



## **QUAKER CHEMICAL CORPORATION**

### **COMPENSATION/MANAGEMENT DEVELOPMENT COMMITTEE CHARTER**

This Charter has been adopted by the Board of Directors (the "Board") of Quaker Chemical Corporation (the "Company") to govern its Compensation/Management Development Committee (the "Committee"), which shall have the authority, responsibilities, and specific powers described below.

#### **PURPOSE**

The Committee's purpose is (1) to oversee and review compensation and management development programs throughout the Company, (2) to discharge the responsibilities of the Board relating to the compensation of the Company's officers, including the Committee's evaluation of, and approval of, or recommendations to the Board with respect to the plans, policies, and programs relating to the compensation of the Company's officers, and (3) to produce an annual report on executive compensation for inclusion in the Company's proxy statement in accordance with applicable regulations and rules.

#### **COMMITTEE MEMBERSHIP**

The Committee shall consist of the number of members fixed from time to time by the Board, but shall at all times consist of not less than three members. The Committee shall have a chairperson who shall be appointed by the Board. Each member of the Committee shall be a member of the Board who meets the independence requirements of the New York Stock Exchange and, as applicable, the Securities and Exchange Commission.

The members of the Committee shall be appointed by the Board on the recommendation of the Board's Governance Committee. The members of the Committee may be removed by the Board.

#### **COMMITTEE DUTIES AND RESPONSIBILITIES**

The Committee shall have the following duties and responsibilities:

- (1) To review Management's compensation philosophies and policies.

- (2) To review and approve annual performance objectives for the Company's Chief Executive Officer, to evaluate the CEO's performance against these objectives, and to make recommendations to the Board of Directors for the CEO's annual salary based on this evaluation.
- (3) For all executive officers, other than the CEO, to review performance and approve annual salaries as proposed by the CEO.
- (4) To review and approve the design and structure of incentive-based compensation plans and equity-based plans.
- (5) For all executive officers, to approve annual incentive and long-term incentive award opportunities and the mix of these awards among cash, restricted stock, and stock options.
- (6) To review and recommend to the Board for approval performance criteria for annual and long-term incentive plans.
- (7) For all executive officers, to review the determination of annual incentive and long-term incentive awards earned in accordance with the plans and report to the Board for endorsement. To review and recommend to the Board for approval any discretionary incentive actions.
- (8) Regarding any severance arrangements, change-in-control agreements, equity awards, or special or supplemental benefits in relation to an employment agreement, to make recommendations to the Board for the CEO and to approve, as recommended by the CEO, for all other officers.
- (9) To review retirement and other benefit programs and to provide approvals or make recommendations to the Board as required by the plans.
- (10) To assure an annual management succession review by Management with the Board.
- (11) To review annually the Company's management and organizational development programs including workforce composition and hiring and recruiting activity.
- (12) To administer the Company's Global Annual Incentive Plan and Long-Term Performance Incentive Plan pursuant to the terms of each Plan in accordance with applicable law, regulations and rules.
- (13) To produce an annual report on executive compensation for inclusion in the Company's proxy statement relating to its annual meeting of shareholders in accordance with applicable law, regulations, and rules.

The Committee shall meet as required, but not less than twice a year, and shall make reports of those meetings to the Board.

The Committee shall have the authority to engage compensation consultants and to obtain advice and assistance from internal or external legal, accounting, or other advisors.

The Committee shall review and reassess the adequacy of this Charter annually, and upon the completion of each such review, recommend any proposed changes to the Board for approval.

The Committee shall annually evaluate its own performance and report to the Governance Committee the conclusions of the Committee resulting from such review.

#### **WEB SITE**

This Charter shall be posted on the Company's Web site, and Quaker's annual report on Form 10-K shall state that a copy of this Charter is available on Quaker's Web site or in writing and that a copy of the same is also available to any shareholder who requests it.

March 2004