

## PARKER-HANNIFIN CORPORATION

### MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE CHARTER

#### **Purposes of the Committee**

The purposes of the Committee are to (a) review the Company's talent management process to assure a continuing executive leadership pool, (b) discharge the Board's responsibilities relating to the Company's compensation plans, (c) review the compensation of Company executives and (d) prepare the Committee's annual report on executive compensation made pursuant to the federal securities laws, to be included in the Company's annual report (the "Compensation Committee Report").

#### **Total Compensation Philosophy**

Parker Hannifin's Total Compensation Philosophy is designed to support the corporate goals of Premier Customer Service, Financial Performance, Profitable Growth and Empowered Employees. Our goal is to create an environment where employees work in concert to achieve Parker's strategic objectives.

#### **Composition of the Committee**

**Number.** The Committee will have the number of members as determined by the Board, provided that such number will not be less than four.

**Qualifications.** Each Committee member will be a member of the Board in good standing and will be "independent" under the rules of the New York Stock Exchange, Inc. and any other applicable regulatory requirements, as such requirements are interpreted by the Board. Additionally, members of the Committee should have experience in business management and compensation issues. Other desired qualifications may include a background or experience in employee benefits or human resources.

**Appointment.** The Board will appoint the members and the Chairman of the Committee based on nominations made by the Company's Nominating and Corporate Governance Committee. Committee members will serve at the pleasure of the Board and for such term or terms as the Board may determine.

## **Duties and Responsibilities of the Committee**

The Committee will:

- 1) Review Management Succession. Review management succession of key executives and review corporate policies and programs for the development of management personnel.
- 2) Review Executive Talent Pool. Review executive talent pool to ensure the worldwide depth of talent and readiness to meet current business challenges and take advantage of future business opportunities.
- 3) Establish Compensation Program: In consultation with senior management, establish the Company's compensation program and oversee its development and implementation.
- 4) Set and Review CEO Compensation and Performance: Review and approve corporate goals and objectives relating to the compensation of the Chief Executive Officer (CEO), evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEO's at peer and comparable companies.
- 5) Review Senior Executive Compensation and Performance: Review and approve compensation programs for other officers of the Company, and review performance appraisals of such officers.
- 6) Advise On Salaried Administration Programs: Advise on the annual objectives of the Corporation's Salaried Administration Programs and the survey data used to establish such programs.
- 7) Recommend Incentive Plans: Review and approve management's recommendations with respect to incentive compensation plans and equity based plans, including, but not limited to, stock and profit sharing plans, and recommend the approval of such plans to the Board. The Committee shall also oversee the individuals and committees responsible for administering these plans and monitor compliance of officers and senior management in their implementation.
- 8) Oversee Regulatory Compliance: In consultation with senior management, oversee compensation programs to preserve tax deductibility, and, as and when required, establishing that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.

- 9) Review Severance Payments: Review and approve any severance or other termination payments proposed to be made to any current or former officer of the Company.
- 10) Board Reports: Report its activities regularly to the Board in such manner and at such times as it and the Board deem appropriate, but in no event less than once a year.
- 11) Diversity Goals: Oversee the Company's progress in achieving its targets of diversity in its workforce.
- 12) Other Delegated Duties or Responsibilities: Any other duties or responsibilities expressly delegated to the Committee by the Board relating to the Company's compensation programs.

### **Meetings of the Committee**

The Committee shall meet in person or telephonically at least two times per year, or more frequently as it may determine necessary, to comply with its responsibilities as set forth herein. The Chairman of the Committee will, in consultation with the other members of the Committee and appropriate officers of the Company, be responsible for calling meetings of the Committee, establishing an agenda therefor and supervising the conduct thereof. A majority of the members of the Committee shall constitute a quorum for any meeting. In the event of a tie vote on any action to be taken during a meeting of the Committee, the vote of the Chairman will decide the issue. The Committee may also take any action permitted hereunder by unanimous written consent.

The Committee may require any officer or employee of the Company or the Company's outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Any member of the Company's management whose performance or compensation are to be discussed should not attend any such Committee meeting unless specifically invited by the Committee.

### **Delegation to Subcommittee**

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

### **Resources and Authority of the Committee**

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the sole authority to engage compensation consultants to assist in the evaluation of director, CEO or senior executive compensation and to set the fees

and other retention terms of such compensation consultant and to retain special counsel and other experts or consultants.

### **Compensation Committee Report**

The Committee will prepare, with the assistance of management and any outside consultants the Committee deems appropriate in its business judgment, the Compensation Committee Report.

### **Annual Review of Charter**

The Committee will conduct and review with the Board annually an evaluation of this Charter and recommend any changes to the Board. The Charter evaluation will be conducted by the Committee in such manner as the Committee, in its business judgment, deems appropriate.

### **Annual Performance Evaluation**

The Committee will conduct and review with the Board annually an evaluation of the Committee's performance with respect to the requirements of this Charter. This evaluation will also set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation will be conducted by the Committee in such manner as the Committee, in its business judgment, deems appropriate.

Effective: April 20, 2005