

**As approved by the Board of Directors, August 12, 2004**

ALBANY INTERNATIONAL CORP.

COMPENSATION COMMITTEE

Charter

Purpose of the Committee

The Compensation Committee will

- (1) assist the Board of Directors and management in developing and administering employee compensation, incentive and benefits programs and policies that will enable the Company to attract, retain and motivate competent personnel;
- (2) oversee the compliance of such programs and policies with applicable legal requirements, including the Employee Retirement Income Security Act;
- (3) review compensation, incentive and benefits programs and policies established for employees of subsidiaries of the Company and recommend such changes as the Committee may feel appropriate to bring about consistency and equity among the programs and policies of the Company and those of its subsidiaries; and
- (4) prepare the report of the Compensation Committee required to be included in the Company's Proxy Statement in connection with the Annual Meeting of Stockholders.

This Charter shall not be deemed to increase or add to the fiduciary and other legal duties obligations of the Board of Directors or the Compensation Committee and is intended only to clarify which existing duties and obligations will be addressed by the Committee.

Composition; Delegation

The Board of Directors shall from time to time appoint the membership of the Committee and its Chairman, all of whom shall serve at the pleasure of the Board. In appointing the members of the Committee, the Board of Directors shall comply with all laws, regulations and rules applicable with respect to the number and qualifications of such members, as such laws, regulations and rules may from time to time be modified or supplemented.

The members of the Committee shall choose a Secretary, who shall serve at the pleasure of the Committee.

To the extent permitted by applicable law, regulations and rules, the Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee.

## Meetings

The Committee shall meet at least three times each year. Meetings of the Committee may be called by the Chairman of the Board, the Chairman of the Committee or a majority of the members of the Committee. A majority of the total number of members of the Committee shall constitute a quorum for the transaction of business. The vote of a majority of the members present shall be necessary for any action or determination.

## Responsibilities

- (1) Recommend to the Board of Directors the compensation and benefits to be afforded to directors.
- (2) Review and approve goals and objectives relevant to the determination of the compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer in the light of such goals and objectives and determine the compensation of the Chief Executive Officer, taking such evaluation into account. The Chairman of the Committee shall communicate to the Chief Executive Officer, the Governance Committee and the Board of Directors the Committee's evaluation of the Chief Executive Officer's performance.
- (3) In consultation with the Chief Executive Officer review and approve goals and objectives relevant to the determination of the compensation of the senior executive officers other than the Chief Executive Officer, evaluate the performance of such senior executive officers in the light of such goals and objectives and determine the compensation of such senior executive officers, taking such evaluation into account.
- (4) Make recommendations to the Board of Directors with respect to the establishment, amendment or termination of bonus, incentive-compensation, equity-based, profit-sharing, deferred compensation and other plans and programs intended to reward and retain employees and exercise such responsibilities with respect to the administration, amendment or termination of such plans and programs as the Board of Directors may from time to time delegate to the Committee.
- (5) Monitor the overall programs and policies of the Company with respect to compensation and benefits for employees to assure the Company's ability to attract and maintain competent and highly-motivated employees whose interests are appropriately aligned with those of the Company's stockholders.
- (6) Review and approve salary ranges for senior management and changes in such ranges or in the salary grade structure.
- (7) Monitor the Company's U.S. employee benefit plans, including salaried and hourly pension plans, investment and savings plans, terminated benefit plans, group life insurance and long-term disability plans.

- (8) Recommend to the Board, based on management recommendations, the modification of existing U.S. employee benefit plans or the establishment or elimination of plans from time to time.
- (9) Approve investment advisors and consultants and/or investment funds for funds accumulated in the Company's U.S. plans.
- (10) Establish investment objectives for U.S. pension plan investments.
- (11) Conduct performance reviews of U.S. plan investments and/or advisors on a regular basis, at least annually.
- (12) Based on management recommendations, advise the Board on the choice of any trustees for U.S. employee benefit plans, and monitor trustee performance.
- (13) Discharge administrative and interpretative duties under the Company's U.S. employee benefit plans, and generally to perform any other duties and obligations of the Committee as prescribed by these plans.
- (14) Annually review and assess the adequacy of the Charter of the Committee and submit any proposed changes to the Board of Directors for consideration.
- (15) In conjunction with the Governance Committee, conduct an annual evaluation of the performance of the Committee.
- (16) Regularly report to the Board of Directors on the activities of the Committee.
- (17) Obtain such advice and assistance from outside legal or other advisors or consultants as the Committee may from time to time deem appropriate and determine the compensation and other terms of service of such advisors and consultants. The Committee shall have exclusive power to select, retain and terminate the services of, advisors or consultants to assist in evaluating the compensation of the Chief Executive Officer or senior executives and sole power to determine their compensation and other terms of service.
- (18) Carry out such other duties as may be delegated to the Committee by the Board of Directors.

### Funding

The Company shall provide such funding as is necessary for the payment of fees and compensation to any advisors or consultants employed by the Committee in carrying out its responsibilities.