

LYDALL, INC.
COMPENSATION COMMITTEE CHARTER

Purpose

The purpose of the Compensation Committee (“Committee”) of the Lydall, Inc. Board of Directors (“the Board”) shall be to oversee matters relating to the compensation of the Chief Executive Officer (the “CEO”), other senior level officers of the Company and the Company’s Directors. Reporting to the Board, the Committee shall have overall oversight of the Company’s compensation and incentive plans and programs.

Committee Structure and Operations

The Committee shall be composed entirely of “independent” Directors, as defined in the New York Stock Exchange (“NYSE”) Corporate Governance Listing Standards (“NYSE Standards”), with a minimum of three members. Each Committee member shall also be independent in accordance with the provisions of Rule 10C-1(b) under Securities Exchange Act of 1934, as amended (the "Exchange Act") and shall meet the definition of “Non-employee Director” for purposes of Rule 16b-3 of the Exchange Act and of “outside director” under Section 162 (m) of the Internal Revenue Code.

The members of the Committee shall be subject to removal by the Board. If a vacancy shall occur on the Committee, the Board will fill that vacancy by appointing another director to the Committee, so long as the new appointee satisfies each of the independence requirements described above. If any member of the Committee ceases to meet these requirements, the Committee member shall resign from the Committee.

The Committee may form, and delegate authority to, subcommittees when appropriate. If the Committee delegates any function to one or more members of the Committee for any purpose, those members shall report any action taken to the full Committee at its next meeting. The Committee shall meet as frequently as circumstances dictate. A majority of the Committee members present at any Committee meeting at which a quorum is present in person or by conference call may act on behalf of the Committee. The Committee may also act by unanimous written consent. If a chairperson is not designated by the Board, the Committee may designate a chairperson by majority vote of the full Committee membership. The Chairperson shall designate a secretary, who need not be a member, to record minutes and prepare agendas for meetings.

Duties and Responsibilities

1. The Committee shall make regular reports to the Board following Committee meetings. The Committee shall make recommendations to the Board regarding the Company’s incentive and equity-based compensation plans and non-CEO compensation policy.

2. The Committee shall review and approve the Company's goals and objectives relevant to compensation (including CEO compensation), such as the goal of attracting and retaining highly qualified individuals and motivating individual performance leading to increased stockholder value.

3. Based upon the evaluation of the performance of the CEO by the Corporate Governance Committee, the Committee (together with the other independent Directors, if directed by the Board) shall determine and approve the CEO's annual compensation, including incentive awards.

4. The Committee annually shall review and discuss the Company's Compensation Discussion and Analysis ("CD&A") with management and, based upon such review and discussion, consider whether it will recommend to the Board that the CD&A be included in the Company's proxy statement. The Committee shall prepare the annual Compensation Committee Report required by applicable Securities and Exchange Commission ("SEC") rules.

5. The Committee shall oversee the Company's compliance with (a) the Exchange Act and the SEC rules and regulations adopted pursuant thereto relating to the compensation of the CEO, other senior level officers of the Company and the Company's Directors, including without limitation, those rules and regulations: (i) regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and (ii) relating to "clawbacks" of executive compensation payable or paid pursuant to the Company's cash bonus programs and its equity compensation plans; and (b) the requirement under NYSE Standards that, with limited exceptions, shareholders approve equity compensation plans.

6. The Committee shall approve all grants of stock awards pursuant to the Company's stock incentive compensation plans.

7. The Committee shall approve all employment agreements and compensation arrangements for the CEO and the direct reports of the CEO.

8. The Committee shall annually review whether risks associated with the Company's compensation policies and practices are reasonably likely to have a material adverse effect on the Company.

9. From time to time, the Committee shall (formally and informally) survey the compensation offered to non-management Directors at similar corporations and report its findings to the Board. The Committee shall annually review the form and amount of compensation offered to non-management Directors and recommend changes in those compensation levels to the Board.

10. The Committee shall plan for and conduct an annual performance evaluation of the Committee.

11. The Committee shall review and reassess the adequacy of this Charter annually and recommend to the Board such amendments to this Charter as the Committee deems appropriate.

12. In discharging its oversight role, the Committee shall have the power to investigate any matter related to the fulfillment of its duties and responsibilities as set forth in this Charter, with full access to all books, records, facilities and personnel of the Company.

13. The Committee shall have the following rights and responsibilities concerning compensation advisers:

- the Committee may, in its sole discretion, retain or obtain the advice of compensation consultants, independent legal counsel or other advisers (collectively, “compensation advisers”),
- the Committee is directly responsible for the appointment, compensation and oversight of the work of any compensation adviser retained by the Committee,
- the Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any compensation adviser retained by the Committee, and
- with certain exceptions as set forth in NYSE Rule 303A.05, the Committee may select, or receive advice from, a compensation adviser only after taking into consideration all factors relevant to that person’s independence from management, including the following specific “Independence Factors”:
 - (A) The provision of other services to the Company by the firm that employs the compensation adviser;
 - (B) The amount of fees received from the Company by the firm that employs the compensation adviser, as a percentage of total revenue of that firm;
 - (C) The policies and procedures of the firm that employs the compensation adviser that are designed to prevent conflicts of interest;
 - (D) Any business or personal relationship of the compensation adviser with a member of the Committee;
 - (E) Any stock of the Company owned by the compensation adviser; and
 - (F) Any business or personal relationship of the compensation adviser or the firm employing the adviser with an executive officer of the Company.

14. Nothing in this Charter shall be construed to: (i) require the Committee to implement or act consistently with the advice or recommendations of the compensation adviser to the Committee; or (ii) affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of the duties of the Committee.

General

Nothing in this Charter is intended to preclude or impair the protection provided in the Delaware General Corporation Law for good faith reliance by members of the Committee on information, opinions, reports or other statements provided by others.