

# **ARMSTRONG WORLD INDUSTRIES, INC.**

## **MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE**

### **CHARTER**

#### **I. Purpose**

1. The Management Development and Compensation Committee (“Committee”) oversees the Company’s compensation and benefit programs, and certain Company policies relating to employment practices.
2. The Committee establishes the Company’s overall philosophy and policies governing these programs, including those pertaining to management salaries, incentive compensation, benefits and perquisites, and issues an annual report on executive compensation for inclusion in the Company’s proxy statement, in accordance with applicable rules and regulations.
3. The Committee appoints and monitors outside advisors on compensation and benefit matters and any other service providers to the Committee.
4. Each of the Board of Directors (“Board”) and the Committee reviews the performance of senior management and plans relating to senior management succession. The Board annually reviews the performance of and succession planning for the Chief Executive Officer (“CEO”).

#### **II. Authority**

The Committee receives its authority and its assignments from the Board, except in matters where its authority is derived by law or rules of the principal stock exchange(s) where the securities of the Company are listed (the “Exchange”). The Committee’s advisors are directly accountable to the Committee. The Committee has direct access to management and support staff in the Company. The Committee has the ability to contractually bind the Company, commit the Company to pay for services, expenses, or other costs, and retain, at the Company’s expense, special legal, consulting and other experts, all as it deems necessary in the performance of its duties. The Company will provide appropriate funding, as determined by the Committee, for its expenses and for payment of reasonable compensation to advisors retained by the Committee.

#### **III. Composition**

1. The Committee shall be comprised of at least three directors, all of whom shall be independent as such term is determined in accordance with

Exchange listing standards and the Bylaws of the Company, and all members shall possess qualifications which meet all applicable eligibility requirements as may be set by law (including applicable requirements of the Internal Revenue Code and federal securities laws), the Articles of Incorporation and Bylaws of the Company, Exchange listing standards or requirements and the Board from time to time.

2. Committee members and the Committee Chair shall be recommended by the Nominating and Governance Committee and appointed by the Board. A member of the Committee may be removed by majority vote of the Board. The terms of Committee members shall be arranged to maintain continuity to the extent practicable.

#### **IV. Meetings**

1. The Committee shall meet at least four (4) times per year, on a schedule adopted by the Committee, and as many additional times as the Committee deems necessary. The Chairman of the Board, the Committee Chair or any two other members of the Committee may call a special meeting of the Committee in the manner prescribed by the Bylaws of the Company for a special meeting of the Board. The Committee Chair may request members of management and other persons to be present at meetings. The Committee shall meet in executive session and privately with management to discuss any matters that the Committee believes should be discussed in such manner.
2. The Chairman of the Board and other directors shall receive notice of Committee meetings and may attend, but will have no vote in its actions. The Committee shall solicit the views of the Chairman of the Board if deemed appropriate by the Committee.
3. The votes of any member who is subsequently determined to have been erroneously considered qualified for service (as described in Section III.1 hereof) shall be ignored in considering the validity of any action taken by the Committee.
4. The Committee may request any director and any member of management to advise or assist in aspects of the Committee's business, provided the same is consistent with applicable legal requirements. The Committee may designate sub-committees comprised of one or more of its members. The Committee may delegate to one or more of its members, to one or more officers or members of management, or to one or more agents such

administrative duties as it deems advisable, consistent with the Company's Bylaws, Exchange listing standards and applicable law.

## **V. Minutes**

Minutes of meetings are to be prepared at the direction of the Committee Chair and sent to Committee members and all other directors. Copies are to be provided to the CEO, the Senior Vice President - Human Resources, the Chief Financial Officer, and the General Counsel.

## **VI. Scope of Responsibilities and Duties**

### **A. Charter Review**

Review and assess the adequacy of this charter each year. Submit the charter to the Board for approval and publish the document as required by law or Exchange rules.

### **B. Salaried Compensation and Employee Benefits**

1. Establish the Company's overall philosophy and policies regarding the compensation of salaried employees and the employee benefit programs for hourly and salaried employees.
2. Periodically review the charter and appoint the members of any sub-committee established by the Committee in accordance with Section IV.4 hereof.
3. Periodically review the charter and appoint the members of the Company's Retirement Committee, which is comprised of members of management.
4. Review and adopt, or recommend to the Board for adoption as appropriate, changes to the design of the Company's pension, savings and severance pay plans as recommended by management, the Retirement Committee or any sub-committee established by the Committee to oversee a benefit plan, recognizing that the Finance Committee will oversee and, as required, recommend to the Board any funding obligations and funding strategies related to the Company sponsored employee retirement and benefit plans.
5. Review and approve changes to the design of the Company's Salaried Employees' Bonus Plan.
6. Review the Company's overall annual merit increase plan for salaried employees.

### C. Executive Compensation and Benefits

1. Establish the Company's overall philosophy and policies regarding the compensation and benefit programs pertaining to managers in grades 14 and higher. This includes: base salaries, annual incentive compensation, long-term incentive compensation, executive benefits and perquisites.
2. Approve and secure Board ratification pertaining to all plans and arrangements involving compensation of the CEO, including cash and equity awards. Such plans shall include base salary, annual incentive compensation, long-term incentive compensation, benefits and perquisites. The Committee Chair will subsequently review such compensation arrangements with the CEO.
3. Approve all employment and compensation actions pertaining to executive officers who report directly to the CEO including base salary, annual incentive compensation, long-term incentive compensation, benefits and perquisites.
4. Review and adopt, or recommend to the Board for adoption as appropriate, changes to the Company's Annual Incentive Plan and long-term incentive compensation plans.
5. Approve and administer awards under the Company's long-term incentive plans, with authority to delegate the approval of off-cycle grants to new employees who are not executive officers to the Committee Chair.
6. Approve the specific performance goals and objectives related to annual and long-term incentive compensation awards. Following the conclusion of the performance period, the Committee will determine whether (or, if applicable, to what degree) the performance goals and any other material terms were satisfied as required under Section 162(m) of the Internal Revenue Code of 1986, as amended.
7. Approve the aggregate payment amounts that may be paid annually under the Annual Incentive Plan.
8. Approve executive benefit and perquisite programs including deferred compensation, long-term disability insurance, executive physicals and personal financial planning reimbursement.
9. Review with management, on an annual basis, the Company's compensation policies and practices to assess whether such policies

and practices, including incentive compensation, create risks and/or foster inappropriate risk-taking behaviors that are reasonably likely to have a material adverse effect on the Company.

10. Exercise sole authority and discretion to retain or obtain the advice of and discharge any compensation consultant, independent legal advisor to the Committee or other advisor to the Committee (each a "Compensation Advisor"). The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any Compensation Advisor retained by the Committee. Prior to selecting any such Compensation Advisor (other than in-house or Company legal counsel), the Committee will consider the following factors regarding that prospective Compensation Advisor's independence: (i) the provision of other services to the Company by the person that employs the Compensation Advisor, (ii) the amount of any fees received from the Company by the person that employs the Compensation Advisor, as a percentage of the total revenue of the person that employs the Compensation Advisor, (iii) the policies and procedures of the person that employs the Compensation Advisor that are designed to prevent conflicts of interest, (iv) any business or personal relationships of the Compensation Advisor with a member of the Committee, (v) any stock of the Company owned by the Compensation Advisor (i.e., shares of Company stock owned by the individuals providing services to the Committee and their immediate family members), (vi) any business or personal relationships of the Compensation Advisor or the person employing the Compensation Advisor with an executive officer of the Company, and (vii) any other factor(s) that the Exchange listing standards indicate should be considered by the Committee in reviewing the independence of prospective Compensation Advisors. Compensation Advisors need not be independent, as determined based on the foregoing evaluation. The Committee shall exercise its own judgment in the fulfillment of its duties under this Charter, and the Committee shall not be required to implement, or act consistently with, any particular advice or recommendations of any Compensation Advisor.
11. Review and approve matters pertaining to employment, severance and change-in-control agreements between the Company and its executives, except with respect the CEO, which matters shall be subject to Board approval.
12. Review and discuss with management the Company's annual proxy statement, including the Compensation Discussion and Analysis,

compensation tables and any non-binding shareholder votes with respect to compensation, and recommend to the Board the inclusion of the Compensation Discussion and Analysis in the annual proxy statement.

13. Issue an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.

#### D. Review of Senior Management Performance

1. Each of the Board and the Committee reviews the performance of senior management and plans relating to senior management succession. The Board annually reviews the performance of and succession planning for the CEO, and may solicit assistance and recommendations from the Committee with respect thereto.

#### E. Other Committee Responsibilities

1. Periodically review the Company's Equal Employment Opportunity policy and recommend appropriate improvements. Review information from management regarding the Company's compliance with applicable employment laws, regulations and executive orders.
2. Periodically review the Company's labor relations strategy and other initiatives to increase human resources excellence in the organization.
3. Review and discuss executive compensation legislation and the impact on the Company's compensation policies and practices.
4. Report to the Board at its next meeting on all material details of compensation and benefit matters affecting the CEO or any executive officer who reports directly to the CEO, whether or not Board ratification is required.
5. Report to the Board at its next meeting on significant Committee activities.
6. Perform any other activities consistent with this charter, the Company's Bylaws, Exchange listing standards and applicable law, as the Committee or the Board deems necessary or appropriate.

7. Annually evaluate the Committee's performance of its responsibilities.
8. Periodically review the Company's stock ownership guidelines applicable to executive officers.
9. Periodically review and, as applicable, administer or provide recommendations to the Board regarding the administration of the Company's "clawback" policy with respect to compensation of executive officers.
10. Periodically review materials or receive education on Committee-related developments and best practices.