

## THE TIMKEN COMPANY

### COMPENSATION COMMITTEE CHARTER

#### Purposes

The Compensation Committee has been delegated responsibility by the Board of Directors to ensure that the compensation available to the Board of Directors, executive officers and other senior management of the Company enables the Company to attract and retain associates with superior quality management and leadership competencies and is consistent with the Company's compensation philosophies. The Compensation Committee establishes and administers the Company's policies, programs and procedures for compensating its senior management and Board of Directors. Additionally, the Committee will prepare a report on executive compensation to be included in the Company's proxy statement for its annual meeting of shareholders in accordance with applicable rules and regulations (the "Compensation Committee Report").

#### Composition

**Size.** The size of the Committee shall be determined by the Board, but it shall consist of no fewer than three members.

**Qualifications.** Each Committee member must (a) satisfy the applicable independence requirements set forth in the rules of the New York Stock Exchange, (b) be an "outside director" for purposes of Section 162(m) of the Internal Revenue Code, (c) be a "non-employee director" for purposes of Rule 16b-3, and (d) not be a party to any interlocking arrangement that would need to be disclosed in the Company's proxy statement under Item 402(j) of Regulation S-K. Desirable qualifications for Committee members include, without limitation, experience in business management, executive compensation, employee benefits, and human resources.

**Selection.** The Board will select the members and Chair of the Committee based on recommendations of the Nominating and Corporate Governance Committee. Each Committee member will serve at the pleasure of the Board for such term as the Board may decide or until such Committee member is no longer a Board member.

#### Duties and Responsibilities

The duties and responsibilities of the Committee shall include the following:

1. Oversee Executive Compensation Policies and Programs. The Committee will oversee the Company's compensation policies and programs for executive officers and Board members.
2. Review and Approve Executive Officer Compensation. The Committee will review and approve base salaries, salary increases, and other remuneration for executive officers of the Company. The Committee will review and approve, at least annually, corporate goals and objectives relevant to the compensation of the

CEO and the other executive officers of the Company. The Committee will (a) evaluate the performance of the CEO and the other executive officers in general (including, without limitation, with respect to their assigned duties and responsibilities to the Company); (b) evaluate the performance of the CEO and the other executive officers in light of the corporate goals and objectives approved by the Committee; and (c) set compensation levels for the CEO and the other executive officers based on this evaluation and such other factors as the Committee deems appropriate.

3. Recommend Incentive Compensation Plans. The Committee will review management's recommendations and approve and make recommendations to the Board with respect to the approval, adoption and amendment of all cash and/or equity-based incentive compensation plans in which any executive officer of the Company participates. The Committee will determine and measure achievement of corporate and individual goals and objectives for the executive officers under the Company's incentive compensation plans.
4. Recommend Equity-Based Plans. The Committee will also make recommendations to the Board with respect to the approval, adoption and amendment of all other equity-based plans.
5. Administer Compensation Plans. The Committee will administer and interpret the Company's equity-based incentive compensation plans and other plans adopted by the Board that contemplate administration by the Committee. The Committee shall approve all grants of stock options and other equity-based awards, taking into consideration recommendations of management and other factors related to any such plan. The Committee's administrative authority shall include the authority to approve the acquisition by the Company of shares of the Company's stock from any plan participant.
6. Determine Exceptions. The Committee shall determine whether exceptions should be made to compensation policies or plans under appropriate circumstances.
7. Assist in Succession Planning. At least annually, the Committee will review succession planning, management development and organizational matters.
8. Oversee Regulatory Compliance. The Committee will, in consultation with appropriate officers of the Company, oversee regulatory compliance with respect to compensation matters, including overseeing any compensation programs intended to preserve tax deductibility, and, as may be required, establishing performance goals and determining whether performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
9. Review Employment Agreements and Severance Arrangements. The Committee will review and approve any proposed employment agreement with, and any proposed severance or retention plans or agreements applicable to, any executive officer of the Company. The Committee shall review and approve any severance

or other termination payments proposed to be made to any executive officer of the Company.

10. Review Director Compensation. The Committee will periodically review director compensation in relation to other comparable companies and in light of such other factors as the Committee may deem appropriate. The Committee shall discuss this review with the Board and make recommendations to the Board with respect to appropriate changes in Director compensation.
11. Board Reports. The Committee will report its actions and any recommendations to the Board after each Committee meeting.
12. Compensation Committee Report. The Committee will prepare, with the assistance of management and any outside advisors the Committee deems appropriate, the Compensation Committee Report.
13. Other Delegated Duties or Responsibilities. The Committee will perform any other duties or responsibilities delegated to the Committee by the Board from time to time.

### **Meetings**

The Committee will meet as frequently as necessary to carry out its responsibilities under this Charter. The Committee Chair will, in consultation with the other members of the Committee and appropriate officers of the Company, establish the agenda for each Committee meeting. Any Committee member may submit items to be included on the agenda. Committee members may also raise subjects that are not on the agenda at any meeting. The Committee Chair or a majority of the Committee members may call a meeting of the Committee at any time. The Committee shall conduct its business as provided in the Amended Regulations of the Company. The Committee Chair will supervise the conduct of the meetings and will have other responsibilities as the Committee may specify from time to time.

The Committee may request any officer or other employee of the Company, or any representative of the Company's legal counsel or other advisors, to attend a meeting or to meet with any members or representatives of the Committee. Any Committee member may be excused from a meeting to permit the remaining members of the Committee to act on any matter in which such member's participation is not appropriate, and such member's absence shall not destroy the quorum for the meeting.

### **Delegation**

The Committee may, in its discretion, delegate specific duties and responsibilities to a subcommittee or an individual Committee member, to the extent permitted by applicable law.

### **Resources and Authority**

The Committee shall have appropriate resources and authority to discharge its responsibilities, including, without limitation, appropriate funding, in such amounts as the

Committee deems necessary, to compensate any consultants or any other advisors retained by the Committee. The Committee will have the sole authority to retain and terminate compensation consultants to assist in the evaluation of director or executive officer compensation and the sole authority to approve the fees and other retention terms of such compensation consultants. The Committee may also retain independent counsel and other independent advisors to assist it in carrying out its responsibilities.

### **Annual Review**

At least annually, the Committee will (a) review this Charter with the Board and recommend any changes to the Board, and (b) evaluate its own performance in the manner prescribed by the Nominating and Corporate Governance Committee and report the results of this evaluation to the Board.

### **Publication**

Consistent with New York Stock Exchange listing requirements, this Charter will be included on the Company's website and will be made available upon request sent to the Company's Secretary. The Company's annual report to shareholders will state that this Charter is available on the Company's website and will be available upon request sent to the Company's Corporate Secretary.

December 17, 2003