one of the members as Chairman of the Committee and the Committee shall keep a separate book of minutes of its proceedings and actions.

The Committee shall meet periodically as deemed necessary by the Chairman of the Committee. All meetings shall be at the call of the Chairman of the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business. Meetings may be held by telephone or by other appropriate means in accordance with the Articles of NHC.

The Committee may form one or more subcommittees each of which may take such actions as may be delegated by the Committee. The Committee shall periodically report on its activities to the Board and make such recommendations and findings as it deems appropriate. The Committee's members shall perform an annual review and evaluation of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. The Committee may, in its sole discretion and at NHC's expense, retain and terminate legal, accounting or other consultants or experts, including compensation consultants, it deems necessary in the performance of its duties and without having to seek the approval of the Board.

#### **II. Purpose and Responsibilities**

The Compensation Committee's primary purpose and responsibilities shall be:

- Establish the total compensation package provided to the Chief Executive Officer, other officers and other persons reporting directly to the Chief Executive Officer, including NHC's and its subsidiaries' executives;
- To develop and recommend to the Board compensation for Board members;

- To oversee NHC's and its subsidiaries' general incentive compensation plans and equity based plans; and
- To produce a Compensation Committee report on executive compensation to be included in NHC's annual proxy statement filed with the Securities and Exchange Commission (the "SEC"), in accordance with the applicable rules and regulations of the SEC, New York Stock Exchange and other regulatory bodies.

### **III. Duties**

To fulfill its purpose and responsibilities, the Compensation Committee shall perform the following with respect to NHC and its subsidiaries:

1. Review and recommend to the Board the total compensation for Directors and non-CEO compensation and set the amount of capital stock in NHC that Directors must hold.
2. Establish the total compensation package provided to the Chief Executive Officer, other officers, including without limit, officers whose compensation is disclosed in NHC's proxy statement, and other persons reporting directly to the Chief Executive Officer. Specifically as to the Chief Executive Officer, the Committee will review and approve the goals and objectives relevant to the Chief Executive Officer's compensation and evaluate the Chief Executive Officer's performance in light of those goals and objectives and, based on such evaluation, review and approve the annual salary, bonus, stock option and other benefits, direct and indirect, of the CEO.
3. Review and approve any employment agreements, severance agreements or change of control agreements with the Chief Executive Officer, other officers and other persons reporting directly to the Chief Executive Officer.
4. Review and approve the design of the benefit plans which pertain to Directors, the Chief Executive Officer, other officers and persons reporting directly to the Chief Executive Officer including oversight of Rule 162(m) plans and awards granted thereunder.
5. Periodically review succession plans of the Chief Executive Officer of NHC and its subsidiaries and screen and recommend to the Board candidates for Chief Executive Officer and such other senior executive officers as may be determined by the Committee.
6. Review and recommend to the Board the creation and/or revision of NHC's and its subsidiaries' compensation plans, incentive compensation plans and equity based plans and oversee the activities of the individuals

responsible for administering the plans. Review and approve all equity compensation plans of NHC and its subsidiaries that are not otherwise subject to the approval of NHC's shareholders. In determining long-term incentive compensation the Committee will consider NHC's performance and relative shareholder return, the value of similar incentive awards to chief executive officers and other officers at comparable companies and the awards given to the Chief Executive Officer and other officers in past years.

7. Oversee compliance with the any applicable compensation reporting requirements of the SEC.
8. Obtain through discussions with management of NHC and its subsidiaries a general understanding of compensation design throughout NHC and its subsidiaries.
9. Administer all plans that require "disinterested administration" under Rule 16b-3 of the Securities and Exchange Act of 1934, as amended, including all stock option, restricted stock and deferred stock plans.
10. To appoint members of Nalco Company's Employee Benefit Plan Investment Committee (EBPIC) and the Employee Benefit Plan Administration Committee (EBPAC) and oversee both Committees.
11. To approve the establishment, amendment and termination of all retirement plans of NHC and its subsidiaries.
12. To approve the appointment and removal of trustees and investment managers for pension fund assets.
13. Retain consultants, from time to time, to advise the Committee on executive compensation practices and policies and assist in the evaluation of the Chief Executive Officer and executive compensation. This authority includes the sole authority to terminate the consultants and approve the consultant's fees and other retention terms.