

QUAKER CHEMICAL CORP  
Form DEF 14A  
March 27, 2015  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**QUAKER CHEMICAL CORPORATION**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

***Notice of Annual Meeting of Shareholders***

---

<b>TIME:</b>	8:30 A.M., local time, on Wednesday, May 6, 2015
<b>PLACE:</b>	Quaker Chemical Corporation  One Quaker Park  901 E. Hector Street  Conshohocken, Pennsylvania 19428
<b>ITEMS OF BUSINESS:</b>	(1) To elect three directors. (2) To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm to examine and report on our financial statements and internal control over financial reporting for 2015. (3) To transact any other business properly brought before the meeting.
<b>WHO MAY VOTE:</b>	You can vote at the meeting and any adjournment(s) of the meeting if you were a shareholder of record at the close of business on March 10, 2015.
<b>ANNUAL REPORT:</b>	A copy of our Annual Report, which includes our Annual Report on Form 10-K for the year ended December 31, 2014, is enclosed.

*It is important that your shares be represented at the meeting. You are cordially invited to attend the meeting in person. Whether or not you expect to attend in person, you are urged to complete, sign, date and return the enclosed proxy in the envelope we have enclosed for your convenience; no postage is required if mailed in the United States.*

By Order of the Board of Directors,

D. Jeffrey Benoliel

Vice President and Global Leader Metalworking,

Can, Mining and Corporate Secretary

Conshohocken, Pennsylvania

March 27, 2015

**Important Notice of Availability of Proxy Materials**

**for Quaker Chemical Corporation's 2015 Annual Meeting of Shareholders to be held on May 6, 2015.**

**The Notice of Meeting, Proxy Statement and 2014 Annual Report to Shareholders**

**are available at [www.proxyvote.com](http://www.proxyvote.com).**

**Table of Contents**

**PROXY STATEMENT**

**TABLE OF CONTENTS**

**INTRODUCTION**

<b><u>INFORMATION CONCERNING THE ANNUAL MEETING</u></b>	1
<b><u>PROPOSAL 1 ELECTION OF DIRECTORS AND NOMINEE BIOGRAPHIES</u></b>	6
<b><u>BIOGRAPHIES OF CONTINUING DIRECTORS</u></b>	9
<b><u>CORPORATE GOVERNANCE</u></b>	13
<u>Leadership Structure</u>	13
<u>Director Independence</u>	13
<u>Governance Committee Procedures for Selecting Director Nominees</u>	13
<u>Board Oversight of Risk</u>	15
<u>Communications with the Board of Directors; Corporate Governance Guidelines</u>	15
<u>Code of Conduct</u>	15
<b><u>MEETINGS AND COMMITTEES OF THE BOARD</u></b>	17
<u>Audit Committee</u>	18
<u>Compensation/Management Development Committee</u>	18
<u>Executive Committee</u>	18
<u>Governance Committee</u>	18
<b><u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u></b>	19
<b><u>EXECUTIVE COMPENSATION</u></b>	20
<u>Compensation Discussion and Analysis</u>	20
<u>Introduction</u>	20
<u>Executive Summary</u>	20
<u>General Philosophy</u>	21
<u>Administrative Practices</u>	22
<u>Benchmarking Data</u>	22
<u>Allocating Between Current and Long-Term Compensation</u>	23
<u>Base Salary</u>	24
<u>Annual Cash Incentive Bonus</u>	24
<u>Long-Term Incentives</u>	28
<u>Comparative Stock Price Performance Graph</u>	30
<u>Chief Executive Officer Compensation</u>	30
<u>Stock Ownership Policy</u>	31
<u>Retirement Benefits</u>	31
<u>Severance and Change in Control Benefits</u>	33
<u>Mr. Barry's Employment Agreement</u>	33
<u>Other Named Executive Officers</u>	35
<u>Other Benefits on Termination</u>	36
<u>Perquisites and Other Benefits</u>	36
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	37
<b><u>EXECUTIVE COMPENSATION TABLES</u></b>	
<u>Summary Compensation Table</u>	38
<u>Grants of Plan-Based Awards</u>	40
<u>Outstanding Equity Awards at Fiscal Year-End</u>	41
<u>Option Exercises and Stock Vested</u>	42
<u>Pension Benefits</u>	43



**Table of Contents**

<b><u>DIRECTOR COMPENSATION</u></b>	46
<b><u>COMPENSATION POLICIES AND PRACTICES RISK ASSESSMENT</u></b>	47
<b><u>STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>	48
<u>Certain Beneficial Owners</u>	48
<u>Management</u>	49
<b><u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u></b>	50
<b><u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u></b>	50
<b><u>RELATED PARTY TRANSACTIONS</u></b>	50
<b><u>PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	51
<u>Audit Fees</u>	51
<u>Audit-Related Fees</u>	51
<u>Tax Fees</u>	51
<u>All Other Fees</u>	51
<u>Pre-Approval Policy</u>	51
<b><u>REPORT OF THE AUDIT COMMITTEE</u></b>	53
<b><u>GENERAL</u></b>	54
<u>Availability of Form 10-K and Annual Report to Shareholders</u>	54
<u>Shareholder Proposals</u>	54
<b><u>APPENDIX A SHAREHOLDER VOTING ADMINISTRATIVE PROCEDURES</u></b>	A-1



Table of Contents

**QUAKER CHEMICAL CORPORATION**

**One Quaker Park, 901 E. Hector Street**

**Conshohocken, Pennsylvania 19428**

---

**PROXY STATEMENT**

---

This proxy statement is being furnished to our shareholders in connection with the solicitation of proxies on behalf of our Board of Directors for use at our 2015 Annual Meeting of Shareholders, and at any and all adjournments of the meeting, for the purpose of considering and acting upon the matters referred to in the accompanying Notice of Annual Meeting of Shareholders and which are discussed below. The Annual Meeting of Shareholders will be held at our headquarters, located at One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, at 8:30 A.M., local time, on May 6, 2015. The terms we, our, us, the Company and Quaker, as used in this proxy statement, refer to Quaker Chemical Corporation.

This proxy statement and the accompanying form of proxy are first being mailed to our shareholders on or about April 2, 2015.

---

***Information Concerning the Annual Meeting***

---

**What matters will be voted on at the meeting?**

At the meeting, shareholders will vote on two proposals:

Election of three nominees to serve on our Board of Directors; and

Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2015.

**How does the Board recommend I vote on the proposals?**

The Board recommends that you vote:

FOR each of the three nominees named in this proxy statement; and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2015.

**Who is entitled to vote?**

Shareholders of record as of the close of business on March 10, 2015, the record date for the meeting, are entitled to notice of and to vote at the meeting and any adjournments of the meeting.

**How do I cast my vote if I am a shareholder of record?**

You can cast your vote:

in person, by attending the Annual Meeting of Shareholders;

via the Internet, by visiting [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided;

by telephone, using the toll-free number listed on the proxy card; or

by mail, if you mark, sign and date the proxy card enclosed with this proxy statement and return it in the postage-paid envelope provided.

## **Table of Contents**

### **How do I cast my vote if I am a beneficial owner of shares held in street name?**

You can cast your vote:

in person, by first obtaining a voting instruction form issued in your name from your broker and bringing that voting instruction form to the meeting, together with a copy of a brokerage statement reflecting your stock ownership as of the record date, the stock acquisition date and valid identification;

via the Internet, by visiting [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided;

by telephone, only if you agree with the voting rights provided on your voting instruction form, by using the toll-free number found on the voting instruction form; or

by mail, if you mark, sign and date the voting instruction form and return it in the postage-paid envelope provided by your broker.

### **If I have given a proxy, how do I revoke that proxy?**

Your presence at the meeting will not revoke any proxy you may have given. If your shares are held in your name, you may revoke your proxy at any time (to the extent it has not already been voted at the meeting), but a revocation will not be effective until it is received. Your proxy will be revoked (to the extent it has not already been voted at the meeting) if you:

give written notice of the revocation to Quaker's Corporate Secretary, D. Jeffrey Benoliel, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, or give electronic notice to Mr. Benoliel at [jeffry\\_benoliel@quakerchem.com](mailto:jeffry_benoliel@quakerchem.com);

submit a properly signed proxy with a later date; or

vote in person at the meeting as described above.

If your shares are held in street name through a broker, bank or other nominee for your benefit, you should contact the record holder to obtain instructions if you wish to revoke your vote before the meeting.

### **How will my proxy be voted?**

If you are a registered holder and your proxy is properly executed, returned and received prior to the meeting and is not revoked, it will be voted in accordance with your instructions. If you return your signed proxy but do not mark the boxes to show how you wish to vote on any of the

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

proposals, the shares for which you have given your proxy will, in the absence of your instructions to the contrary, be voted FOR Proposal 1, FOR Proposal 2 and in the discretion of the proxies on other matters properly brought before the meeting.

If your shares are held in street name through a broker, bank or other nominee for your benefit and your voting instruction form is properly executed, returned and received prior to the meeting and is not revoked, it will be voted in accordance with your instructions. If you have not furnished voting instructions within a specified period prior to the meeting, under current New York Stock Exchange ( NYSE ) rules, brokerage firms and nominees that are members of the NYSE have the authority under the NYSE s rules to vote their customers unvoted shares on routine matters but not on non-routine matters. Under the rules currently in effect, routine matters include the ratification of the appointment of our independent registered public accounting firm but do not include the other proposal on the ballot.

The voting instruction form also grants the proxy holders discretionary authority to vote on any other business that may properly come before the meeting as well as any procedural matters. As of the date of this proxy statement, we do not know of any other matters that will be presented at the meeting.

## **Table of Contents**

### **What does it mean if I get more than one proxy card?**

If you have your shares registered in multiple accounts with one or more brokers and/or our transfer agent, you will receive more than one proxy card. Please complete and return each of the proxy cards you receive to ensure that all of your shares are voted.

### **How many votes are needed to elect directors?**

The three nominees receiving the highest number of FOR votes will be elected as directors. This is referred to as a plurality.

### **What if a nominee is unwilling or unable to serve?**

We do not expect that to occur. If it does, proxies will be voted for a substitute nominee designated by our Board of Directors.

### **How many votes are needed to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2015?**

The proposal requires that the number of votes cast FOR the proposal exceed the number of votes cast AGAINST the proposal. Abstentions and broker non-votes will not be counted as votes cast.

### **How will abstentions and broker non-votes affect the voting?**

Abstentions and broker non-votes will have no effect on the outcome of the voting on any matter brought before the meeting because they will not represent votes cast. A broker non-vote occurs when the beneficial owner of shares held in street name fails to furnish voting instructions to the broker within the required period, and the broker is not permitted under applicable rules to vote the shares.

### **Are dissenters' rights applicable to any of the matters to be voted on at the meeting?**

No. Dissenters' rights do not apply to any of the matters to be voted on at the meeting.

### **Who will count the vote?**

The Judge of Election appointed at the meeting, together with a representative of Broadridge Financial Solutions, Inc., will serve as the inspector of election.

**How many shares can be voted at the meeting?**

As of March 10, 2015, the record date for the meeting, 13,324,665 shares of Quaker common stock were issued and outstanding. Every holder of Quaker common stock is entitled either to one vote or ten votes for each share held of record on the record date, based on how long such shares have been owned by the holder.

**How many votes will I be entitled to cast at the meeting?**

Our voting structure is generally designed to protect the interests of the long-term holders. To that end, you will be entitled to cast either one vote or ten votes for each share of common stock you held on March 10, 2015, the record date for the meeting, depending upon how long you had held the shares as of the record date. As more specifically provided in Article 5 of Quaker's Articles of Incorporation, the number of votes you are entitled to cast at the meeting will be determined as follows:

Each share that, as of the record date, you had beneficially owned since March 1, 2012, will entitle you to ten votes.

## **Table of Contents**

Each share you acquired after March 1, 2012 will entitle you to one vote, with some exceptions. These exceptions are explained in Appendix A to this proxy statement.

We presume that shares you hold in street or nominee name, or that are held for your account by a broker, clearing agency, voting trustee, bank, trust company, or other nominee, were acquired by you after March 1, 2012 and, accordingly, entitle you to one vote for each of these shares. You may, however, rebut this one-vote presumption by completing and executing the affidavit appearing on the voting instruction form. The Company and the Board of Directors reserve the right to require evidence to support the affidavit.

### **What is the total number of votes that may be cast at the meeting?**

Based on the information available to us, as of March 10, 2015, at the annual meeting the holders of 943,939 shares of Quaker common stock will be entitled to cast ten votes for each share held and the holders of 12,380,726 shares of Quaker common stock will be entitled to cast one vote for each share held, for a total of 21,820,116 votes. The number of shares that we have indicated are entitled to one vote includes those shares presumed by us to be entitled to only one vote, as described above. Because some of the holders of these shares may rebut this presumption, the total number of votes that may be cast at the meeting may increase.

### **Where can I find more information on the voting procedures for the meeting?**

For additional information on our voting procedures, including the procedures for determining whether a share entitles its holder either to one vote or ten votes, and how to rebut the one-vote presumption, please refer to Appendix A.

### **What is a quorum?**

The presence of shareholders entitled to cast at least a majority of the votes entitled to be cast on a particular matter will constitute a quorum for the purpose of considering that matter. For purposes of determining the presence of a quorum, the votes of a shareholder will be counted if the shareholder is present in person or by proxy. Shares that are the subject of abstentions or broker non-votes will be counted for purposes of determining a quorum.

### **Who can attend the Annual Meeting?**

All shareholders of Quaker who owned shares of record on March 10, 2015 can attend the meeting. If you want to vote in person and you hold Quaker common stock in street name (i.e., your shares are held in the name of a brokerage firm, bank or other nominee), you must obtain a proxy card issued in your name from your broker and bring that proxy card to the meeting, together with a copy of a brokerage statement reflecting your stock ownership as of the record date and valid identification. If you hold stock in street name and want to attend the meeting but not vote in person at the meeting, you must bring a copy of a brokerage statement reflecting your stock ownership as of the record date, the stock acquisition date and valid identification.

**How will voting on any other business be conducted?**

We do not know of any business to be considered at the meeting other than the proposals described in this proxy statement. However, if any other business is presented at the meeting, a proxy in the accompanying form will give authority to Michael F. Barry and William R. Cook to vote on such matters at their discretion and they intend to do so in accordance with their best judgment.

**Who will pay the cost of this proxy solicitation and how will the solicitation be conducted?**

We will pay the expenses of soliciting proxies in the form included with this proxy statement, including the cost of preparing, assembling and mailing material in connection with the solicitation. In addition to



**Table of Contents**

the use of the mail, our directors, executive officers and employees may, without additional compensation, solicit proxies personally or by telephone, facsimile, electronic mail and personal contact. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials and Quaker's annual report, including its Annual Report on Form 10-K, to any beneficial holder of Quaker common stock he or she holds of record.

**Does the Company utilize householding for mailing of its proxy materials?**

The Securities and Exchange Commission permits companies and intermediaries (such as brokers and banks) to satisfy delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivery of a single proxy statement and annual report to those shareholders. This process, which is commonly referred to as householding, is intended to reduce the volume of duplicate information shareholders receive and also reduce expenses for companies. Quaker has instituted householding for its registered shareholders; some intermediaries may also be householding Quaker's proxy materials and annual report. Once you have received notice from the Company, the broker or another intermediary that they will be householding materials to your address, householding will continue until you are notified otherwise or until you or a shareholder who shares your address provides contrary instructions.

If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, you should contact Irene M. Kisleiko, Assistant Secretary, toll free at 1-800-523-7010, ext. 4119, or inform us in writing at Quaker Chemical Corporation, Shareholder Services, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428. If you hold shares through an intermediary and no longer wish to participate in householding, you should contact your bank, broker or other nominee record holder.

Shareholders who share an address and are receiving multiple copies of annual reports or proxy statements but would like to receive a single copy can contact Irene M. Kisleiko at the toll-free number noted above.

We undertake to deliver promptly to any shareholder at a shared address, upon written or oral request, a copy of Quaker's proxy statement and annual report. You may request such documents by calling the toll-free number or writing to the address noted above.

---

**Table of Contents**

---

***Proposal 1 Election of Directors and Nominee Biographies***

---

**What is the makeup of the Board of Directors?**

The Quaker Articles of Incorporation provide that our Board of Directors is divided into three classes, each consisting, as nearly as possible, of one-third of the total number of directors. The shareholders elect the members of one of the three classes each year to serve for a term of three years. Directors elected to fill vacancies and newly created directorships serve for the balance of the term of the class to which they are elected. Presently, there are nine directors, including three Class I directors, three Class II directors and three Class III directors. At the meeting, three Class II directors are to be elected with each member to serve a three-year term expiring in 2018 and until his successor is duly elected and qualified.

**Are there any members of the class of directors to be elected at the meeting who are not standing for reelection?**

No.

**Who are the Board's nominees this year?**

Donald R. Caldwell, William R. Cook and Jeffrey D. Frisby are the Board's nominees for election to the Board of Directors as Class II members. Each nominee, if elected, would hold office until our 2018 annual meeting of shareholders and until his successor is duly elected and qualified.

**Table of Contents**

**Below is information about our nominees for election to the Board as Class II members, including descriptions of their qualifications and their business experience and directorships over the past five years:**

**Donald R. Caldwell**

**Age: 68**

**Director Since: 1997**

**Committees:**

**Executive (Chair)**

**Audit**

**Compensation**

Mr. Caldwell, an experienced and successful investor, co-founded Cross Atlantic Capital Partners, Inc., a venture capital management company, and has served as its Chairman and Chief Executive Officer since 1999. He is also Chairman and Chief Executive Officer of InsPro Technologies Corporation, one of Cross Atlantic Capital Partners' portfolio companies. Previously, he was President and Chief Operating Officer of Safeguard Scientifics, Inc., a holding company with investments in the growth-stage technology and life sciences businesses, from February 1996 to February 1999. Mr. Caldwell is also a director of Amber Road, Inc., Fox Chase Bancorp. Inc., Haverford Trust Company, InsPro Technologies Corporation, Lightning Gaming, Inc. and Rubicon Technology, Inc., and was a director of Diamond Management & Technology Consultants, Inc. from June 1994 until November 2010.

Mr. Caldwell brings to the Board a deep financial, entrepreneurial and business expertise perspective in discussions on strategic and financial matters. He also has experience in financial reporting, risk assessment, strategic planning and corporate development. As a member of boards and board committees of other public companies, he has gained extensive experience in corporate governance, finance and strategy.

**William R. Cook**

**Age: 71**

**Director Since: 2000**

**Committees:**

**Audit (Chair)**

**Executive**

Mr. Cook was President and Chief Executive Officer of Severn Trent Services, Inc., a water purification products and laboratory and operating services company, from 1999 until his retirement in June 2002. Previously, he served in a variety of positions in the chemical industry. From 1993 until 1998, he was Chairman, President and Chief Executive Officer of Betz Dearborn, Inc., a producer of specialty water treatment and industrial process chemicals. He was Vice Chairman and Co-Chief Executive Officer of Hercules, Inc., a specialty chemicals maker, from October 1998 until January 1999. Mr. Cook is also a director of Teleflex Incorporated and a trustee of The Penn Mutual Life Insurance Company.

Mr. Cook brings to the Board a deep insight into the chemical industry and an understanding of management, strategic and financial planning, corporate development and budgeting processes. He also has experience in accounting, finance, financial reporting and industrial marketing. From his long service on another public company board, he has gained extensive experience in corporate governance.

**Table of Contents**

**Jeffrey D. Frisby**

**Age: 59**

Mr. Frisby has been Chief Executive Officer of Triumph Group, Inc., a public company that is a global leader in manufacturing and overhauling aerospace structures, systems and components, since July 2012, its President since July 2009 and currently serves as a member of its board of directors. He was also its Chief Operating Officer from July 2009 to July 2012. Previously, he was Group President of Triumph Aerospace Systems Group, a group of companies that design, engineer and manufacture a wide range of proprietary and build-to-print components, assemblies and systems for the global aerospace original equipment manufacturers, from April 2003 to July 2009. He also held a variety of other positions within the Triumph Group as well as a predecessor group company, Frisby Aerospace, Inc.

**Director Since: 2006**

**Committees:**

**Audit**

Mr. Frisby brings to the Board experience in manufacturing, particularly in the aerospace industry and accounting/finance, financial reporting, industrial marketing, organizational development, global organizations, strategic planning and corporate development. Through his service as a member of the board of directors of another public company, he has gained additional experience in corporate governance.

**Compensation**

The Board believes that, in addition to the information presented above regarding each director nominee's specific experience, qualifications, attributes and skills, each director nominee has significant leadership experience derived from his or her professional experience and has a reputation for integrity and honesty and adheres to high ethical standards. These attributes have led the Board to conclude that each of the nominees should serve as a director of Quaker. The process undertaken by the Company's Governance Committee in recommending these nominees is described below under the heading Governance Committee Procedures for Selecting Director Nominees.

**The Board recommends that you vote FOR the election of Donald R. Caldwell, William R. Cook and Jeffrey D. Frisby as directors of Quaker.**

---

**Table of Contents**

---

***Biographies of Continuing Directors***

---

**Below is information about our incumbent directors who were elected as Class III members of the Board in 2013 and whose terms expire in 2016, including descriptions of their qualifications and business experience and directorships over the past five years:**

**Joseph B. Anderson, Jr.**

**Age: 72**

**Director Since: 1992**

**Committees:**

**Audit**

**Governance**

Mr. Anderson has been Chairman and Chief Executive Officer of TAG Holdings, LLC, the parent company of a variety of manufacturing and service-based enterprises, since June 2010. He is also Chief Executive Officer of a group of minority-owned companies supplying parts to the automotive industry and services to a variety of industries, including automotive, aerospace, defense, construction, mining and off-road vehicles. In addition, he currently serves as Chairman and Chief Executive Officer of: Wolverine Assembly, an automotive assembly, warehousing and logistics company (since June 2010); Barton Manufacturing, a heavy machining and welding company (since August 2011); and Shared Vision, LLC, a precision-machining company in the automotive, aerospace, defense and heavy equipment industries (since January 2013). Previously, Mr. Anderson was Chairman and Chief Executive Officer of Radian Precision, Inc., an aerospace and defense supplier, from January 2012 to January 2013; Chairman and Chief Executive Officer of A&D Technologies, LLC, a manufacturer of temperature sensors used in the automobile industry, from March 2003 to February 2011; Chairman and Chief Executive Officer of Vibration Control Technologies, LLC, an automotive parts supplier and manufacturer, from January 2002 to March 2010; and Chairman and Chief Executive Officer of various tire and wheel assembly companies. He currently serves as a member of the Manufacturing Council, the principal private sector advisory committee to the Secretary of Commerce on the United States manufacturing sector, for the term 2013-2015. Mr. Anderson currently serves as a director of Meritor, Inc. and Rite Aid Corporation, and previously served as a director of NV Energy, Inc. from February 2005 to December 2013 and Valassis Communications, Inc. from July 2006 to March 2014.

Mr. Anderson brings to the Board a deep knowledge of management and operational issues from his experience as chief executive officer of many companies, particularly those servicing the automotive industry. He also has experience in accounting/finance, financial reporting, risk assessment, governance, strategic planning, corporate development and manufacturing. Through service as a director of multiple public companies in diverse industries, he has gained extensive experience in corporate governance.

**Table of Contents**

**Patricia C. Barron**

**Age: 72**

Ms. Barron has been our Lead Director since 2008. She was Clinical Associate Professor and Senior Fellow at the Stern School of Business, New York University, from 1999 until her retirement in August 2003. Before that, Ms. Barron served in a variety of leadership roles with Xerox Corporation, including Corporate Vice President of Business Operations Support from April 1997 to July 1998 and President of its Engineering Systems Division from 1993 to June 1998. She has also been a director of the United Services Automobile Association since 2000 and is currently its Vice Chair. Ms. Barron is also Lead Director of Teleflex Incorporated and previously was a director of Ultralife Corporation from December 2000 to June 2013.

**Director Since: 1989**

**Committees:**

Ms. Barron brings to the Board experience in accounting/finance, financial reporting, risk assessment, industrial marketing and services, organizational development, oversight of global organizations, governance, strategic planning and corporate development.

**Compensation**

**Governance**

**Mark A. Douglas**

**Age: 52**

Mr. Douglas has been President, FMC Agricultural Solutions of FMC Corporation, since October 2012. FMC is a diversified chemical company serving agricultural, industrial and consumer markets globally for more than a century with innovative solutions, applications and quality products. He previously was FMC's President, Industrial Chemicals Group from January 2011 to September 2012 and Vice President, Global Operations and International Development from March to December 2010. Before joining FMC, Mr. Douglas held various senior management positions with Dow Chemical, a leader in specialty chemicals delivering products and solutions to sectors such as electronics, water, energy and coatings. He was Vice President, President Asia, Dow Advanced Materials from April to December 2009. Prior to that, he was based in Shanghai, China as Corporate Vice President, President Asia, Rohm and Haas Company, a chemical manufacturing company, from March 2007 to April 2009.

**Director Since: 2013**

**Committees:**

**Audit**

Mr. Douglas brings to the Board experience in the management of a global chemical business and in accounting/finance, industrial marketing, organizational development, global organizations, strategic planning, corporate development, technology and science.

**Governance**

**Table of Contents**

**Below is information about our incumbent directors who were elected as Class I members of the Board in 2014 and whose terms expire in 2017, including descriptions of their qualifications and business experience and directorships over the past five years:**

**Michael F. Barry**  
**Age: 56**

Mr. Barry has been our President and Chief Executive Officer since October 2008 and our Chairman of the Board since May 2009. He has held a variety of leadership and executive positions since joining Quaker in 1998, including Senior Vice President and Managing Director North America from January 2006 to October 2008; Senior Vice President and Global Industry Leader Metalworking and Coatings from July to December 2005; Vice President and Global Industry Leader Industrial Metalworking and Coatings from January 2004 to June 2005; and Vice President and Chief Financial Officer from 1998 to August 2004. Mr. Barry currently serves as a director of Rogers Corporation.

**Director Since: 2008**

**Committees:**

**Executive**

Mr. Barry brings to the Board extensive and valuable experience acquired through his various leadership positions within Quaker. He has extensive knowledge of accounting, finance, financial reporting, risk assessment, industrial marketing and services, organizational development, global organizations, governance, strategic planning, corporate development, research and development and manufacturing. Through his service as a member of the board of directors of another public company, he has gained additional experience in corporate governance.

**Robert E. Chappell**

**Age: 70**

Mr. Chappell was the Chairman of The Penn Mutual Life Insurance Company, a mutual life insurance company providing life insurance and annuity products, from January 1997 to June 2013; its Chief Executive Officer from April 1995 to February 2011; and its President from January 2008 to March 2010. Mr. Chappell currently serves as a director of CSS Industries, Inc. and as a trustee of The Penn Mutual Life Insurance Company.

**Director Since: 1997**

**Committees:**

**Governance (Chair)**

**Executive**

Mr. Chappell brings to the Board experience in accounting/finance, financial reporting, risk assessment, organizational development, global organizations, governance, strategic planning and corporate development. Through his service as a member of the board of directors of another public company, he has gained additional experience in corporate governance.

**Table of Contents**

**Robert H. Rock**

Mr. Rock has been President of MLR Publishing Company (and its successor, MLR Holdings, LLC), an investment company operating in the publishing and information industry, since 1989. Previously, he was Chairman of The Hay Group, a management consulting firm, from 1984 to 1987. Mr. Rock served as a director of Alberto-Culver Company from September 1996 to June 2011. He currently is a trustee of The Penn Mutual Life Insurance Company.

**Age: 64**

**Director Since: 1996**

Mr. Rock brings to the Board experience in organizational development, global organizations, governance, strategic planning and corporate development. Through his service on the board of both public and private companies, he has gained valuable and diverse experience.

**Committees:**

**Compensation (Chair)**

**Executive**



---

**Table of Contents**

---

***Corporate Governance***

---

**Leadership Structure**

Quaker's business is conducted by its officers, managers and associates under the direction of the Chief Executive Officer ( CEO ) and with oversight by the Board of Directors. The Company's CEO is also the Chairman of the Board of Directors. The Board has long held that, given Quaker's size and management structure, it is best to combine the roles of Chairman of the Board and CEO. The Board believes having one leader serving as both Chairman and CEO provides decisive and effective leadership.

The Board of Directors has also appointed an independent Lead Director. The Lead Director rotates on a bi-annual basis unless the Board determines that the reappointment of the Lead Director at the end of a two-year term is in the best interests of the Company. The Lead Director serves as the liaison between the Chairman/CEO and the Board of Directors. The Lead Director also ensures that the respective responsibilities of the Directors and the Chairman/CEO are understood; collaborates with the Chairman/CEO to ensure the appropriate flow of information to the Board; works with the Chairman/CEO to develop the agendas for Board meetings; coordinates and develops the agenda for and presides over sessions of the Board's independent directors; ensures appropriate minutes are kept of such meetings and, as appropriate, communicates to the Chairman/CEO the substance of such discussions. Ms. Patricia C. Barron is currently the Lead Director, having been reappointed to the position for a two-year term in May 2014.

**Director Independence**

In accordance with NYSE rules, the Board affirmatively determines the independence of each director and nominee for election as a director in accordance with guidelines it has adopted which include all elements of independence set forth in the NYSE listing standards. The Company's director independence standards are described in the Company's Corporate Governance Guidelines.

On an annual basis, each director and executive officer is obligated to complete a directors and officers questionnaire which requires disclosure, among other things, of any transactions with the Company in which the director (or any organization of which the director is a partner, shareholder or officer) or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. Based on the Company's adopted independence standards and the information provided in the annual questionnaires, the Board determined at its meeting held on February 26, 2015, that all non-employee directors who served in fiscal 2014, as well as each nominee for director and those non-employee directors who will continue to serve after our 2015 annual meeting of shareholders, are independent within our guidelines and have no material relationship with the Company as defined by our guidelines. The Company's independent non-employee directors are Joseph B. Anderson, Jr., Patricia C. Barron, Donald R. Caldwell, Robert E. Chappell, William R. Cook, Mark A. Douglas, Jeffrey D. Frisby and Robert H. Rock. With respect to Mr. Frisby, the Board considered the scope and nature of the business Quaker has transacted with affiliates of the Triumph Group, Inc., a company at which Mr. Frisby serves as President and Chief Executive Officer, as further discussed under Related Party Transactions, and determined that the transactions are not material to him and do not impair his independence or present a conflict of interest on his part in connection with his service on the Board.

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

Based on the Company's independence standards, the Board has affirmatively determined that Michael F. Barry is not independent because he currently serves as an executive officer of the Company. There are no family relationships between any of the Quaker directors, executive officers or nominees for election as directors.

### **Governance Committee Procedures for Selecting Director Nominees**

The Governance Committee's goal is to assemble a Board that brings to Quaker a variety of perspectives and skills derived from high quality business and professional experience. The current composition of the Board

## **Table of Contents**

includes directors (including those nominated for reelection this year) with complementary skills, expertise and experience such that the Board, on the whole, has competence and experience in a wide range of areas. Quaker's Board includes nine directors who are or have served as chief executive officers or in other executive management roles, seven directors with specialized accounting and finance knowledge, four directors with experience in the chemical industry or other technology or science areas, eight directors who have served on the boards of other public companies, eight directors with international business experience and four directors with experience in industries served by Quaker. The Governance Committee will continue to evaluate the needs of Quaker and its shareholders to ensure that the competency of the Board, as a whole, is relevant and robust.

In evaluating director nominees, the Governance Committee considers the appropriate size of Quaker's Board of Directors and the needs of Quaker and its shareholders with respect to the particular talents, experience and capacities of its directors including: experience in industries similar to Quaker's; managerial and other leadership experience; business acumen or particular expertise; business development experience; strategic capability; independence of judgment; familiarity with corporate governance and the responsibilities of directors and the ability to fulfill those responsibilities; standing and reputation as a person of integrity; the potential contribution of each individual to the diversity of backgrounds, experience and competencies that the Governance Committee desires to have represented; and ability to work constructively with the CEO and the Board. In considering nominees for the Board of Directors, the Governance Committee considers the entirety of each candidate's credentials and the anticipated contributions of the individual as a member of the Board. Although we do not have a formal policy regarding diversity and do not have constituent or representative directors, diversity is one important factor, among many, in our nomination process. The Governance Committee considers a variety of factors, including age, gender, race, executive and professional experience, and perspectives of the candidate and how the candidate's qualifications will enhance the composition of the Board of Directors as a whole.

Under Quaker's Corporate Governance Guidelines, directors who also serve as CEOs or in equivalent positions should not serve on more than three other boards of public companies in addition to the Quaker Board, and directors who do not serve as CEOs or in equivalent positions should not serve on more than four other boards of public companies in addition to the Quaker Board. The Governance Committee has decided to waive such limitations in the case of Mr. Caldwell due to his valued contributions to the Board and the committees on which he serves, a record of consistent attendance at Board and committee meetings and availability to advise and assist management in support of Quaker's business. Further, under the listing standards of the New York Stock Exchange, without specific approval from the Board, no member of the Audit Committee may serve on more than two public company audit committees in addition to Quaker's Audit Committee. The Board has determined that Mr. Caldwell's simultaneous service on the audit committees of more than two public companies in addition to Quaker's does not impair his ability to effectively serve on Quaker's Audit Committee.

When identifying and evaluating nominees for director, the Governance Committee first examines whether current members of the Board are willing to continue their service. Current members of the Board with skills and experience that are relevant and who are willing to continue to serve are considered for renomination, balancing the value of continuity of service with that of obtaining a new perspective. If a current member does not choose to stand for reelection, the Governance Committee will not recommend that director for reelection. If the Governance Committee recommends an increase in the membership of the Board, it will identify the experience and personal capacities desired and will seek suggestions as to nominees from the current Board membership. In addition, and as has been done in the past, the Governance Committee may engage third parties to assist in the identification or evaluation of potential director nominees.

The Governance Committee will consider candidates recommended by the Company's shareholders and applies the same criteria in evaluating candidates nominated by shareholders as it does in evaluating candidates identified by Company sources. Any shareholder who wishes to recommend to the Governance Committee a prospective nominee for election to the Board may write to D. Jeffrey Benoliel, Vice President and Global Leader Metalworking, Can, Mining and Corporate Secretary, Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428. Any request for consideration at next year's annual

## **Table of Contents**

meeting must be submitted no later than December 4, 2015, and contain a statement of the proposed candidate's business experience, business affiliations and a confirmation of his or her willingness to be a nominee. No shareholder or group of shareholders recommended a director nominee for election at Quaker's 2015 annual meeting of shareholders.

## **Board Oversight of Risk**

While the Board has the ultimate oversight responsibility for risk management, consistent with Quaker's By-Laws, the Board has delegated much of the responsibility for risk management to the standing Committees of the Board. The Audit Committee has oversight over financial risks, such as financial reporting and internal controls; compliance risks, including oversight of the compliance program and disposition of certain complaints and/or violations of the Code of Conduct and Financial Code of Ethics; and operational risk, such as loss of property, business interruption and other exposures traditionally mitigated through insurance products. In addition, the Compensation/Management Development Committee is responsible for developing a balanced compensation system for all employees, including appropriate long-term and short-term incentive compensation targets that encourage a level of risk-taking behavior consistent with the overall financial/strategic goals of the Company, as well as oversight of the management, development and succession processes. Finally, from time to time, Quaker faces other risks material to its business and, in those circumstances, the Board (or at times, the Executive Committee) is regularly informed and provides input and advice on actions being considered to mitigate exposures associated with those risks. As appropriate, the Board considers specific risk topics, including risks associated with our strategic plan, our capital structure and our development activities. Further, the Board is routinely informed of developments at and affecting the Company that could affect our risk profile or other aspects of our business, through reports from our business units and otherwise. This oversight by the Board is designed to maintain an appropriate level of risk and to address new risks as they arise.

## **Communications with the Board of Directors; Corporate Governance Guidelines**

Shareholders or other interested parties may communicate with any of our directors, including non-management directors, by writing to them c/o D. Jeffry Benoliel, Vice President and Global Leader - Metalworking, Can, Mining and Corporate Secretary, at the address set forth above. All communications received will be forwarded to the Governance Committee and the addressee. The Board believes it is management's role to speak for Quaker and, accordingly, any such communication received will be shared with the Chief Executive Officer and other executive officers, as appropriate. The Company has adopted Corporate Governance Guidelines and other governance materials. Our Code of Conduct, Financial Code of Ethics for Senior Financial Officers, Corporate Governance Guidelines and Audit, Compensation/Management Development and Governance Committee Charters have been posted on and are available free of charge by accessing the Investors/Corporate Governance section of our website at <http://www.quakerchem.com> or by written request addressed to Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, Attention: Irene M. Kisleiko, Assistant Secretary. The references to our website contained in this proxy statement are for informational purposes, and the content of the website is not incorporated by such references in this proxy statement.

## **Code of Conduct**

The Company has a compliance program, the governing documents of which include a Code of Conduct (which is applicable to all of the Company's directors, executive officers and employees) and a Financial Code of Ethics for Senior Financial Officers (which is applicable to the Chief Executive Officer, Chief Financial Officer, Global Controller, Senior Treasury Analyst, each Controller at majority-owned affiliates, Assistant Controller, and other individuals performing similar functions designated by the Board). The Company's compliance program embodies the Company's global principles and practices relating to the ethical conduct of the Company's business and its longstanding commitment to fairness, honesty, integrity and full Company compliance with all laws affecting the Company's business.



**Table of Contents**

The Company's compliance program includes a means for employees, customers, suppliers, shareholders and other interested parties to submit confidential and anonymous reports of suspected or actual violations of the Company's Code of Conduct or the Financial Code of Ethics for Senior Financial Officers relating, among other things, to:

- accounting practices, internal accounting controls, or auditing matters and procedures;
- theft or fraud of any amount;
- insider trading;
- performance and execution of contracts;
- conflicts of interest;
- violations of securities and antitrust laws; and
- violations of the Foreign Corrupt Practices Act.

Any employee, shareholder or other interested party can call the Quaker Hotline at 1-800-869-9414 or 1-678-999-4552 from outside the United States. The Quaker Hotline is a toll-free telephone line dedicated solely to receiving questions and concerns and directing them to the appropriate authority for action. All calls are answered by an independent third-party service available 24 hours a day, seven days a week.

The Audit Committee oversees the administration of the Company's compliance program and is directly responsible for the disposition of all reported violations of the Financial Code of Ethics for Senior Financial Officers and complaints received regarding accounting, internal accounting controls or audit matters. In addition, the Audit Committee is responsible for the disposition of all violations of (and approves any waivers to) the Code of Conduct for directors and executive officers and for the disposition of other serious violations of the Code of Conduct. No such waivers were requested in 2014. We maintain a current copy of our Financial Code of Ethics for Senior Financial Officers and will promptly post any amendments to or waivers of our Financial Code of Ethics for Senior Financial Officers on our website at <http://www.quakerchem.com> under the heading Investors/Corporate Governance.

**Table of Contents*****Meetings and Committees of the Board***

Our Board of Directors has four separately designated standing committees, the Audit, Compensation/Management Development, Executive and Governance Committees. Each member of the Audit, Compensation/Management Development and Governance Committee is independent as defined for members of the respective committee in the listing standards of the NYSE and Quaker's Corporate Governance Guidelines. The Audit Committee is established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). The Board has affirmatively determined that four of the five members of the Audit Committee, including its current Chairman, William R. Cook, meet the criteria for an audit committee financial expert as defined by the Securities and Exchange Commission. The Board of Directors has adopted a charter for each of these committees other than the Executive Committee. Each committee reports its actions to the full Board at the Board's next regular meeting. A description of the duties of each committee follows the table below.

**Committee Membership and Meetings Held in 2014****Compensation/****Management**

<b>Name</b>	<b>Audit</b>	<b>Development</b>	<b>Executive</b>	<b>Governance</b>
Joseph B. Anderson, Jr.	X			X
Patricia C. Barron		X		X
Michael F. Barry			X	
Donald R. Caldwell	X	X	CHAIR	
Robert E. Chappell			X	CHAIR
William R. Cook	CHAIR		X	
Mark A. Douglas	X			X
Jeffrey D. Frisby	X	X		
Robert H. Rock		CHAIR	X	
Number of Meetings in 2014 <sup>(1)</sup>	5	4	1	3

X Member. Each of the individuals listed in the table above held the committee memberships indicated throughout 2014, unless otherwise indicated.

(1) The Board of Directors held five regular meetings in 2014. Each director attended, in person or by teleconference, at least 75% of the aggregate of all the meetings of the Board and the committee(s) on which he or she served during 2014.

Time is regularly scheduled for the independent directors to meet as a separate group. The Lead Director acts as chairperson during these sessions.

Quaker does not have a formal policy regarding attendance by members of the Board at its annual meeting of shareholders, but all directors are encouraged to attend. In 2014, all directors attended the annual meeting of shareholders.





## **Table of Contents**

### **Audit Committee:**

Engages the independent registered public accounting firm and approves all audit and non-audit fees.

Reviews and discusses with management and the independent registered public accounting firm the annual and quarterly financial statements, including disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.

Discusses with management and the independent registered public accounting firm any audit problems or difficulties and management's response.

Reviews the internal audit plan and discusses with the internal auditor and the independent registered public accounting firm their assessment of the effectiveness of Quaker's internal controls.

Oversees the handling of matters relating to compliance with law and ethics, including adherence to the standards of business conduct and ethics required by Quaker's policies.

Provides oversight to the Chief Financial Officer and Risk Manager on matters relating to risk management generally.

### **Compensation/Management Development Committee:**

Reviews management's compensation philosophies and policies.

Approves annual performance objectives for the CEO, evaluates the CEO's performance against objectives and makes a recommendation to the Board regarding the CEO's base salary.

Reviews performance evaluations and approves annual salaries for all executive officers, other than the CEO.

Approves annual incentive and long-term incentive award opportunities for all executive officers, including the CEO.

Administers Quaker's Global Annual Incentive Plan and Long-Term Performance Incentive Plan.

Reviews and evaluates management development and succession planning and oversees these processes.

Reviews and discusses with management disclosures under the Compensation Discussion and Analysis section of this proxy statement and makes recommendations to the Board for inclusion of the Compensation Discussion and Analysis section in this proxy statement and the Company's Annual Report on Form 10-K.

### **Executive Committee:**

Acts for the Board in situations requiring prompt action when a meeting of the full Board is not feasible.

Makes recommendations to the Board about external corporate development programs.

Establishes guidelines regarding Quaker's capital structure and deployment of capital resources.

### **Governance Committee:**

Evaluates the size and composition of the Board and recommends changes.

Reviews and recommends nominees for election as directors.

Reviews the Board's committee structure and recommends directors to serve as members of each committee.

Reviews and makes recommendations to the Board with respect to the compensation of the Company's directors.

Develops and reviews annually Quaker's Corporate Governance Guidelines.

Conducts an annual performance evaluation of the Board and ensures each Board committee conducts its own annual self-evaluation.

Reviews and approves related party transactions and similar transactions and establishes policies and procedures for such transactions.

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

The Audit Committee, the Compensation/Management Development Committee and the Governance Committee each operates under a charter. These charters can be found on the Company's website at <http://www.quakerchem.com> under the heading Investors/Corporate Governance.

**Table of Contents**

---

***Compensation Committee Interlocks and Insider Participation***

---

The individuals who served as members of the Compensation/Management Development Committee during the year ended December 31, 2014 are Robert H. Rock (Chairman), Patricia C. Barron, Donald R. Caldwell and Jeffrey D. Frisby, each of whom is an independent director. No member of the Compensation/Management Development Committee was, during fiscal 2014, or had previously been, an officer or employee of Quaker or its subsidiaries nor, except as disclosed in Related Party Transactions below, had any material interest in a transaction with Quaker or a business relationship with, or any indebtedness to, Quaker, in each case that would require disclosure under applicable rules of the Securities and Exchange Commission. During 2014, no executive officer of Quaker served as a director or a member of the compensation committee of another company, one of whose executive officers served as a member of Quaker's Board of Directors or Compensation/Management Development Committee.

---

**Table of Contents**

---

***Executive Compensation***

---

**Compensation Discussion and Analysis**

**Introduction**

The purpose of the Compensation Discussion and Analysis section of this proxy statement is to explain to shareholders how and why compensation decisions are made for the executive officers listed in the Summary Compensation Table on page 38, below. When we use the term executive officers, we mean the Named Executive Officers for fiscal 2014, who are Michael F. Barry, Margaret M. Loebel, D. Jeffry Benoliel, Jan F. Nieman and Wilbert Platzer, as well as the Company's other senior officers.

**Executive Summary**

Quaker's Compensation/Management Development Committee (the Committee) has implemented executive compensation programs designed to reward performance. The Company is engaged in a highly specialized business with a broad global footprint, requiring a management team with specific skills and knowledge. The Committee believes that our compensation programs must be competitive in order to attract and retain high performance executives with the requisite skill set and performance orientation.

In fiscal 2014, Quaker's executive team successfully managed the Company to post record sales, non-GAAP earnings per diluted share and EBITDA (which we defined as net income before interest, taxes, depreciation and amortization) results despite a global economy that continues to be sluggish (particularly in South America) and a negative impact from foreign exchange rate translation. Net sales increased by 5% over the prior year, non-GAAP earnings per diluted share increased by 11% over the same period, and the Company's adjusted EBITDA approximated \$100 million for the year, the first time reaching this threshold in Company history. Additionally, shareholder return (which is defined as the year-over-year stock price plus dividends paid) was 21% for the year, on top of the 45% shareholder return in 2013 and the 41% shareholder return in 2012. Lastly, our average stock price in 2014 was \$76.41 compared to \$66.29 in the prior year, a more than \$10 increase year over year.

In this Compensation Discussion & Analysis, we refer to non-GAAP earnings per diluted share and adjusted EBITDA, which are non-GAAP financial measures. A full discussion of our use of non-GAAP earnings per diluted share and adjusted EBITDA to enhance a reader's understanding of the financial performance of the Company, and a reconciliation of these measures to earnings per diluted share and net income attributable to Quaker, respectively, can be found on page 23 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

In making decisions about fiscal 2014 salaries and performance targets, the Committee also considered fiscal 2013 corporate performance. Factors affecting the key components of our executive compensation programs for fiscal 2014 were:

Adjusted Net Income. Adjusted net income is a key metric for the corporate component of the Company's annual cash incentive awards (the adjustments to net income for purposes of setting these targets are explained in greater detail on page 26, below). Performance with respect to this metric for fiscal 2014 was between target and maximum levels and resulted in a payout representing 55% of the maximum payment for the corporate component of the annual cash incentive awards for the Named Executive Officers.

Quaker's Stock Performance. Long-term incentives make up a significant portion of each of the Named Executive Officers' compensation. In order to align the Named Executive Officers' incentives with our shareholder returns, the value to be earned on our long-term awards is directly linked to the performance of our stock. The equity component of such incentives is tied to stock performance and the amount payable on our cash awards is based on our total shareholder return as compared to a

## **Table of Contents**

specific peer group. Our Named Executive Officers' long-term incentive compensation for 2014 related to equity awards was slightly higher than that of 2013, and the cash component also paid out at a higher rate as compared to the prior year. This result reflected the continued increase of our stock price year over year, resulting in a 21% shareholder return for the year. For the cash component of this long-term incentive, Quaker's three-year total shareholder return of 119% resulted in a peer group ranking at the 90<sup>th</sup> percentile. This three-year total shareholder return resulted in a cash payout of 100% of the maximum amount provided for the three-year period ended in 2014.

Benchmarking. Based on our review of competitive benchmarking for compensation and our results of operations in 2013, we rewarded our Named Executive Officers with salary and/or incentive compensation increases in 2014.

Quaker's overall compensation strategy and specific programs have not changed over the past several years as we have strived to maintain a consistent year-over-year approach to ensure that our compensation remains predictable and competitive to the market, as well as fair and reasonable. In particular, we have continued to:

- Use benchmarks for total direct compensation and long-term compensation to mitigate the possibility of inappropriate risk taking on the part of executives;

- Align senior level compensation with the long-term success of the Company by ensuring that the higher the position within management the more compensation is incentive-pay dependent and the more incentive pay is long-term oriented; and

- Reward long-term performance with cash compensation measured by total shareholder return and stock-based compensation in order to align the interests of management directly with our shareholders.

Consistent with this approach, we seek and receive approval from our shareholders regarding incentive plans that are used to attract, motivate, retain and reward our executives. Both of our incentive plans were overwhelmingly approved by our shareholders at the 2011 annual meeting of shareholders.

The Committee continually reviews our executive compensation programs to ensure they achieve the desired goals of aligning our compensation practices to performance, pay practices in the Company's industry and prudent risk taking to achieve sustainable shareholder value creation. The Committee has again determined that none of the Company's current compensation programs are likely to encourage excessive risk taking because the metrics in the Company's compensation plans are linked to corporate performance as it relates to set budgetary targets and because the plans are measured against identified peer comparison groups.

At the Company's 2014 annual meeting of shareholders, the shareholders overwhelmingly voted, on an advisory basis, to approve the Company's compensation of our Named Executive Officers. Further, at the Company's 2011 annual meeting of shareholders, the shareholders also voted to recommend an advisory vote on the Company's compensation once every three years and the Company continues to follow this recommendation. Given the significant level of support received in the 2014 advisory vote, the Board of Directors and Committee have not made any material changes to our executive compensation policies and decisions. Our shareholders will again vote, on an advisory basis, on our compensation program at the 2017 annual meeting of shareholders.

## **General Philosophy**

Quaker, like many companies of similar size, relies on a small group of managers who have the requisite skills and knowledge to enable us to achieve our business strategies, operate as a globally integrated whole and deliver value to our shareholders. To attract and retain talented senior level managers, we have adopted a compensation approach that:

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

provides opportunities for highly competitive levels of total compensation when merited by performance;  
creates incentives to perform over a multiple-year period; and  
aligns interests of the management team with those of our shareholders.

## **Table of Contents**

Quaker compensates its executive officers (who for 2014 include our Chairman, CEO and President and our vice presidents) through a total compensation package. This package consists of a mix of base salary, an annual cash incentive bonus, long-term incentives comprising both equity awards and cash payments and a competitive benefits package comprising medical, life, disability and retirement using both qualified and non-qualified programs, where appropriate.

### **Administrative Practices**

The Committee is responsible for overseeing and developing the compensation and management development programs for the Company. Consistent with its charter, the Committee is composed solely of members of our Board of Directors who meet the requirements for independence under our Corporate Governance Guidelines and the listing standards of the NYSE. Four members of our Board, Patricia C. Barron, Donald R. Caldwell, Jeffrey D. Frisby and Robert H. Rock (Chairman) currently sit on the Committee. The Committee's responsibilities include the evaluation of, approval of, and recommendation to Quaker's Board of Directors with respect to, the plans, policies and programs related to the compensation of the Company's executive officers and, in the Committee's discretion, the engagement of an outside compensation consultant. The Committee works closely with members of management in fulfilling its duties. Management provides the necessary information and coordinates with the Committee's outside consultants, when appropriate, to ensure that the Committee is sufficiently informed when taking action or recommending action on compensation matters. As discussed below, benchmarking data is used prior to making any such decisions. The Committee's charter describes in full the Committee's authority, responsibilities and specific powers and can be accessed on the Company's website at <http://www.quakerchem.com> under the heading Investors/Corporate Governance.

To the extent possible, the Committee strives to structure the compensation of our executives to ensure that the compensation paid to executive officers is deductible for Federal income tax purposes. The Committee may choose to provide compensation that is not deductible in order to retain or to secure the services of key executives when it determines that it is in Quaker's best interests to do so. Section 162(m) of the Internal Revenue Code, as amended (the Code), imposes a \$1,000,000 limit on the amount of compensation deductible by Quaker in regard to certain components of the compensation paid to certain of our executive officers. The compensation paid pursuant to our cash-based annual plan and the cash portion of our long-term incentive plan are generally designed to qualify as performance-based compensation for purposes of Section 162(m) and are not subject to this limitation. Base salaries and the time-based restricted stock portion of our long-term incentive plan do not qualify as performance-based compensation under the requirements of Section 162(m). For fiscal 2014, compensation for Mr. Barry exceeded the Section 162(m) limitation due primarily to the vesting of time-based restricted stock awarded under our long-term incentive plan.

### **Benchmarking Data**

The Committee has the authority to engage independent advisors to assist it in carrying out its responsibilities. To assist Quaker in establishing a total direct compensation package comprising base salary, an annual cash incentive bonus and long-term incentives, for 2014, the Committee engaged Towers Watson, a leading global professional services company with specific expertise in the areas of benefits, talent management, rewards and risk and capital management, as an independent consultant on compensation issues. In addition, the Committee asked Towers Watson to conduct an executive compensation study and analysis and provide the Committee with benchmarking data and counsel on compensation issues. In addition to advising the Committee on executive compensation matters and advising the Governance Committee on board compensation matters as further discussed below, Towers Watson provided other services to Quaker related to a comparative study of compensation at one of its subsidiaries for fees of less than \$30,000. Management had no role in selecting the Committee's compensation consultant. The Committee has assessed the independence of Towers Watson pursuant to Securities and Exchange Commission rules and concluded that Towers Watson's work for the Committee, the Governance Committee and, separately for Quaker, does not raise any conflict of interest.



**Table of Contents**

Due to our size and diversity of our businesses around the globe, we have not identified one specific peer group that is appropriate to use in defining market total direct compensation for our executive officers. Therefore, our primary benchmarks for 2014 total direct compensation for our executive officers were derived from compensation information provided by Towers Watson that is a blend of Peer Group (as defined below) compensation data and broader group data comprising a composite of credible, published executive compensation surveys. The Peer Group data reflects the Peer Group developed by a previous compensation consultant as well as Towers Watson. This Peer Group, which was initially approved by the Committee in the fall of 2013, includes data for 13 publicly traded firms in the chemicals industry, similar in size (as measured by revenue and market capitalization) to Quaker. The Peer Group companies are: Aceto Corporation, American Vanguard Corporation, Buckeye Technologies Inc., Cabot Microelectronics Corporation, Calgon Carbon Corporation, Hawkins, Inc., Innophos Holdings, Inc., Innospec Inc., Landec Corporation, LSB Industries, Inc., OM Group, Inc., OMNOVA Solutions Inc. and Rogers Corporation (collectively, the Peer Group ). In 2014, Spartech Corporation was removed from the Peer Group because it was acquired by another company. Data for international Managing Directors is derived from surveys for their respective geographies. Though the Committee closely analyzes the data provided by Towers Watson, it exercises its discretion in the weight it assigned to this data in making compensation decisions.

Generally, prior to 2011, we aimed to set total direct compensation assuming target level performance for incentives at the 50<sup>th</sup> percentile against the comparables and at maximum level at the 75<sup>th</sup> percentile of the comparative group. In 2011, we modified our approach and now generally aim to benchmark total direct compensation solely to the market 50<sup>th</sup> percentiles. We believe the philosophy of targeting total direct compensation solely to the market 50<sup>th</sup> percentiles reduces the possibility of excessive risk taking on the part of executives in order to achieve performance targets at the maximum levels. This approach is the starting point of the analysis as other factors are taken into consideration, including experience, breadth of responsibilities, tenure in the position, whether the position held is for succession planning purposes, overall individual performance and internal equity. We do not assign a particular weight to any of these factors but exercise discretion in this regard.

In determining 2014 compensation for the Named Executive Officers, the Committee used the benchmarking data Towers Watson had provided in late 2013 and various other factors, as described above. Mr. Barry's and Ms. Loebel's targeted total direct compensation for 2014 was between the 25<sup>th</sup> and 50<sup>th</sup> percentiles of Towers Watson's comparative data. Messrs. Benoliel's and Nieman's targeted total direct compensation for 2014 was at or near the 50<sup>th</sup> percentile of benchmark levels, and Mr. Platzer's targeted total direct compensation for 2014 was between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of benchmark levels based on U.S. data. Total compensation earned in 2014 for each Named Executive Officer is reflected in the Summary Compensation Table below.

**Allocating Between Current and Long-Term Compensation**

The Committee, in seeking to ensure the appropriate focus on performance and risk, has developed, in consultation with Towers Watson, guidelines for executive officers for allocating the desired total direct compensation package among base salary, an annual cash incentive bonus and long-term incentives. As a general philosophy, these guidelines provide that the higher the position within management the more total compensation is dependent on incentive pay and the more the incentive pay is long-term oriented. This is done to better align senior level compensation with the long-term success of the Company. These guidelines are reviewed regularly to ensure their marketplace competitiveness.

In the case of Mr. Barry, the guidelines range for base salary from 27% to 41% of total compensation, for annual cash incentive bonus from 20% to 22% of total compensation and for long-term incentives from 39% to 51% of total compensation. The applicable guidelines for our other executive officers range for base salary from 50% to 68% of total compensation, for annual cash incentive bonus from 15% to 21% of total compensation and for long-term compensation from 15% to 30% of total compensation.

**Table of Contents****Base Salary**

Each year, the Committee reviews and discusses the base salaries of our executive officers. The Committee's final determination of salary increases depends on a number of factors, including market data reported by Towers Watson, specific position responsibilities and scope, experience and tenure, current job performance and Quaker's overall financial results. In the case of some of our foreign-based executive officers, salary increases may be a result of legal mandates of a particular country or region which influence the final determinations of the Committee even when similar increases were not granted to officers of comparable positions residing in the United States. Based on its analysis of all of the factors referenced above, in 2014, the Committee recommended, and the Board approved, salary increases for the Named Executive Officers other than Ms. Loebel and Mr. Nieman. Mr. Barry's salary increase is described below under the heading Chief Executive Officer Compensation. The other Named Executive Officers' base salary increases and total base salary received for 2014 are described in the table below:

Named Executive Officer	Initial Base Salary Rate (\$)	New Base Salary Rate (\$)	Base Salary Received (\$)
Margaret M. Loebel	339,900	339,900	339,900
D. Jeffry Benoliel	327,538	335,361 <sup>(2)</sup>	333,731
Jan F. Nieman	318,108	318,108	318,108
Wilbert Platzer <sup>(1)</sup>	324,970	292,660 <sup>(3)</sup>	291,704

(1) Mr. Platzer's compensation is paid in E.U. Euros. All foreign currency amounts reflected in this table were converted to U.S. Dollars at the spot rate in effect on December 31, 2014.

(2) Salary increase effective March 16, 2014.

(3) Salary increase effective March 1, 2014.

**Annual Cash Incentive Bonus**

The second component of the total direct compensation package is the annual cash incentive bonus, which is determined under the Global Annual Incentive Plan (GAIP). The GAIP is intended to provide associates of Quaker or a subsidiary of Quaker with an opportunity to receive incentive bonuses based on the achievement of pre-established goals. Bonuses under the GAIP may be paid in cash or in Quaker common stock, although we generally pay the GAIP bonus in cash, absent unusual circumstances.

The maximum bonus that an eligible associate may earn under the GAIP for a year is a percentage of the associate's base salary. Those percentages for performance during 2014 (resulting in the GAIP payment in early 2015) are shown in the chart below. The bonus earned is based on achievement of two types of objectives: corporate financial objectives and individual objectives. Corporate financial objectives are typically determined based on the budget for the coming year with the target bonus (48% of the maximum) set at or around budgeted consolidated net income. The actual bonus varies depending on the level of performance. The individual objectives are further divided into two types of goals: regional objectives for regional associates (Mr. Platzer) and individual objectives for non-regional associates (Messrs. Barry, Benoliel, Nieman

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

and Ms. Loebel). Regional executive officers have the opportunity to earn up to a maximum of 19.25% (which represents 182% of target) of their base salary on achievement of their regional objectives as opposed to a maximum of 9.625% for individual objectives for non-regional associates (excluding the CEO who can earn a higher amount). The CEO can earn a maximum of 22.55% of his base salary for individual objectives. The Committee determined that the higher potential individual objective percentages for the CEO is warranted due to his heightened responsibility and experience, in light of relevant market data. To achieve the maximum regional bonus, regional operating income

**Table of Contents**

must exceed budgeted levels and other regional financial and non-financial goals must be met. In addition, because the total amount of an individual's GAIP bonus can never exceed his or her overall maximum bonus opportunity, if the sum of the actual corporate bonus earned and the regional bonus earned exceeds the overall maximum opportunity, the regional bonus earned is reduced to limit the sum of the two components to the individual's overall maximum opportunity. The rationale for providing this opportunity to regional executive officers is to reward them with up-side potential in years where there is strong performance in the applicable region but overall corporate performance is lower due to weakness in other regions or other factors negatively impacting the corporate component of the bonus. The specific corporate financial goals and individual goals, respectively, for performance during 2014 are discussed below under the headings Corporate Financial Goals and Individual Goals.

The following chart shows, as a percentage of base salary, the maximum potential bonus and the bonus amounts payable on target achievement and maximum achievement, allocated between corporate and individual objectives for 2014. The table also shows the percentage of base salary actually paid as a result of achievement during 2014.

Named Executive Officer	Maximum GAIP Bonus Opportunity (as a % of base salary)(1)	Corporate Financial Objectives (as a % of base salary)			Individual Objectives (as a % of base salary)			Total GAIP Bonus Earned and Paid (\$)
		Target	Maximum	Achieved(2)	Target	Maximum(1)	Achieved(3)	
Michael F. Barry	164 <sup>(4)</sup>	67.65	141.45	77.49	22.55	N/A	22.55	710,284
Margaret M. Loebl	70	28.875	60.375	33.075	9.625	N/A	9.625	145,137
D. Jeffrey Benoiel	70	28.875	60.375	33.075	9.625	N/A	9.625	143,199
Jan F. Nieman	70	28.875	60.375	33.075	9.625	N/A	9.625	135,832
Wilbert Platzer	70	28.875	50.75	32.882	9.625	19.25	9.818 <sup>(5)</sup>	135,575

- (1) The maximum bonus payable on account of achieving corporate financial objectives and individual objectives will not exceed the overall maximum GAIP bonus opportunity. If the sum of an individual's actual corporate bonus earned and individual or regional bonus earned exceeds his or her maximum GAIP bonus opportunity, the individual or regional bonus earned is reduced to limit the sum of the two components to the individual's maximum GAIP bonus opportunity.
- (2) All participants earned an award between the target and maximum levels for the corporate component of the GAIP bonus, receiving an award equal to 55% of the maximum amount for the corporate component of such bonus. See Corporate Financial Goals below for further details.
- (3) The Company determined that Messrs. Barry, Benoiel, Nieman and Ms. Loebl each achieved their individual (personal) goals and, therefore, awarded them 100% of the target portion of the GAIP bonus attributable specifically to individual goals. (For non-regional associates, no more than the target amount may be achieved for individual goals.)
- (4) In 2014, Mr. Barry's maximum annual incentive award opportunity was 164% of his base salary. The applicable maximum annual incentive award opportunity for our other Named Executive Officers was 70% of their base salary per their employment agreements. The Committee determined that the CEO be provided with a higher GAIP maximum bonus opportunity based on benchmarking of market data for similar CEO positions.

- (5) The performance of Mr. Platzer for his individual regional goals was at a level equal to 102% of the target regional opportunity he could have earned as explained in detail below.

## **Table of Contents**

### ***Corporate Financial Goals***

The corporate financial goals for the 2014 GAIP bonuses were based on the Company's consolidated net income and were set at \$50.1 million of net income at threshold (the level at which the bonus pool began to accumulate), \$55.6 million of net income at target and \$61.2 million of net income at maximum. The Committee selected these net income levels, which were approved by the Board, because of their correlation to the 2014 budgeted adjusted net income of \$55.6 million, the level of improvement over 2013 adjusted net income and the difficulty of achieving these targets in a very challenging business and global economic environment.

When the Committee set the 2014 GAIP targets, it also approved certain significant non-budgeted business circumstances for which adjustment could be made by the Committee to the reported net income for purposes of calculating the award. They included site consolidation expenditures for consolidating U.S. manufacturing locations beyond budgeted amounts; customer bankruptcies or plant shutdowns; change in accounting principles, unusual factors driving an increased tax rate; non-recurring adjustments to income such as asset write-downs or write-offs, restructuring and related charges and first-year acquisition costs/losses; adverse legal judgments, settlements, litigation expenses, and legal (including VAT assessments) and environmental reserves; expenditures for discretionary Board initiated or approved corporate actions, plans or major initiatives, including individual personnel actions; and changes in foreign exchange rates. To be significant an individual effect must have a pre-tax impact of at least \$200,000, or the pre-tax equivalent for tax adjustments. No adjustment to earnings is applied unless the aggregate total of all effects is at least \$1 million on a pre-tax basis.

In 2014, reported net income was \$56.5 million. Under such net income level, a corporate award equal to 55% of the corporate maximum would be earned. The Committee considered five non-budgeted items in determining the actual payout percentage. The Committee used its discretion to adjust the net income amount substantially downward to exclude the equity income from a captive insurance company. However, the Committee also adjusted the net income upward to adjust for charges taken related to the streamlining of certain operations in our Europe, Middle East and Africa ( EMEA ) and South America regions, charges for a customer bankruptcy in each of the U.S. and EMEA regions, charges related to an amendment to a pension plan in our EMEA region, as well as adjusting for the writedown of certain assets related to the currency conversion of the Venezuelan Bolivar Fuerte. Accordingly, taking into account the five adjustments made by the Committee, all participants earned an award equal to 55% of the maximum potential for the corporate component of the overall GAIP bonus. The Committee determined that while the percentage award for the corporate component would be the same if no adjustments were made, such adjustments better reflect actual financial performance.

### ***Individual Goals***

When setting the individual goals under the GAIP, the Committee receives specific input from the CEO and reviews the approved operating plan for the upcoming fiscal year. The CEO also recommends the goals for the other Named Executive Officers and works with the Committee to determine his own individual goals. The Committee works closely with the CEO to review and analyze the selected performance metrics and the probabilities and risks of achieving these metrics. Ultimately, the Committee approves the individual goals for the CEO and the other Named Executive Officers. For 2014, the Committee determined that these goals were difficult for the Named Executive Officers to achieve but achievable with substantial effort by them.

In 2014, Mr. Barry's individual goals included, among other things, achieving the 2014 financial plan (with focus areas including sales, net income and EBITDA growth per the approved budget); executing the Company's strategic plan for each business segment (with focus areas of key account management and the establishment of a global training program for same); strengthening the Company for the future (including successfully upgrading the Company's global enterprise resource planning system, upgrading certain governance and business processes, implementing a new business intelligence system and performing a cyber-security assessment); making successful acquisitions, if appropriate, and ensuring recent acquisitions meet Company targets; completing major Company programs (including the Company's safety and

sustainability initiatives, the start-up of a new pilot mill and the finalization of other facility plans and completing the Company's

**Table of Contents**

economic value added performance analysis for various business segments); and providing appropriate governance and risk management for the Company (including having no material weaknesses or restatements to earnings in 2014 and updating the Board on the Company's enterprise risk management actions by early 2015). Because the Committee determined that Mr. Barry had met his established individual GAIP goals, he was awarded 100% of his individual objectives portion of the GAIP bonus. The majority of Mr. Barry's goals were qualitative in nature and thus no quantitative measures were used in the evaluation of his performance of these goals. However, one of Mr. Barry's goals did have quantitative components. The 2014 financial plan included focus areas of sales, net income and EBITDA growth. Despite the challenging global economic environment, particularly in our South America region, as well as the negative impact of foreign exchange rate translation, net sales and adjusted EBITDA results were records for the Company and surpassed the results from 2013. Net sales increased by 5% year over year, and adjusted EBITDA was also up 11% for the same period, approximating \$100 million. Additionally, shareholder return (which is defined as the year-over-year stock price plus dividends paid) was 21% for the year, one of the higher percentages in Company history for the third year in a row, and our average stock price in 2014 was \$76.41 compared to \$66.29 in the prior year, a more than \$10 increase year over year.

The individual goals of the other executive officers were a mix of limited quantitative performance objectives (for the regional associate) and managerial goals, such as achieving regional business and operating budgets; achieving capital expenditure targets; achieving certain contribution margin levels; achieving certain net cash flow targets; ensuring that strategic plans are properly executed for his or her area of responsibility; continuing to implement Company safety programs to strengthen the safety culture; improving our business strategy and product development process for certain business segments; refreshing the Company's global enterprise resource planning system; and completing a global cash management project to enhance cash management controls and financial flexibility. The corporate Named Executive Officers (Messrs. Benoliel and Nieman and Ms. Loebel) achieved 100% of their maximum opportunity on their individual components of the annual bonus as they achieved their individual goals as outlined below. Mr. Platzter, the one regional Named Executive Officer for 2014, achieved over 100% of his maximum opportunity on his regional component of the annual bonus as he achieved many, but not all, of his regional goals. Mr. Platzter's region was slightly below the target goal on regional profitability, but he met many of his other regional goals (including in the safety and compliance areas) to earn 102% of his regional bonus opportunity.

For 2014, the Named Executive Officers (other than Mr. Barry) had the following individual or regional goals:

Ms. Loebel had fourteen qualitative individual goals: (i) leading the Company's corporate governance upgrade (including preparing for internal control revisions stemming from the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) update, evaluating key controls, updating the Company's Financial Policy Manual and updating IT and cash management policies); (ii) completing certain business process improvement projects; (iii) enhancing Finance/IT associate engagement; (iv) ensuring no significant deficiencies, material weaknesses or recurring issues as part of the Company's internal controls testing; (v) updating the Company's business intelligence systems, including developing a vision for management reporting and data governance; (vi) developing a strategic plan for IT, including performing a cyber-security assessment; (vii) developing a business transformation project for a region of the Company; (viii) refreshing the Company's global enterprise resource planning system; (ix) completing a multi-source feedback program; (x) completing a global cash management project to enhance cash management controls and financial flexibility; (xi) completing the Company's economic value added performance analysis for certain businesses; (xii) completing at least one acquisition under the proper circumstances; (xiii) working with other senior officers on dashboards and implementation of the Company's enterprise risk management program; and (xiv) working with internal audit on certain audit processes and communication projects.

Mr. Benoliel had twenty qualitative individual goals that focused on business strategy and strategic planning for both global and regional businesses, product research and development and technology



**Table of Contents**

processes across the organization and for certain specific business segments, specifically including metalworking, die casting, tube and pipe and the can business. Additional goals included successfully developing and launching certain internal and external marketing programs, improving our business segment approach to marketing, as well as managing certain Board matters in his additional role of Corporate Secretary.

Mr. Nieman had eight qualitative individual goals that focused on business strategy and planning for both global and regional businesses including: (i) facilitating and driving growth in the Company's grease business consistent with the strategic plan; (ii) facilitating and driving growth in the Company's fluid power business consistent with the strategic plan; (iii) assuming responsibility for the Company's marketing department; (iv) completing at least one acquisition under the proper circumstances; (v) expanding the product line in one of his areas of responsibility; (vi) investigating and analyzing certain potential markets for Company products; (vii) achieving certain agreed-upon development actions; and (viii) developing the Company's 2015 strategic plan with other senior executives.

Mr. Platzer had eleven regional goals: (i) achieving the 2014 profit before tax and net cash flow budgets for the region he supervised; (ii) achieving the budgeted contribution margin percentages for the region he supervised; (iii) achieving the capital expenditure budgets for the region he supervised; (iv) maintaining all key customer business; (v) increasing market share in certain key markets; (vi) achieving global expansion of certain product lines; (vii) continuing to strengthen the safety culture in the region he supervised; (viii) ensuring Sarbanes-Oxley Act compliance (with no material weaknesses, significant deficiencies or recurring issues); (ix) implementing the sustainability program for the region he supervises; (x) achieving certain agreed-upon personal development actions; and (xi) meeting certain projections for a recent acquisition. Mr. Platzer achieved 102% of his regional bonus opportunity. His region was slightly below the target goal on profitability, but he met many of his other regional goals, including, but not limited to, ensuring Sarbanes-Oxley Act compliance and continuing to strengthen the safety culture in the region he supervised.

**Long-Term Incentives**

Under the Company's 2011 Long-Term Performance Incentive Plan (LTIP), stock options, restricted stock, long-term cash payments and other types of awards can be made to participants. This plan is intended to assist us in attracting, retaining and motivating employees, non-employee directors and consultants through the use of compensation that rewards long-term performance. The use of stock-based compensation in our long-term incentive plan balances the cash-based annual incentive bonus and cash portion of our long-term performance plan. The Committee believes that stock ownership by management and equity-based performance compensation arrangements are useful tools to align the interests of management with those of Quaker's shareholders. Under the LTIP, a three-year performance period is used. Generally, employees selected as award recipients hold key positions impacting the long-term success of Quaker and its subsidiaries. These awards are based on overlapping three-year performance periods, so a new program starts each year and a payment is made each year, if earned.

Under the Company's LTIP, in 2012, Mr. Barry and the other Named Executive Officers were awarded options, time-based restricted stock and a target cash award for the 2012-2014 performance period. Payment of the cash award was dependent upon achieving a pre-determined targeted performance over the three-year period based on the Company's relative total shareholder return (TSR) as compared to the TSR of the S&P SmallCap 600 (Materials Group). The threshold for the TSR target was relative performance at the 30<sup>th</sup> percentile of the comparison group, target was at the 50<sup>th</sup> percentile and maximum was at the 85<sup>th</sup> percentile. For this period, Quaker's TSR equated to a ranking in the 90<sup>th</sup> percentile of the comparison group warranting a payout of 100% of maximum. For these purposes, TSR is calculated by using the one-month average stock price at the end of the performance period, divided by the one-month average stock price at the beginning of the performance period, plus any dividends paid over that period.

---

**Table of Contents**

The Committee reviewed current trends in long-term compensation practices with Towers Watson. The most recent review confirmed that Quaker's practices were generally consistent with those of other public companies and are as follows:

Provide for three types of awards (cash, restricted stock and options) to senior executives including each of the Named Executive Officers but limit awards for lower level executives to cash and restricted stock.

The cash portion of the Company's LTIP is performance-based. The performance criteria for the cash payment is a single metric, relative total shareholder return over the applicable period as compared to the S&P SmallCap 600 (Materials Group). By tying the cash award to shareholder value, it allows a market metric to be used as a performance measure without accounting complications.

Restricted stock is time-based and vests at the end of three years assuming continued employment of the grantee. These restricted shares are eligible for dividends payable at the time dividends are paid generally.

Options are time-based and vest in three equal installments over a three-year period commencing with the anniversary of the date of grant.

The relative value of each of the three categories of awards is roughly equal at the time of grant assuming target performance for the cash portion. The starting point for determining the Named Executive Officers' LTIP award is to first determine the percentage of base pay for each position at the 50<sup>th</sup> percentile of market comparables. Similar to the other components of total direct compensation, other factors in determining the actual percentage of base salary are taken into consideration such as experience, breadth of responsibilities, tenure in the position, whether the position held is for succession planning purposes, overall individual performance and internal equity. Based on recommendations from the Committee's outside compensation consultants as to typical plan design, the Committee decided to divide the total LTIP award into three components, allocated equally (based on fair value) to stock options, restricted stock and a target cash award.

In the first quarter of 2014, the Committee selected participants for the 2014-2016 performance period, including all of the Named Executive Officers. The specific amount of each award was determined based on market data provided by Towers Watson, as well as the relative position and role of each executive officer within the Quaker organizational structure, influence on long-term results, past practice, performance factors independent of the terms and amounts of awards previously granted and policy targets for the mix of compensation between base salary, annual and long-term incentives. The Committee determined that the use of the percentage of base salary has at times caused internal inequity issues. To mitigate this dynamic, the Committee decided to use market data related to a percentage of base salary with application of an absolute value in making awards determination for similarly valued positions of Vice President, Chief Financial Officer and Treasurer; Vice President and Managing Director EMEA; Vice President and Global Leader Grease and Fluid Power, Global Strategy and Marketing; and Vice President and Global Leader Metalworking, Can, Mining and Corporate Secretary. The Committee agreed with the proposed recommendations for total LTIP valuation of each executive. The target award for Mr. Barry was 165% of base salary while for the other Named Executive Officers the range was 41% to 49% of base salary. The comparative data indicated that the CEO's LTIP target awards percentage should be higher than the other Named Executive Officers because his leadership role in the global organization and level of responsibility and experience warrants the greater percentage opportunity.

For the 2014-2016 performance period, Mr. Barry received a long-term incentive grant of a target cash award opportunity of \$390,500, 5,315 shares of restricted stock and 17,701 options. The other Named Executive Officers, with the exception of Ms. Loebel, each received a target cash award opportunity of \$48,740, 663 shares of restricted stock and 2,209 options. Ms. Loebel's award for the 2014-2016 performance period included a target cash award opportunity of \$55,702, 758 shares of restricted stock and 2,525 options.

The exercise price of options awarded under the LTIP is not less than 100% of the fair market value of a share of Quaker common stock on the date the option was granted, which is defined as the last sale price for a

**Table of Contents**

share of common stock as quoted on the NYSE for that date or, if not reported on the NYSE for that date, as quoted on the principal exchange on which the common stock is listed or traded, and if no such sales are made on that date, then on the next preceding date on which there are such sales.

**Comparative Stock Price Performance Graph**

The following graph compares the cumulative total return (assuming reinvestment of dividends) from December 31, 2009 to December 31, 2014 for (i) Quaker's common stock, (ii) the S&P SmallCap 600 Index (the SmallCap Index), and (iii) the S&P 600 Materials Group Index (the Materials Group Index). The graph assumes the investment of \$100 on December 31, 2009 in each of Quaker's common stock, the stocks comprising the SmallCap Index and the stocks comprising the Materials Group Index.

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
<b>Quaker Chemical Corporation</b>	<b>\$ 100</b>	\$ 208.75	\$ 199.57	\$ 282.27	\$ 410.14	\$ 497.14
<b>S&amp;P SmallCap 600 Index</b>	<b>100</b>	126.31	127.59	148.42	209.74	221.81
<b>S&amp;P 600 Materials Group Index</b>	<b>100</b>	118.27	108.50	135.95	184.62	185.17

**Chief Executive Officer Compensation**

The Committee generally uses the same factors in determining the compensation of the CEO as it does for the other executive officers. The Committee considers CEO compensation in the Peer Group and the benchmarking data provided by Towers Watson as a starting point for determining competitive compensation. The Committee then, in consultation with the CEO, develops Company performance objectives for the CEO and periodically assesses the performance of the CEO. The Committee also evaluates how much the CEO should be compensated in relation to the other Company executives, but the Committee has not adopted any formula limiting the level of CEO compensation as compared to other executives. Based on Mr. Barry's level of responsibility, experience, market data and the Company's performance, the Committee determined that

## **Table of Contents**

Mr. Barry's pay was in an appropriate range in absolute terms and as compared to the other executive officers. Mr. Barry's base salary at the start of 2014 was \$675,000 and, based on Mr. Barry's level of responsibility, experience, market data and the Company's performance, he received a raise, effective March 14, 2014, to \$710,000. Accordingly, the total base salary Mr. Barry received for 2014 was \$702,708. Additionally, given Mr. Barry's six plus years' tenure as CEO and in recognition of the record Company results over the past several years and the consistently large increase in shareholder value created over the same time period, including the 21% shareholder return in 2014, he received a raise, effective on March 16, 2015, to \$760,000. The Committee determined this increase to be appropriate given that it and the awards discussed in the next paragraph move Mr. Barry's total direct compensation to the 50<sup>th</sup> percentile of market data (consistent with the Company's general benchmarking philosophy). For more information on the terms of Mr. Barry's employment and compensation, please refer to the section below titled "Mr. Barry's Employment Agreement."

In 2014, Mr. Barry's total bonus potential under the GAIP was at 90% of his base salary at target and 164% of his base salary at maximum if all goals were met. For 2015, Mr. Barry's total bonus potential under the GAIP will be 90% of his base salary at target and 162% of his base salary at maximum if all goals are met. For the 2014-2016 performance period, Mr. Barry received a long-term incentive grant of a target award opportunity of \$1,171,500 which equates to 165% of his base salary. For the 2015-2017 performance period, Mr. Barry received a long-term incentive grant of a target award opportunity of \$1,230,075 which equates to 162% of his new base salary of \$760,000. The Committee determined that these increases in Mr. Barry's incentive compensation were warranted due to his heightened responsibility, experience and tenure in the position, and also due to the Company's continued strong financial and overall performance and the consistently large increase in shareholder value over the past few years. The Committee determined these increases to be particularly appropriate because they move Mr. Barry's total direct compensation to the 50<sup>th</sup> percentile of market data (consistent with the Company's general benchmarking philosophy).

## **Stock Ownership Policy**

To align the interests of executive officers with the interests of our shareholders, each of the Named Executive Officers must maintain a minimum ownership in Quaker stock. For the CEO, the minimum is five times his base salary and for our other Named Executive Officers the minimum is one and one-half times the executive's base salary. The ownership levels must be attained by the end of five years after the later of the appointment of the person as an executive officer (including the Named Executive Officers) or the date the policy was modified. All of the Named Executive Officers were in compliance with the stock ownership policy when last tested in May 2014.

## **Retirement Benefits**

### ***U.S. Qualified Defined Benefit Plan***

Before 2006, nearly all of Quaker's U.S. employees were covered by a non-contributory qualified defined benefit retirement plan. The plan, when originally adopted, had a traditional final pay formula for calculating a participant's benefit which had been modified over the years. In 2001, a new formula was adopted. It is an accrual-based formula providing for annual credits of 3% to 7% of an employee's salary depending on age and service, with interest on the balance accruing based on the average rate of interest on 30-year treasury bonds (or 3.79%, if more). Participants who have reached the age of 60 and have at least 10 years of service are eligible for early retirement. The pension benefit is now calculated based on the benefit accrued under the old formula as of December 31, 2000, and then under the new formula commencing January 1, 2001. As of December 31, 2005, the pension plan benefits were frozen for all participants, including all U.S. based executive officers, resulting in no further increase in pension benefits for compensation or service after such date.

## **Table of Contents**

### ***Foreign Plans***

Messrs. Nieman's and Platzer's retirement benefits are provided under a defined benefit pension plan maintained by the Company's Netherlands operating subsidiary. Effective August 1, 2013, Mr. Nieman's employment with such subsidiary ended and he became employed directly by the Company and is no longer accruing further additional benefits in this plan.

The salary ceiling for the calculation of Messrs. Nieman's and Platzer's retirement benefits remains at E.U. Euros 250,000. Since 2004, the Netherlands plan has had a career average pay formula that provides for a target retirement benefit of 80% of career average salary assuming employment of 40 years. In 2004, the formula was modified freezing salary levels at then current levels for pension purposes, with annual increases according to increases in the wage index. To the extent the increase in inflation exceeds 3%, half of the excess will be added to the assumed rate of annual increases with a maximum of 4%. Prior to 2004, the plan was a final salary plan and provided 70% of final salary assuming employment of 40 years. For pension purposes, pensionable salary is defined as 14.02 times monthly salary. Pension liabilities under this plan are funded through an insurance policy.

### ***Nonqualified Supplemental Retirement Income Program***

We also provide supplemental retirement income to certain of our U.S. based executive officers. Executive officers are designated by the Committee to participate in the Supplemental Retirement Income Program (SRIP).

At this time, Messrs. Barry and Benoiel are the only active executive officers participating in the SRIP. It provides an annual benefit of 50% of the participant's pre-tax average annual compensation, reduced by three offsets and further reduced if the participant completes fewer than 30 years of service. This benefit is generally payable over the participant's lifetime, starting within seven months after the participant's retirement (on account of disability or after attaining age 62), or starting after the participant's 65 birthday (if the participant's employment terminates after five years of participation but before retirement). Other benefit forms are 36 monthly installments (if payments start after the participant attains age 65) or monthly payments over the lifetime of the participant with a lump sum payable to his surviving beneficiary. However, benefits are payable in a lump sum if the present value of the participant's benefit does not exceed a Code limit (\$17,000 for distributions in 2014) or if the participant dies or a change in control occurs.

Average annual compensation is defined for this program as the average of the participant's annual base compensation and annual bonuses paid in the three calendar years (of the last ten) in which such amounts were the highest. The offsets are the participant's annual Social Security benefit (based on certain assumptions), the annual benefit payable to the participant over his lifetime under the qualified defined benefit retirement plan discussed above, and the aggregate amount of the qualified non-elective contributions made on the participant's behalf under the Quaker Chemical Corporation Retirement Savings Plan (plus assumed earnings) expressed as an annual benefit payable over the participant's lifetime. The service reduction is equal to 3.333% for each year (or partial year) of service fewer than 30 completed by the participant.

For the two remaining active participants in SRIP, their accrued benefit is the greatest of:

1. the benefit payable under the formula set forth in the SRIP as in effect prior to January 1, 2005, based on the participant's salary plus bonus and years of employment when he attained age 55; or

Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

2. the sum of the benefit the participant would have accrued as of December 31, 2006, under the formula set forth in the SRIP as in effect prior to January 1, 2005, based on the participant's salary plus bonus and years of employment at December 31, 2006, plus the benefit the participant accrues under the new formula, described above, but disregarding service completed before 2007; or
3. the amount determined under the new formula described above.

## **Table of Contents**

For Messrs. Barry and Benoliel the increase in the present value of the retirement benefits realized in 2014 over the value realized in 2013, as reflected in the Summary Compensation Table on page 38 of this proxy statement, was primarily due to the impact of a decrease in the discount rate and an update to the mortality assumption used to determine the values of the pension benefits.

Mr. Barry is entitled to receive additional service and age credit (18 months, in the case of termination other than on account of death, disability or by us for cause or a covered termination, as the latter term is defined in his Change in Control Agreement and 24 months in the event of a covered termination, as such term is defined in his Change in Control Agreement) for all purposes under the SRIP, including for purposes of determining Mr. Barry's eligibility for the age 55 formula described in 1, above.

## **Severance and Change in Control Benefits**

The Committee believes that appropriate severance and change in control benefits are an important part of the total compensation benefits package because they enhance our ability to compete for talent and foster stability in our management. Quaker has entered into employment agreements with each of our Named Executive Officers, pursuant to which severance benefits are payable to each of them, respectively, and has also entered into change in control agreements with each of them, including each of the Named Executive Officers, pursuant to which the executive officers will receive certain benefits if they are terminated within a specified period following (or with respect to Messrs. Nieman and Platzer, a specified period before) a change in control of Quaker. In determining amounts payable, the Committee seeks to provide severance benefits sufficient to allow our executives time to find a comparable position elsewhere and change in control benefits sufficient to induce our executives to support a change in control transaction fully and remain with us despite any risk of termination after the transaction.

## **Mr. Barry's Employment Agreement**

Mr. Barry is employed pursuant to an employment agreement that automatically renews for one-year terms unless either Quaker or Mr. Barry gives 90 days prior notice of non-renewal. In accordance with the terms of the employment agreement, the Committee reviews and adjusts Mr. Barry's annual base salary each year. The total base salary Mr. Barry received for 2014 was \$702,708. Mr. Barry is eligible to participate in our GAIP and LTIP, as well as certain other benefit programs as discussed earlier in this proxy statement.

Mr. Barry's employment agreement provides that upon the termination of his employment for any reason, except for death or disability, or by us for cause, or a covered termination, as this latter term is defined in his Change in Control Agreement, Quaker will pay him 18 monthly severance payments that, in the aggregate, are equal to 150% of his base salary at the time of termination plus bonus equal to the average annual bonus paid to him under Quaker's annual incentive compensation in the applicable three-year period, excluding from the average any year in which no amounts were paid. In general, this three-year period would be expected to be the year of termination and the two preceding years (if Mr. Barry received a bonus in the year of his termination), or otherwise, the three calendar years prior to his termination of employment.

In addition to the payments described above, Mr. Barry is entitled to 18 months of medical and dental coverage at a level equal to the coverage provided before his date of termination of employment and the severance allowance will be taken into account in determining his retirement benefit under the SRIP. In addition, an additional 18 months of service and age will be credited in determining this retirement benefit. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 44 of this proxy statement. Mr. Barry's severance payments are contingent upon signing a form of release satisfactory to Quaker.

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

Cause is defined under Mr. Barry's employment agreement as willful and material breach of the terms of his employment agreement (after having received notice thereof and a reasonable opportunity to cure or



---

**Table of Contents**

correct) or dishonesty, fraud, willful malfeasance, gross negligence or other gross misconduct, in each case relating to the performance of Mr. Barry's duties to Quaker that is materially injurious to the Company, or a conviction of or guilty plea to a felony. A covered termination is termination of Mr. Barry's employment within two years following a change in control by the Company without cause or by Mr. Barry for good reason (as defined in the change of control agreement between the Company and Mr. Barry).

In the case of termination of employment because of disability, Mr. Barry will be entitled to 50% of applicable pay during the period that benefits are payable under our long-term disability plan. In the case of termination of employment because of death, Mr. Barry's beneficiary would receive in a lump sum the higher of two times his annual base salary for the year in which his death occurred or the death benefit (as a multiple of base salary) to which any other executive officer would be entitled. The Company currently has a program in which all Named Executive Officers participate entitling each to a death benefit equal to 100% of base salary in the year of death and 50% of base salary in each of the four years thereafter. Mr. Barry would be entitled to this death benefit as it provides a greater benefit than that provided under his employment agreement. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 44 of this proxy statement.

In the case of a termination (other than for death, disability, by us for cause, or by Mr. Barry other than for good reason) within two years following a change in control, Mr. Barry would be entitled to payment equal to two times the sum of his highest annualized base salary during his employment plus an amount equal to the greater of (i) the average of the annual amounts paid to him under all bonus and annual incentive plans during the applicable three calendar-year period described in Mr. Barry's change in control agreement, excluding from the average any year in which no amounts were paid, or (ii) the target bonus which would have otherwise been payable to Mr. Barry for the calendar year in which the change in control transaction occurred. In general, this three-year period would be expected to be the year of termination and the prior two years (if Mr. Barry received a bonus in the year of his termination) or, otherwise, the three calendar years prior to his termination of employment. In addition, Mr. Barry would be entitled to receive (i) his earned but unpaid base salary through the date of termination at the current rate, or if higher, at the rate in effect at any time during the 90-day period preceding the change in control; (ii) any unpaid bonus or annual incentive payable to him in respect of the calendar year ending prior to termination; (iii) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the termination occurs which would have been payable had the target level of performance been achieved for the calendar year; and (iv) the pro rata portion of any and all awards under the LTIP for the performance period(s) in which the termination occurs, which would have been payable had the target level of performance been achieved for the performance period. In addition, Mr. Barry's severance allowance will be taken into account in determining his retirement benefit under the SRIP and an additional 24 months of service and age will be credited in determining this retirement benefit. Mr. Barry is also entitled to one-year outplacement services and participation in our medical, dental and life insurance programs as if still employed for a period of two years. The Committee believes that providing benefits for Mr. Barry's termination within two years following a change in control is fair because he has the broadest responsibility and accountability in ensuring the success of our business and would be crucial to retain in any change in control. This is consistent with our philosophy of tying compensation to level of responsibility and influence over the Company's results and performance. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 44 of this proxy statement. These benefits will be paid or provided only if Mr. Barry signs a general release of claims unless prohibited by local law.

Mr. Barry's employment agreement contains a confidentiality and an 18-month non-competition provision, in the event of termination for any reason. In addition, Mr. Barry's change in control agreement contains a confidentiality and a 24-month non-competition provision, in the event of termination for any reason. If a court were to determine that he breached these provisions, the Company's obligations to make payments under the agreements would terminate.

---

**Table of Contents****Other Named Executive Officers**

Messrs. Benoliel, Nieman, Platzer and Ms. Loebel are each entitled to severance under their respective employment agreements if the Company terminates their employment (other than in the case of termination for cause (for those agreements where cause is defined), disability, death or retirement) equal to 12 months base salary at their then current rate of salary. In addition, Mr. Platzer is entitled to severance prescribed by law in certain foreign jurisdictions which, if greater, would be in lieu of any severance due under any agreements with Quaker. Cause is defined in Mr. Platzer's employment agreement as: (i) willful and continued failure (following written notice) of the executive to perform his duties under the employment agreement; or (ii) the willful engaging by the executive in a continued course of misconduct which is materially injurious to Quaker, monetarily or otherwise. In the case of Messrs. Benoliel, Nieman and Ms. Loebel, cause is defined as: (i) willful and material breach of their memorandum of employment; (ii) dishonesty, fraud, willful malfeasance, gross negligence or other gross misconduct, in each case relating to the performance of duties which is materially injurious to Quaker; or (iii) conviction of or plea of guilty or nolo contendere to a felony. Messrs. Benoliel, Nieman, Platzer and Ms. Loebel are also entitled to reasonable outplacement assistance under their respective employment agreements. Messrs. Benoliel's, Nieman's, Platzer's and Ms. Loebel's severance payments are contingent upon signing a form of release satisfactory to Quaker. None of the Named Executive Officers are entitled to severance under their employment agreements if they terminate their employment voluntarily, even if for good reason. Under their respective employment agreements, Messrs. Benoliel, Nieman and Ms. Loebel would receive any severance payments in semi-monthly installments and Mr. Platzer would receive any severance payments in a lump sum.

Quaker has entered into change in control agreements with each of its Named Executive Officers. Under these agreements (Mr. Barry's is described above), the officers other than Mr. Barry are entitled, if terminated (other than for disability, death, by us for cause, or by the executive officer other than for good reason) within two years following (or within six months before, with respect to Messrs. Nieman and Platzer) a change in control, to severance in an amount equal to 1.5 times the sum of highest annualized base salary plus an amount equal to the average of the total annual amounts paid to the executive under all applicable annual incentive compensation plans during the applicable three calendar-year period described in the change in control agreements, excluding from the average any year in which no amounts were paid. In general, this three-year period would be expected to be the year of termination and the prior two years (for Mr. Benoliel and Ms. Loebel, if the executive received a bonus in the year of the executive's termination of employment) or, otherwise, the three calendar years prior to the year of his or her termination of employment. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 44 of this proxy statement. In addition, these executive officers are entitled to receive (i) earned but unpaid base salary through the termination at the rate in effect on the date of termination or, if higher, at the rate in effect at any time during the 90-day period preceding the change in control; (ii) any unpaid bonus or annual incentive payable to the executive in respect of the calendar year ending prior to the termination; (iii) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the termination occurs based on target performance for Messrs. Benoliel, Nieman, Platzer and for Ms. Loebel; and (iv) the pro rata portion of any and all awards under the Company's LTIP for the performance period(s) in which the termination occurs, which would have been payable had the target level performance been achieved for the performance period.

In addition to the amounts described above, our other Named Executive Officers are also entitled to one-year outplacement services and participation in our medical, dental and life insurance programs as if still employed for a period of 18 months. Mr. Platzer is also entitled to receive additional payments as prescribed by the law in the foreign jurisdiction in which he is located. These benefits will be paid or provided only if the executive officer signs a general release of claims unless prohibited by local law. In addition, the benefits and payments will be discontinued if the executive officer violates the confidentiality provisions of his or her respective change in control agreement (at any time) or the non-compete provisions of the change in control agreement (during employment or the one-year period thereafter).

## **Table of Contents**

In the change in control agreements cause is defined as: (i) the willful and material breach of the employment agreement between the executive and Quaker (after having received notice and the reasonable opportunity to correct); (ii) dishonesty, fraud, willful malfeasance, gross negligence or other gross misconduct, in each case relating to the performance of the executive's employment with Quaker which is materially injurious to Quaker; or (iii) conviction of or plea of guilty to a felony. Good reason includes, other than by reason of executive's death or disability: (i) any reduction in the executive's base salary from that provided immediately before the covered termination or, if higher, immediately before a change in control; (ii) any reduction in the executive's bonus opportunity (including cash or noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the change in control; (iii) a material adverse change in the nature or scope of the executive's authorities, powers, functions or duties from those in effect immediately before the change in control; (iv) a reduction in the executive's benefits from those provided immediately before the change in control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the executive being required to accept a primary employment location which is more than 25 miles from the location at which he was primarily employed during the 90-day period prior to a change in control.

## **Other Benefits on Termination**

In addition to the payments and benefits discussed above, the executive officers are entitled to the payments and benefits that are available to all employees on termination of employment, including vested benefits under the Company's qualified defined benefit retirement plan and 401(k) plan, short-term and long-term disability benefits (in the event of disability) and life insurance benefits (in the case of death).

## **Perquisites and Other Benefits**

As a general matter, the Company does not provide perquisites to its executive officers, other than an allowance for financial planning services. In Asia and Europe, consistent with regional compensation practices, cars are provided to mid and upper level managers, including Mr. Platzer. For more details on these perquisites, please refer to footnote 4 to the Summary Compensation Table.

**Table of Contents**

---

***Compensation Committee Report***

---

The Compensation/Management Development Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in Quaker's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for filing with the Securities and Exchange Commission.

**Compensation/Management Development Committee**

Robert H. Rock, Chairman

Patricia C. Barron

Donald R. Caldwell

Jeffrey D. Frisby

**Table of Contents****Summary Compensation Table**

The table below summarizes the total compensation awarded to, paid to, or earned by each of our executive officers who are named in the table. In this proxy statement, we sometimes refer to this group of individuals as our Named Executive Officers.

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	Option Awards(1)	Non-Equity Incentive Plan Compensation(2)	Change	All Other Compensation(4)	Total
							in Pension Value and Non-Qualified Deferred Compensation		
(a)	(b)	(\$)(c)	(\$)(d)	(\$)(e)	(\$)(f)	(\$)(g)	(\$)(h)	(\$)(i)	(\$)(j)
Michael F. Barry	2014	702,708	0	390,493	390,476	1,243,618	795,000	50,067	3,572,362
Chairman of the Board, Chief Executive Officer and President	2013	664,583	0	284,950	284,993	1,213,551	0	49,119	2,497,196
	2012	609,375	0	266,681	266,598	843,438	1,461,000	49,288	3,496,380
Margaret M. Loeb1	2014	339,900	0	55,690	55,700	234,403	0	25,915	711,608
Vice President, Chief Financial Officer and Treasurer	2013	337,838	0	46,375	46,406	180,827	0	24,191	635,637
	2012	166,269	0	275,689	44,628	127,050	0	106,636	720,272
D. Jeffry Benoliel	2014	333,731	0	48,711	48,730	232,465	344,000	22,221	1,029,858
Vice President and Global Leader Metalworking, Can, Mining and Corporate Secretary	2013	325,550	0	46,375	46,406	228,656	0	22,256	669,243
	2012	315,450	0	44,650	44,619	184,939	447,000	19,722	1,056,380
Jan F. Nieman	2014	318,108	0	48,711	48,730	225,098	0	26,424	667,071
Vice President and Global Leader Grease and Fluid Power, Global Strategy and Marketing	2013	334,703	0	309,255	46,406	230,939	0	486,952	1,408,255
	2012	293,862	0	44,650	44,619	177,653	410,405	342,398	1,313,587
Wilbert Platzer	2014	323,394 <sup>(5)</sup>	0	48,711	48,730	217,752	618,251	30,484	1,287,322
Vice President and Managing Director EMEA	2013	358,691	0	46,375	46,406	240,533	252,443	37,201	981,649
	2012	333,787	0	44,650	44,619	165,045	557,251	31,722	1,177,074

(1) The amounts in columns (e) and (f) reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for outstanding equity awards under the Company's LTIP. Assumptions used in the calculation of these amounts for 2014 are included in Note 5 of Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

(2) The amounts in column (g) are incentive cash bonuses earned in 2014 and payable in 2015 under the LTIP (\$533,334 for Mr. Barry; \$89,266 for Ms. Loeb1; \$89,266 for Mr. Benoliel; \$89,266 for Mr. Nieman; and \$82,177 for Mr. Platzer) and the Company's Global Annual Incentive Plan ( GAIP ) (\$710,284 for Mr. Barry; \$145,137 for Ms. Loeb1; \$143,199 for Mr. Benoliel; \$135,832 for

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

Mr. Nieman and \$135,575 for Mr. Platzer). All bonuses for foreign-based participants are paid by the applicable local foreign affiliate.

- (3) The amounts shown in column (h) reflect the actuarial increase or decrease in the present value of the Named Executive Officer's benefits under all pension plans established by the Company determined by using the interest rate and mortality rate assumptions consistent with those used in the Company's financial statements. See Note 17 of Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The present value of Messrs. Barry's and Benoliel's benefits under all pension plans established by the Company increased by \$795,000 and \$344,000, respectively. The increase in the present value of the retirement benefits realized in 2014 over the value realized in 2013 was primarily due to the impact of a decrease in the discount rate and an update to the mortality assumption used to determine the values of the

**Table of Contents**

pension benefits. The present value of Mr. Platzer's benefits under the pension plan established by the Company's Netherlands subsidiary increased by \$618,251. The increase in the present value of the retirement benefits realized in 2014 over the value realized in 2013 was primarily due to the impact of a decrease in the discount rate used to determine the values of the pension benefits.

- (4) Includes employer contributions by the Company to the U.S. based Named Executive Officers pursuant to the Company's Retirement Savings Plan: \$15,425 for Mr. Barry; \$16,032 for Ms. Loebel; \$15,714 for Mr. Benoliel; and \$17,617 for Mr. Nieman.

Includes the costs associated with the use of a Company-provided automobile consistent with regional compensation practices in Europe for Mr. Platzer (\$26,793).

Includes dividends paid on time-based restricted stock awards: \$19,248 for Mr. Barry; \$6,383 for Ms. Loebel; \$3,007 for Mr. Benoliel; \$6,307 for Mr. Nieman; and \$3,007 for Mr. Platzer.

Includes the costs associated with financial planning services: \$7,606 for Mr. Barry; \$3,500 for Ms. Loebel; \$3,500 for Mr. Benoliel; \$2,500 for Mr. Nieman; and \$684 for Mr. Platzer. Includes the payment for unused vacation for Mr. Barry of \$7,788.

- (5) Salary includes a representation fee and a holiday allowance: \$6,895 and \$24,795, respectively, for Mr. Platzer. Mr. Platzer's compensation was paid in E.U. Euros. All foreign currency amounts reflected in this table were converted to U.S. Dollars at the spot rate in effect on December 31 of the year for which the information is reported.

**Table of Contents****Grants of Plan-Based Awards**

Provided below is information on grants made in 2014 to the Named Executive Officers under the Company's LTIP. In February 2014, awards for the 2014-2016 period were made to the Named Executive Officers consisting of options vesting in three approximately equal installments over the three-year period, time-based restricted stock vesting after the three-year period and a cash bonus opportunity. See discussion under the heading "Long-Term Incentives" under the Compensation Discussion and Analysis section on page 28 of this proxy statement.

Name (a)	Grant Date (b)	Estimated Future Payouts			Estimated Future Payouts			All Other Stock Awards: (i)	All Other Option Awards: (j)	Exercise or Base Price of Option Awards (k)	Grant Date (l)
		Threshold (c)	Target (d)	Maximum (e)	Threshold (f)	Target (g)	Maximum (h)				
Michael F. Barry	2/27/14	156,200	390,500	781,000	0	0	0	5,315	17,701	73.47	780,969
Margaret M. Loebel	2/27/14	22,281	55,702	111,404	0	0	0	758	2,525	73.47	111,391
D. Jeffrey Benoliel	2/27/14	19,496	48,740	97,480	0	0	0	663	2,209	73.47	97,441
Jan F. Nieman	2/27/14	19,496	48,740	97,480	0	0	0	663	2,209	73.47	97,441
Wilbert Platzer	2/27/14	19,496	48,740	97,480	0	0	0	663	2,209	73.47	97,441

- (1) The amounts shown in column (c) reflect the minimum payment level under the Company's LTIP, which is 20% of the maximum amount shown in column (e). The amount shown in column (e) is 200% of each target amount shown in column (d). The value or maturation of a performance incentive unit is determined by performance over a three-year period based on relative total shareholder return against a pre-determined peer group.
- (2) The amounts shown in column (i) for awards granted on February 27, 2014 reflect the number of shares of time-based restricted stock awarded under the LTIP with full vesting on February 27, 2017.
- (3) The amounts shown in column (j) reflect the combination of incentive and non-qualified options which were issued under the LTIP. These options vest one-third on each of the first, second and third anniversaries of the grant date, commencing on February 27, 2015.
- (4) With respect to the awards granted on February 27, 2014 under the provisions of the LTIP, the exercise price of the option is equal to the fair market value, which is defined as the last reported sale price on the grant date.
- (5) The amounts included in column (l) represent the full grant date fair value of the awards computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are described in Note 5 of Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.



**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

Name (a)	Option Awards					Stock Awards		Equity Incentive Plan	
	Number of Securities Underlying Unexercised Options(1) (#)	Number of Securities Underlying Unexercised Options(1) (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price (\$)(e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#)(g)	Market Value of Shares or Units of Stock That Have Not Vested(2) (\$)(h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(i)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(j)
Michael F. Barry	0	5,351	0	38.13	3/6/2019	6,994 <sup>(3)</sup>	643,728	0	0
	4,360	8,721	0	58.26	3/5/2020	4,891 <sup>(4)</sup>	450,168		
	0	17,701	0	73.47	2/27/2021	5,315 <sup>(5)</sup>	489,193		
Margaret M. Loebel	1,462	730	0	46.21	6/29/2019	3,966 <sup>(6)</sup>	365,031	0	0
	710	1,420	0	58.26	3/5/2020	796 <sup>(4)</sup>	73,264		
	0	2,525	0	73.47	2/27/2021	758 <sup>(5)</sup>	69,766		
D. Jeffry Benoliel	2,993	0	0	37.37	3/1/2018	1,171 <sup>(3)</sup>	107,779	0	0
	1,792	895	0	38.13	3/6/2019	796 <sup>(4)</sup>	73,264		
	710	1,420	0	58.26	3/5/2020	663 <sup>(5)</sup>	61,023		
	0	2,209	0	73.47	2/27/2021				
Jan F. Nieman	0	895	0	38.13	3/6/2019	1,171 <sup>(3)</sup>	107,779	0	0
	0	1,420	0	58.26	3/5/2020	796 <sup>(4)</sup>	73,264		
	0	2,209	0	73.47	2/27/2021	663 <sup>(5)</sup>	61,023		
						3,000 <sup>(7)</sup>	276,120		
Wilbert Platzer	997	0	0	37.37	3/1/2018	1,171 <sup>(3)</sup>	107,779	0	0
	896	895	0	38.13	3/6/2019	796 <sup>(4)</sup>	73,264		
	710	1,420	0	58.26	3/5/2020	663 <sup>(5)</sup>	61,023		
	0	2,209	0	73.47	2/27/2021				

(1) The options have a seven-year term. The vesting schedules for each of the grants whose expiration dates are listed follow: March 1, 2018, March 6, 2019, June 29, 2019, March 5, 2020 and February 27, 2021, one-third on each of the first, second and third anniversaries of the grant date. For options expiring March 1, 2018, the grant date is March 1, 2011. For options expiring March 6, 2019, the grant date is March 6, 2012. For options expiring on June 29, 2019, the grant date is June 29, 2012. For options expiring March 5, 2020, the grant date is March 5, 2013. For options expiring on February 27, 2021, the grant date is February 27, 2014.

(2) Reflects amounts based on the closing market price of the Company's common stock on the NYSE of \$92.04 per share on December 31, 2014.

(3) Time-based restricted stock awards granted under the LTIP which vest on March 6, 2015.

(4) Time-based restricted stock awards granted under the LTIP which vest on March 5, 2016.

(5) Time-based restricted stock awards granted under the LTIP which vest on February 27, 2017.

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

- (6) Time-based restricted stock award granted under the LTIP of 4,000 shares on June 29, 2012. 1,000 shares vested on June 29, 2014; 3,000 shares vest in three annual installments of 1,000 shares each on June 29, 2015, June 29, 2016 and June 29, 2017 and a time-based restricted stock award granted under the LTIP of 966 shares which vests on June 29, 2015.
  
- (7) Time-based restricted stock award granted under the LTIP of 3,000 shares which vests 100% on July 1, 2016.

**Table of Contents****Option Exercises and Stock Vested**

This table shows the number and value of stock options exercised and stock awards vested during 2014 by the Named Executive Officers.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting(4)
(#)(b)	(\$)(c)	(#)(d)	(\$)(e)	
Michael F. Barry	11,260	499,178	6,627 <sup>(2)</sup>	512,135
Margaret M. Loebel	0	0	1,000 <sup>(3)</sup>	76,410
D. Jeffrey Benoliel	3,788	246,672	1,119 <sup>(2)</sup>	86,476
Jan F. Nieman	2,603	93,480	1,119 <sup>(2)</sup>	86,476
Wilbert Platzer	0	0	1,119 <sup>(2)</sup>	86,476

- (1) Reflects the difference between the exercise price of the option and the last reported sale price for a share of common stock as quoted on the NYSE on the date of exercise. The value of exercising stock options can be realized in cash or in stock. Of the value realized on exercise, all amounts reflect the value in cash.
- (2) Represents a time-based restricted stock award under the Company's 2006 Long-Term Performance Incentive Plan which vested 100% on March 1, 2014.
- (3) Represents a time-based restricted stock award of 5,000 shares under the LTIP which vested 20% on June 29, 2014.
- (4) Amounts reflect the closing price of the Company's common stock on February 28, 2014 at \$77.28 per share (March 1, 2014 was a Saturday) and on June 28, 2014 at \$76.41 per share (June 29, 2014 was a Sunday).

**Table of Contents****Pension Benefits**

The table below shows the present value of accumulated benefits payable to each of the Named Executive Officers and the number of years of service credited to each under each of the Pension Plans and the Supplemental Retirement Income Program under which they are (or may be) entitled to receive payments and benefits. Ms. Loebl is not listed in the table below because she does not participate in any of the Pension Plans or Supplemental Retirement Income Program. For information on the valuation methodologies and material assumptions used in quantifying the present value of the accrued pension benefit, see Note 17 of Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Also, see discussion under the heading "Retirement Benefits" under the Compensation Discussion and Analysis section on page 31 of this proxy statement.

Name (a)	Plan Name (b)	Number of	Present Value of	Payments
		Years	Accumulated	During
		Credited	Benefit	Last Fiscal
		Service(3)		Year
		(#)(c)	\$(d)	\$(e)
Michael F. Barry	U.S. Pension Plan	6.0833	70,000	0
	Supplemental Retirement Income Program	16	4,520,000	0
D. Jeffry Benoliel	U.S. Pension Plan	9.6667	166,000	0
	Supplemental Retirement Income Program	19	1,783,000	0
Jan F. Nieman <sup>(1)</sup>	The Netherlands Pension Plan	27.5	1,065,233	0
Wilbert Platzer <sup>(2)</sup>	The Netherlands Pension Plan	28.4167	2,486,774	0

- (1) Mr. Nieman's pension benefits include amounts accrued during his employment by the Company's Netherlands operating subsidiary. Effective August 1, 2013, Mr. Nieman's employment with such subsidiary ended and he became employed directly by the Company and will no longer be accruing further additional benefits in this plan.
- (2) Mr. Platzer's retirement benefits are provided under a defined benefit pension plan maintained by the Company's Netherlands operating subsidiary. Mr. Platzer's pension benefit includes amounts accrued over nine years with a prior employer.
- (3) In all cases, other than Mr. Platzer, years of credited service do not exceed the executive's period of employment with the Company (and affiliates). Years of credited service may be less than actual service because (i) benefits under the U.S. qualified defined benefit plan were frozen effective December 31, 2005 or (ii) a definition of years of credited service under the applicable plan takes into account less than full years of employment.

**Table of Contents****Potential Payments upon Termination or Change in Control**

Provided below in both tabular and narrative form are estimated potential payments to each of our Named Executive Officers under various scenarios, assuming the termination of employment and, where applicable, change in control occurred on December 31, 2014. Except for the Supplemental Retirement Income Program, the amounts shown are aggregate estimated amounts, and have not been calculated as a present value or otherwise adjusted for varying payment dates. For information on material assumptions used in quantifying the present value of the Supplemental Retirement Income Program benefit, see Note 17 of Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The amounts shown are estimates of the amounts that would be paid; the actual amounts to be paid can only be determined at the time of the executive's separation from the Company (or a change in control, if applicable). Also, see the discussion under the heading "Severance and Change in Control Benefits" in the Compensation Discussion and Analysis on page 33 of this proxy statement.

**Named Executive Officers Estimated Payments and Benefits****Upon Termination of Employment in Connection With a Change in Control**

	<b>Michael F. Barry</b>	<b>Margaret M. Loebl</b>	<b>D. Jeffrey Benoiel</b>	<b>Jan F. Nieman</b>	<b>Wilbert Platzer(1)</b>
Severance Allowance (\$) <sup>(2)</sup>	2,698,000	740,758	694,095	638,281	1,281,007 <sup>(3)</sup>
Annual Bonus (\$)	640,420	130,862	129,114	122,472	122,240
Performance Incentive Units (\$)	586,390	94,081	91,767	91,767	89,915
Restricted Stock Awards (time-based vesting) (\$) <sup>(4)</sup>	1,583,088	508,061	242,065	518,185	242,065
Stock Options (\$) <sup>(5)</sup>	911,775	128,313	137,238	137,238	137,238
Medical/Dental/Life Insurance (\$) <sup>(6)</sup>	35,094	9,686	27,098	27,098	0
Outplacement Assistance (\$) <sup>(7)</sup>	8,500	8,500	8,500	8,500	8,500
Supplemental Retirement Income Program (\$) <sup>(8)</sup>	3,901,000	0	1,268,000	0	0
<b>Total</b>	<b>10,364,268<sup>(9)</sup></b>	<b>1,620,260<sup>(9)</sup></b>	<b>2,597,877<sup>(9)</sup></b>	<b>1,543,541<sup>(10)</sup></b>	<b>1,880,965<sup>(10)</sup></b>

- (1) Amounts due in foreign currency were converted to U.S. Dollars for the purposes of this table at the spot rate in effect on December 31, 2014.
- (2) The severance allowance has been reduced to the extent necessary to avoid imposition of the excise tax under Code section 4999 (assuming reduction of the severance allowance is the least economically detrimental to the executive). No reduction was required to the severance allowance of any of the Named Executive Officers.
- (3) This is an estimated amount to which Mr. Platzer may be entitled under the law of The Netherlands. The severance amount is the product of (a), (b) and (c), where (a) is the sum of the monthly base salary (after excluding vacation allowance) and the monthly average of the annual GAIP bonus for the prior three years, (b) is 25.5 months and (c) is the severance factor (in this case, 1.5). These amounts may be adjusted upward (using a severance factor of 2.0) or downward by a Dutch court depending on the circumstances triggering the termination. To the extent a court-ordered severance payment exceeds the amount of Mr. Platzer's severance allowance under his change in control agreement, no severance allowance would be payable under his change in control agreement. The severance allowance determined under Mr. Platzer's change in control agreement is estimated at \$664,627. Mr. Platzer's change in control agreement provides that payments contingent on a change in control will be reduced to the extent necessary to avoid imposition of the excise tax under Code section 4999. Whether such a reduction is required depends on the amount of his severance. No reduction would be required if Mr. Platzer's severance does not exceed the estimated amount determined under his change in control agreement.



**Table of Contents**

- (4) This amount reflects the closing market price of our common stock on December 31, 2014 (\$92.04) multiplied by the number of shares that would become vested on termination or change in control.
- (5) This amount reflects the number of shares for which options would become vested on a change in control, multiplied by the positive difference (if any) between the closing market price of our common stock on December 31, 2014 (\$92.04) and the exercise price of the option. Options that were vested before December 31, 2014 are shown in the Outstanding Equity Awards at Fiscal Year-End Table on page 41 of this proxy statement.
- (6) This amount reflects the value of medical, dental and life insurance coverage for 24 months (Mr. Barry) and for 18 months for the other Named Executive Officers, all based on our current costs for these benefits. Mr. Platzer is not entitled to continuation of these benefits since the Dutch statutory formula is used to determine severance.
- (7) This amount is the estimated value of providing outplacement counseling and services during 2015.
- (8) Amount shown is the December 31, 2014 present value of the estimated benefit payable if, on December 31, 2014, a change in control occurred. The December 31, 2014 present value of the Supplemental Retirement Income Program benefit payable in the case of Mr. Barry's disability is \$6,015,000, in the case of Mr. Barry's death is \$3,256,000, in the case of Mr. Barry's resignation is \$3,535,000 and in case Mr. Barry is terminated from employment by the Company other than for cause or disability is \$4,057,000. The December 31, 2014 present value of the Supplemental Retirement Income Program benefit payable in the case of Mr. Benoliel's disability is \$2,507,000, in the case of Mr. Benoliel's death is \$1,268,000 and in the case of Mr. Benoliel's termination is \$1,386,000.
- (9) If the change in control falls within the meaning of Code Section 409A, severance payments are made in a lump sum. For any other change in control, severance payments are made in monthly installments.
- (10) All severance payments are made in a lump sum.

**Termination Other than for Cause, Disability, Death or Retirement**

Under the terms of their employment agreements, the Named Executive Officers are entitled to severance benefits and 12 months of outplacement services if the Company terminates their employment (for other than cause, disability, death or retirement) and the termination is not in connection with a change in control. In addition, Ms. Loebel is entitled to 12 months of continued medical and dental coverage after termination at Quaker's cost and Mr. Barry is entitled to participate in Quaker's medical and dental plans for 18 months after termination on the same basis as an active employee. In the case of such a termination, Mr. Barry is entitled to a multiple of 1.5 times his base salary and bonus paid during a three-year period as described in his employment agreement. In the case of such a termination, Messrs. Benoliel, Nieman and Platzer and Ms. Loebel are entitled to severance equal to 12 months of base salary as of the termination date. The severance amounts payable under such circumstances are as follows: \$1,999,644 (Mr. Barry); \$339,900 (Ms. Loebel); \$335,361 (Mr. Benoliel); \$318,108 (Mr. Nieman); and \$292,660 (Mr. Platzer). In the case of Mr. Platzer, the statutory amount determined under the law of The Netherlands would be paid, if higher (see Note (3) to the above chart).

**Termination as a Result of Death or Disability**

If employment were terminated on December 31, 2014, as a result of death or disability (as defined in the respective plan), the amounts shown above for Annual Bonus (assuming target performance is attained), Restricted Stock Awards (time-based vesting) and Stock Options would be paid. In the case of death on December 31, 2014, a death benefit would be paid in 2014 of \$710,000 (Mr. Barry), \$339,900 (Ms. Loebel),

Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

\$335,361 (Mr. Benoliel), \$318,108 (Mr. Nieman) or \$292,660 (Mr. Platzer), plus 50% of base salary during each of 2014, 2015, 2016 and 2017 (Mr. Barry, \$355,000; Ms. Loebl, \$169,950; Mr. Benoliel \$167,681; Mr. Nieman, \$159,054; and Mr. Platzer, \$146,330).



---

**Table of Contents**

---

***Director Compensation***

---

The Governance Committee is charged with reviewing and making recommendations to the Board of Directors with respect to director compensation. The Company uses a combination of cash and stock-based compensation to attract and retain candidates on the Board. Director compensation is targeted at the median of the relevant comparison groups (discussed below) consistent with the positioning of executive officer compensation. In the past, in making this determination, the Governance Committee used certain industry-wide data obtained by Quaker's management to set compensation.

For the 2014-2015 Board year, each independent director received an annual cash retainer of \$50,000 and a time-based restricted stock award equal to \$50,000, issued in June 2014, which vests in a single installment a year from the date of issuance assuming continued Board membership. In addition, each independent director received \$1,250 for each Board and Board committee meeting he or she attended, and the chairperson of each Board committee received the following additional compensation: Audit Committee, \$12,000; Compensation/Management Development Committee, \$8,000; Executive Committee, \$4,000; and Governance Committee, \$8,000. The Lead Director received an annual retainer of \$15,000.

The 2013 Director Stock Ownership Plan was adopted by the Board of Directors of the Company on March 6, 2013 and approved by the shareholders at the 2013 annual meeting. Presently, under the terms of the Plan, each independent director is required to beneficially own on May 1 of the applicable calendar year Quaker common stock having a then current market value equal to the Threshold Amount defined as the quotient obtained by dividing (i) 400% of the annual cash retainer for the applicable calendar year by (ii) the average of the closing price of a share of Quaker common stock as reported by the composite tape of the New York Stock Exchange for the previous calendar year. If an independent director's share ownership falls below the Threshold Amount, 75% of the annual cash retainer payable will be paid in shares of Quaker common stock and the remaining 25% of the annual cash retainer will be paid in cash, unless the director elects to receive a greater percentage of Quaker common stock (up to 100%). If a director's share ownership meets or exceeds the Threshold Amount, the director may irrevocably elect to receive common stock in payment of a percentage (up to 100%) of the annual cash retainer for the applicable year.

**Table of Contents****Director Compensation**

Name(1) (a)	Fees Earned or Paid		Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension	All Other Compensation(4)	Total
	in Cash(2)	Stock Awards(3)			Value and Non-Qualified Deferred Compensation Earnings		
	\$(b)	\$(c)	\$(d)	\$(e)	\$(f)	\$(g)	\$(h)
Joseph B. Anderson, Jr.	66,250	49,968	0	0	0	790	117,008
Patricia C. Barron	81,250	49,968	0	0	0	790	132,008
Donald R. Caldwell	74,000	49,968	0	0	0	790	124,758
Robert E. Chappell	69,250	49,968	0	0	0	790	120,008
William R. Cook	77,000	49,968	0	0	0	790	127,758
Mark A. Douglas	66,250	49,968	0	0	0	790	117,008
Jeffry D. Frisby	68,750	49,968	0	0	0	790	119,508
Robert H. Rock	71,750	49,968	0	0	0	790	122,508

- (1) Mr. Barry is not included in this table. Mr. Barry is an employee of the Company and thus receives no compensation for his service as a director.
- (2) Under the terms of the 2013 Director Stock Ownership Plan, the following directors were paid a portion of their retainer in shares of the Company's common stock in lieu of cash, valued at \$74.34 per share on June 2, 2014 (the retainer payment date) as follows: Mr. Caldwell received 336 shares in lieu of \$24,978; and Messrs. Chappell and Douglas received 672 shares each in lieu of \$49,956.
- (3) The amounts reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for outstanding equity awards under the Company's LTIP.
- (4) The amounts in this column for each director include dividends paid on unvested time-based restricted stock awards.

**Compensation Policies and Practices Risk Assessment**

The Compensation/Management Development Committee conducted a risk assessment in 2014 that concluded that none of our compensation practices are reasonably likely to have a material adverse effect on the Company's business or operations. In order to assess risk as it relates to compensation, management conducted a global audit of all compensation practices, including base pay philosophies and corporate and regional bonus plans. This global audit consisted of an examination of both the Company's regional pay practices and bonus plans and the corporate-wide compensation programs. Management, including the Vice President Human Resources, reported the results of this audit to the Committee, which found that none of the Company's current compensation programs would be likely to encourage excessive risk taking because the metrics in the Company's compensation plans are linked to corporate performance as it relates to set budgetary targets and because the plans are measured against identified peer comparison groups. After a discussion with management about these findings, the Committee thereafter determined that the Company's compensation practices were not reasonably likely to have a material adverse effect on the Company's business or

operations.

**Table of Contents*****Stock Ownership of Certain Beneficial Owners and Management*****Certain Beneficial Owners**

The following table shows how much of Quaker's common stock is beneficially owned by each person known to us to be the beneficial owner of more than 5% of Quaker's common stock as of December 31, 2014. Each beneficial owner has sole voting and sole dispositive power for the shares listed, except as noted.

Name and Address	Number of Shares Beneficially Owned	Approximate Percent of Class	Number of Votes(6)
BlackRock, Inc. <sup>(1)</sup> 55 East 52 <sup>nd</sup> Street New York, NY 10022	1,133,740	8.5	1,133,740
Eagle Asset Management, Inc. <sup>(2)</sup> 880 Carillon Parkway St. Petersburg, FL 33716	1,552,694	11.7	1,552,694
RS Investment Management Co. LLC <sup>(3)</sup> One Bush Street, Suite 900 San Francisco, CA 94104	695,944	5.2	695,944
Royce & Associates, LLC <sup>(4)</sup> 745 Fifth Avenue New York, NY 10151	1,049,045	7.9	1,049,045
The Vanguard Group <sup>(5)</sup> 100 Vanguard Boulevard Malvern, PA 19355	843,094	6.4	843,094

(1) As reported in Schedule 13G/A filed on January 22, 2015 by BlackRock, Inc. with the Securities and Exchange Commission. BlackRock, Inc. has the sole power to vote or to direct to vote 1,102,559 shares and the sole power to dispose of or to direct the disposition of 1,133,740 shares.

(2)

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

As reported in Schedule 13G/A filed on January 8, 2015 by Eagle Asset Management, Inc. with the Securities and Exchange Commission.

- (3) As reported in Schedule 13G/A filed on February 12, 2015 by RS Investment Management Co. LLC with the Securities and Exchange Commission. RS Investment Management Co. LLC has the sole power to vote or direct to vote 594,245 shares and the sole power to dispose or direct the disposition of 695,944 shares.
- (4) As reported in Schedule 13G/A filed on January 20, 2015 by Royce & Associates, LLC with the Securities and Exchange Commission.
- (5) As reported in Schedule 13G/A filed on February 10, 2015 by The Vanguard Group with the Securities and Exchange Commission. The Vanguard Group has the sole power to vote or direct to vote 18,953 shares, the sole power to dispose of or to direct the disposition of 825,241 shares and shared power to dispose or to direct the disposition of 17,853 shares.
- (6) These shares, which are held in street name, are presumed under Article 5 of the Company's Articles of Incorporation to be entitled to one vote per share.

**Table of Contents****Management**

The following table shows the number of shares of Quaker's common stock beneficially owned by each of our directors, our nominees for director and the Named Executive Officers named in the Summary Compensation Table on page 38 and by all of our directors (including our nominees for director) and executive officers as a group. The information in the table is as of March 10, 2015. Each director and executive officer has sole voting and sole dispositive power over the common stock listed opposite his or her name, unless we have indicated otherwise.

Name	Aggregate Number of Shares Beneficially Owned	Approximate Percent of Class(1)	Number of Votes
Joseph B. Anderson, Jr.	6,623	*	6,623
Patricia C. Barron	20,920	*	23,022
Michael F. Barry	194,683 <sup>(2)</sup>	1.5	761,509
Donald R. Caldwell	12,067	*	12,067
Robert E. Chappell	25,339	*	196,087
William R. Cook	19,433	*	19,433
Mark A. Douglas	2,860	*	2,860
Jeffry D. Frisby	13,507	*	13,507
Robert H. Rock	11,671	*	11,671
Margaret M. Loeb1	11,689 <sup>(2)</sup>	*	7,965
D. Jeffry Benoliel	100,985 <sup>(2)(3)</sup>	*	766,317
Jan F. Nieman	19,989 <sup>(2)</sup>	*	17,647
Wilbert Platzer	15,589 <sup>(2)</sup>	*	10,644
All directors and officers as a group (19 persons)	521,036 <sup>(2)</sup>	3.9	1,921,163 <sup>(4)</sup>

\* Less than 1%.

- (1) Based upon 13,371,214 shares outstanding, and includes in the individual's total all options currently exercisable or exercisable within 60 days of the record date by the named person or the group, as applicable.
- (2) Includes the following respective numbers of shares subject to options that are currently exercisable or exercisable within 60 days of the record date: 19,972 shares in the case of Mr. Barry; 3,724 shares in the case of Ms. Loeb1; 4,844 shares in the case of Mr. Benoliel; 2,342 shares in the case of Mr. Nieman; 4,945 shares in the case of Mr. Platzer; and 46,549 shares in the case of all directors and officers as a group.
- (3) Includes 9,732 shares in an irrevocable trust of which Mr. Benoliel shares voting and dispositive power with an independent trustee and 10,000 shares held in an irrevocable trust of which his spouse has shared voting and dispositive power with an independent trustee.
- (4) Represents 8.8% of all votes entitled to be cast at the meeting, based on information available on March 10, 2015.

## **Table of Contents**

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely on (i) our review of reports submitted to us during and with respect to the year ended December 31, 2014, filed with the Securities and Exchange Commission pursuant to Section 16(a) of the 1934 Act, including any amendment thereto and (ii) written representations of Quaker's directors and officers, Quaker believes that, with the following exception, all reports required to be filed under Section 16(a) of the 1934 Act, with respect to transactions in Quaker's common stock through December 31, 2014, were filed on a timely basis. In 2014, Mr. Wilbert Platzer filed one late Form 4 relating to one transaction.

### **Certain Relationships and Related Transactions**

The Board recognizes that related party transactions may present a heightened risk of conflicts of interest and/or improper valuation or the perception thereof. Nevertheless, the Board also recognizes that there are situations when related party transactions are consistent with the best interests of the Company. Accordingly, the Governance Committee, on the Board's authority, has adopted a written policy to govern the review and approval of all related party transactions involving the Company.

The policy requires all related party transactions involving \$50,000 or more be reviewed by the Governance Committee. Related parties are defined as any director, nominee for director, senior officer (including all Named Executive Officers), and any immediate family member of the foregoing. Prior to entering into a transaction with Quaker subject to the Governance Committee's review, the related party must make a written submission to Quaker's General Counsel setting forth the facts and circumstances of the proposed transaction, including, among other things, the proposed aggregate value of such transaction, the benefits to Quaker, and an assessment of whether the proposed transaction is on terms comparable to those available from an unrelated third party. The Governance Committee (or, when urgent action is required, that Committee's Chair) will evaluate all of the foregoing information to determine whether the transaction is in the best interests of Quaker and its shareholders, as the Committee (or Chair) determines in good faith.

### **Related Party Transactions**

In early 2008, AC Products, Inc., one of Quaker's subsidiaries, began selling certain products at Triumph Fabrications-Hot Springs, Inc. In 2014, Tecniquimia Mexicana S.A. de C.V., another of Quaker's subsidiaries, sold a small amount of product to Triumph Group Mexico S. de R.L. de C.V. Both Triumph Fabrications and Triumph Group Mexico are companies that are part of Triumph Group, Inc., whose President and Chief Executive Officer is Jeffrey D. Frisby, a Quaker Director. Triumph Fabrications and Triumph Group Mexico are manufacturers of sheet metal parts and assemblies used in the aviation industry. The annual sales in 2014 to these accounts were approximately \$660,156 and \$1,582, respectively, and such sales are continuing in 2015. The Governance Committee reviewed and approved these transactions consistent with the policy described above and the Committee is updated annually.

**Table of Contents**

---

***Proposal 2 Ratification of Appointment of Independent Registered Public Accounting Firm***

---

The Board of Directors has selected PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2015. There is no requirement that the Board's selection of PricewaterhouseCoopers LLP be submitted to our shareholders for ratification or approval. The Board, however, believes that Quaker's shareholders should be given an opportunity to express their views on the selection. While the Board is not bound by a vote against ratifying PricewaterhouseCoopers LLP, the Board may take a vote against PricewaterhouseCoopers LLP into consideration in future years when selecting our independent registered public accounting firm. PricewaterhouseCoopers LLP has audited our financial statements since 1968.

We anticipate that representatives of PricewaterhouseCoopers LLP will be present at the meeting and, if present, we will give them the opportunity to make a statement if they desire to do so. We also anticipate that the representatives will be available to respond to appropriate questions from shareholders.

**Audit Fees**

Audit fees charged to us by PricewaterhouseCoopers LLP for audit services rendered during the years ended December 31, 2013 and 2014 for the integrated audit of our financial statements and our internal controls over financial reporting included in our Annual Report on Form 10-K, the review of the financial statements included in our quarterly reports on Form 10-Q, and foreign statutory audit requirements totaled \$1,697,595 and \$1,778,134, respectively.

**Audit-Related Fees**

Audit-related fees charged to us by PricewaterhouseCoopers LLP for audit-related services rendered, primarily related to foreign statutory audit-related assistance, certifications and other audit-related services, during the years ended December 31, 2013 and 2014, totaled \$10,143 and \$7,508, respectively.

**Tax Fees**

Tax fees charged to us by PricewaterhouseCoopers LLP for tax services rendered, primarily related to tax compliance, during the years ended December 31, 2013 and 2014, totaled \$169,762 and \$217,288, respectively.



**All Other Fees**

The fees billed to us by PricewaterhouseCoopers LLP for all other services rendered, primarily related to accounting research software purchased by the Company from PricewaterhouseCoopers LLP, during the years ended December 31, 2013 and 2014, totaled \$5,200 and \$5,200, respectively.

**Pre-Approval Policy**

The Audit Committee has adopted a policy governing the pre-approval of services provided by Quaker's independent registered public accounting firm. The policy expressly prohibits non-audit services for which engagement is not permitted by applicable law and regulations, including internal audit outsourcing and expert services. A list of prohibited and permitted services is set forth in the policy. Permitted services under the policy include audit and audit-related services, internal control-related consulting, tax-related services and consulting services not related to information systems design and implementation. Audit and audit-related services include, among other things, services related to securities filings, accounting and financial reporting consultations, statutory audits, acquisition and divestiture-related due diligence and benefit plan audits. Internal control-related

**Table of Contents**

consulting is limited to assessing and recommending improvements to Quaker's internal control structure, procedures or policies. Tax-related services are limited to tax compliance and planning. All services provided by Quaker's independent registered public accounting firm must be pre-approved by the Audit Committee though the committee's authority may be delegated to one or more of its members.

All of the fees paid to PricewaterhouseCoopers LLP during the years ended December 31, 2013 and 2014, were pre-approved by the Audit Committee in accordance with its pre-approval policy.

**The Board of Directors recommends that you vote FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2015.**

---

**Table of Contents**

---

***Report of the Audit Committee***

---

The Audit Committee of Quaker's Board of Directors oversees Quaker's financial reporting process on behalf of the Board of Directors and acts pursuant to the Audit Committee Charter, which is available at <http://www.quakerchem.com> by accessing the Investors/Corporate Governance section of our website. Quaker's Board has appointed to this Audit Committee five members, each of whom the Board of Directors has affirmatively determined qualifies as an independent director under the current listing standards of the NYSE and Quaker's Corporate Governance Guidelines.

As stated in its charter, the Audit Committee's job is one of oversight. It is not the duty of the Audit Committee to prepare Quaker's financial statements or plan or conduct audits to determine that Quaker's financial statements are complete and accurate and are in accordance with generally accepted accounting principles or that Quaker's internal controls over financial reporting are adequate. Financial management (including the internal auditing function) of Quaker is responsible for preparing the financial statements and maintaining internal controls and the independent registered public accounting firm is responsible for the audit of the annual financial statements and the internal controls and rendering an opinion as to the foregoing. In carrying out its oversight responsibilities, the Audit Committee is not providing any special assurance as to Quaker's financial statements or internal controls or any professional certification as to the outside auditor's work.

The Audit Committee reviewed and discussed with management Quaker's audited financial statements for the year ended December 31, 2014. The Audit Committee has also discussed with PricewaterhouseCoopers LLP, Quaker's independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16, as adopted by the Public Company Accounting Oversight Board, which includes, among other items, matters related to the conduct of the audit of Quaker's financial statements. The Audit Committee has also received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning its independence from Quaker and its related entities, and has discussed with PricewaterhouseCoopers LLP its independence from Quaker and its related entities.

Based on the review and discussions referred to above, the Audit Committee recommended to Quaker's Board of Directors that Quaker's audited financial statements be included in Quaker's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the Securities and Exchange Commission.

**Audit Committee**

William R. Cook, Chairman

Joseph B. Anderson, Jr.

Donald R. Caldwell

Mark A. Douglas

Jeffrey D. Frisby



---

**Table of Contents**

---

***General***

---

**Availability of Form 10-K and Annual Report to Shareholders**

Rules of the Securities and Exchange Commission require us to provide our annual report to shareholders for fiscal year 2014, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, to each shareholder who receives this proxy statement. We will also provide copies of the same material to brokers, dealers, banks, voting trustees and their nominees for the benefit of their beneficial owners of record. **Additional copies of the Annual Report, including our Annual Report on Form 10-K are available without charge to shareholders upon written request to: Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, Attention: Irene M. Kisleiko, Assistant Secretary.**

**Shareholder Proposals**

To be considered for inclusion in next year's proxy statement, a shareholder proposal must be in writing and received by us no later than December 4, 2015. If a shareholder proposal to be considered at next year's meeting, but not included in the proxy statement, is not received by us on or before February 17, 2016, the persons appointed as proxies may exercise their discretionary voting authority with respect to the proposal. All proposals should be submitted in writing to: Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, Attention: Corporate Secretary.

A proxy form is enclosed for your use. Please complete, date, sign and return the proxy at your earliest convenience in the enclosed envelope, which requires no postage if mailed in the United States. A prompt return of your proxy will be appreciated.

By Order of the Board of Directors,

D. Jeffrey Benoliel

Vice President and Global Leader – Metalworking,

Can, Mining and Corporate Secretary

Conshohocken, Pennsylvania

March 27, 2015



---

**Table of Contents****APPENDIX A****SHAREHOLDER VOTING ADMINISTRATIVE PROCEDURES***Voting Rights*

At the Annual Meeting of Shareholders held May 6, 1987, shareholders approved an amendment to the Articles of Incorporation, pursuant to which the holders of the Company's \$1.00 par value Common Stock on May 7, 1987 (the Effective Date) became entitled to 10 votes per share of Common Stock with respect to such shares, and any shares of Common Stock acquired after the Effective Date, subject to certain exceptions. Persons who become shareholders after the Effective Date shall only be entitled to one vote per share until such shares have been owned beneficially for a period of at least 36 consecutive calendar months, dating from the first day of the first full calendar month on or after the date the holder acquires beneficial ownership of such shares (the Holding Period). Each change in beneficial ownership with respect to a particular share will begin a new 1 vote Holding Period for such share. A change in beneficial ownership will occur whenever any change occurs in the person or group of persons having or sharing the voting and/or investment power with respect to such shares within the meaning of Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934. Under the amendment, a share of Common Stock held of record on a record date shall be presumed to be owned beneficially by the record holder and for the period shown by the shareholder records of the Company. A share of Common Stock held of record in street or nominee name by a broker, clearing agency, voting trustee, bank, trust company, or other nominee shall be presumed to have been held for a period of less than the required 36-month Holding Period. A shareholder may indicate that he or she has had beneficial ownership of his or her shares throughout the requisite Holding Period by completing and executing the affidavit accompanying the Company's proxy card. The Company and its Board of Directors, however, has the right to request evidence of such ownership, as it may deem appropriate. The amendment also provides that no change in beneficial ownership will be deemed to have occurred solely as a result of any of the following:

- (1) a transfer by any gift, devise, bequest, or otherwise through the laws of inheritance or descent;
- (2) a transfer by a trustee to a trust beneficiary under the terms of the trust;
- (3) the appointment of a successor trustee, guardian, or custodian with respect to a share; or
- (4) a transfer of record or a transfer of a beneficial interest in a share where the circumstances surrounding such transfer clearly demonstrate that no material change in beneficial ownership has occurred.

*Maintaining Records*

The Company's registrar and transfer agent, American Stock Transfer & Trust Company, LLC, maintains the Company's register of shareholders. A single register is maintained, but individual holdings are coded to indicate automatically the number of votes that the records of the Company indicate each shareholder is entitled to cast. Internal mechanisms automatically convert the voting rights on a 10-to-1 ratio for those shareholders who have held their shares for the required Holding Period.

*Proxy Administration*

## Edgar Filing: QUAKER CHEMICAL CORP - Form DEF 14A

Proxy cards will be mailed to all shareholders, and each proxy card will reflect the number of votes that the records of the Company indicate the shareholder is entitled to cast, not the number of shares held. If a shareholder has deposited shares with brokers, clearing agencies, voting trusts, banks, and other nominees, the shareholder will be presumed to be entitled to one vote per share. Subject to the Board's right to request evidence it may deem appropriate for proof of ownership during the required Holding Period, if a shareholder completes and executes the affidavit accompanying the proxy card stating that he or she has held his or her shares for the Holding Period, the number of votes that may be cast will increase to 10 votes per share. Similarly, if a

A-1



## **Table of Contents**

shareholder believes that he or she is entitled to 10 votes per share by virtue of falling within one of the exceptions set forth above, the shareholder should complete and execute the affidavit accompanying the proxy card. In all instances, the Company and its Board of Directors reserve the right to request, at any time, any evidence of ownership during the Holding Period they may deem appropriate. If it appears from experience that the present process is inadequate or is being abused, the Company and its Board of Directors reserve the right at any time to require that a particular shareholder provide additional evidence that one of the exceptions is applicable.

Where an affidavit is completed and executed and, if requested, the shareholder presents satisfactory evidence as requested, the shareholder records will be adjusted as appropriate. Any shareholder requested to submit evidence will be advised as to any action taken or not taken, which will be sent by ordinary mail to the shareholder or, if available, communicated through electronic means to the shareholder.

Special proxy cards are not used, and no special or unusual procedures are required in order properly to execute and deliver the proxy card for tabulation.

### *Voting Procedures*

There are several methods a shareholder can use to cast his or her vote.

If the shareholder is a shareholder of record, he or she can vote: (1) in person, by attending the Annual Meeting of Shareholders; (2) via the Internet, by visiting [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided; (3) by telephone, using the toll-free number listed on the proxy card; or (4) by mail, by marking, signing and dating the proxy card and returning it in the postage-paid envelope provided.

If the shareholder is the beneficial owner of shares held in street name, he or she can vote: (1) in person, by first obtaining a voting instruction form issued in his or her name from his or her broker and bringing that voting instruction form to the meeting, together with a copy of a brokerage statement reflecting stock ownership as of the record date, the stock acquisition date and valid identification; (2) via the Internet, by visiting [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided; (3) by telephone, only if he or she agrees with the voting rights provided on his or her voting instruction form, by using the toll-free number found on the voting instruction form; or (4) by mail, by marking, signing and dating the voting instruction form and returning it in the postage-paid envelope provided by his or her broker.

### *Summary*

The procedures set forth above have been reviewed and approved by representatives of various brokers and banks, as well as counsel to the Company.

The Company believes these procedures are an efficient way to address the complications involved in casting and tabulating votes under the Company's system of differing votes per share, but the Company reserves the right to change them for this year's Annual Meeting or future meetings if experience indicates a need for revision.

If a shareholder has questions concerning the Shareholder Voting Administrative Procedures, please contact Irene M. Kisleiko, the Company's Assistant Secretary, at (610) 832-4119.

A-2

**Table of Contents**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement, 2014 Annual Report to Shareholders and Letter to Shareholders

are available at [www.proxyvote.com](http://www.proxyvote.com).

M82966-TBD

**QUAKER CHEMICAL CORPORATION**

**Annual Meeting of Shareholders**

**May 6, 2015 8:30 A.M.**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoints Michael F. Barry and William R. Cook, and each of them, proxies of the undersigned, to attend the Annual Meeting of Shareholders of Quaker Chemical Corporation, a Pennsylvania corporation (the "Company"), to be held at the Company's headquarters located at One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania, on May 6, 2015 at 8:30 A.M., local time, and any adjournment thereof, and with all powers the undersigned would possess if present, to vote.

The undersigned hereby also acknowledges receipt of the Notice of Annual Meeting of Shareholders, the Proxy Statement with respect to said Meeting, the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and the Letter to Shareholders.

**This proxy, when properly executed, will be voted in the manner directed by the Shareholder(s). If no such directions are made, this proxy will be voted For the election of the nominees listed in Proposal 1 for the Board of Directors and For Proposal 2.**

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**

**Table of Contents**

*QUAKER CHEMICAL CORPORATION*

*ATTN: D. JEFFRY BENOLIEL*

*ONE QUAKER PARK*

*901 E. HECTOR STREET*

*CONSHOHOCKEN, PA 19428*

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M82965-TBD

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**QUAKER CHEMICAL CORPORATION**

**The Board of Directors recommends you  
vote FOR the following:**

**For All    Withhold All    For All Except**

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

**Vote on Directors**

.. ..

1. Election of Directors

**Nominees:**

- 01) Donald R. Caldwell
- 02) William R. Cook
- 03) Jeffrey D. Frisby

**Vote on Proposal**

**The Board of Directors recommends you vote FOR the following proposal:**

**For Against Abstain**

- 2. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2015.

.. ..

**NOTE:** In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the meeting or any adjournment thereof.

For address changes and/or comments, please check this box ..  
and write them on the back where indicated.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOD] ..

Signature (Joint Owners)

Date

**Table of Contents**

March 27, 2015

Dear Quaker Shareholder:

If you are a registered shareholder of Quaker Common Stock, your enclosed proxy card shows the number of votes you are entitled to cast not the number of shares that you own. If you are a beneficial holder (own your shares through a broker, bank or nominee), your voting instruction card shows the number of shares that you own.

In accordance with the Company's Articles of Incorporation, holders of Common Stock are entitled to 10 votes per share for each share of Common Stock which they have owned for at least 36 consecutive months (or three years). Shares which have been owned for less than three years entitle the holder to one vote per share.

There are some exceptions to the above ownership requirements and those exceptions are listed in Appendix A Shareholder Voting Administrative Procedures to the enclosed Proxy Statement.

Since Quaker has no means of tracking ownership of shares held in street or nominee name, we presume that any shares owned through broker, bank or nominee have been held for less than three years and, therefore, are entitled to one vote per share.

Registered shareholders should review the number of votes that are listed on the proxy card. For all shares purchased by you before March 1, 2012 (36 months before the record date), you are entitled to 10 votes per share. For all shares purchased by you after March 1, 2012, you are entitled to one vote per share.

Any shareholder may seek change by following the instructions outlined in Appendix A to the enclosed Proxy Statement. If you have any questions, please contact Irene M. Kisleiko, Assistant Corporate Secretary, at 610-832-4119.

Thank you.

**Quaker Chemical Corporation**  
One Quaker Park  
901 E. Hector Street  
Conshohocken, PA 19428-2380

P: 610.832.4000  
F: 610.832.8682  
**quakerchem.com**