STEPAN CO
Form DEF 14A
March 26, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x 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))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under Rule 14a-12

STEPAN COMPANY
(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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

STEPAN COMPANY

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on April 28, 2015

at 9:00 a.m. (CDT)

To the Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders of STEPAN COMPANY (the "Company") will be held at the Company's Administrative and Research Center at Edens Expressway and Winnetka Road, Northfield, Illinois, on Tuesday, April 28, 2015, at 9:00 a.m. (CDT), for the following purposes:

1. To elect two Directors to the Board of Directors each for a three-year term.
2. To approve the adoption of the Stepan Company Management Incentive Plan (As Amended and Restated Effective January 1, 2015).
3. To approve an advisory resolution on the compensation of the Company's named executive officers.
4. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2015.
5. To transact such other business as may properly come before the meeting.

The Board of Directors has designated the close of business on February 27, 2015, as the record date for determining holders of the Company's Common Stock entitled to notice of and to vote at the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on April 28, 2015.

The Proxy Statement and Annual Report to Stockholders, including Form 10-K for fiscal year 2014, are available at http://www.edocumentview.com/SCL.

Directions to the Annual Meeting of Stockholders are available at http://www.stepan.com, under "Investor Relations – Annual Meeting" for those stockholders who plan to attend the Annual Meeting.

By order of the Board of Directors,

KATHLEEN O. SHERLOCK

Assistant Secretary

Northfield, Illinois

March 26, 2015

The Board of Directors extends a cordial invitation to all stockholders to attend the Annual Meeting. Whether or not you plan to attend the meeting, please mark, sign and mail the enclosed proxy card in the return envelope provided as promptly as possible.

As a reminder, brokers may not vote your shares for non-routine matters such as the election of directors, the approval to adopt a Company incentive plan, or the advisory vote on the compensation of the Company's named executive officers ("Say-on-Pay" vote) in the absence of your specific instructions as to how to vote. Therefore, we urge you to provide your broker with voting instructions by returning your proxy card so your vote for all proposals can be counted.

March 26, 2015

PROXY STATEMENT

For the Annual Meeting of Stockholders of

STEPAN COMPANY

Edens Expressway and Winnetka Road

Northfield, Illinois 60093

To be held at 9:00 a.m. (CDT) on April 28, 2015

INFORMATION CONCERNING SOLICITATION AND VOTING

The enclosed proxy is solicited by the Board of Directors, and the Company will bear the entire expense of solicitation. Such solicitation is being made by mail, and the Company's officers and employees may solicit proxies from stockholders personally or by telephone, mail or other means. The Company will make arrangements with the brokers, custodians, nominees and other fiduciaries who request the forwarding of solicitation material to the beneficial owners of shares of the Company's stock held of record by such brokers, custodians, nominees and other fiduciaries, and the Company will reimburse them for their reasonable out-of-pocket expenses.

At the close of business on February 27, 2015, the record date for the meeting, there were 22,273,848 shares of the Company's Common Stock ("Common Stock") outstanding, each share of which is entitled to one vote on each matter to be voted on at the meeting.

This proxy statement and proxy are first being distributed to stockholders commencing on or about March 26, 2015.

You may either vote "FOR" or "WITHHOLD" authority to vote for each of the nominees for the Board of Directors. You may vote "FOR," "AGAINST" or "ABSTAIN" on the other proposals.

In connection with any other business that may properly come before the meeting, of which the Board of Directors is not currently aware, votes will be cast pursuant to the authority granted by the enclosed proxy in accordance with the best judgment of the individuals acting under the proxy.

If you submit your proxy but abstain from voting or withhold authority to vote on one or more matters, your shares will be counted as present at the meeting for the purposes of determining a quorum. Your shares also will be counted as present at the meeting for the purpose of calculating the vote on the particular matter with respect to which you abstained from voting or withheld authority to vote. Any proxy given pursuant to this solicitation may be revoked by the stockholder at any time prior to the voting of the proxy.

Except for the election of directors, if you abstain from voting on a proposal, your abstention has the same effect as a vote against that proposal.

If you hold your shares in street name and do not provide voting instructions to your broker, custodian, nominee or other fiduciary, your shares with respect to such matters will not be voted on any non-routine matters and will be considered "broker non-votes." Non-routine matters include the election of directors, the approval to adopt a Company incentive plan, and the Say-on-Pay vote. Your broker may vote your shares without instruction on the ratification of auditors. Broker non-votes will be counted as present at the meeting for the purpose of determining a quorum. Please instruct your broker or bank so your vote can be counted on all proposals.

The required quorum at the Annual Meeting is a majority of the outstanding shares of the Company’s voting stock as of the record date. In order to ensure the necessary quorum at the Annual Meeting, please mark, sign and return the enclosed proxy promptly in the envelope provided. No postage is required if mailed in the United States. Even if you sign and return your proxy, you are invited to attend the meeting.

The Company has adopted a procedure called "householding," which the Securities and Exchange Commission ("SEC") has approved. Under this procedure, the Company expects to deliver a single copy of the proxy materials to multiple stockholders who share the same address unless the Company has received contrary instructions from one or more of the stockholders. This procedure reduces the Company's printing and mailing costs and the environmental impact of the Company's annual meetings. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or verbal request, the Company will deliver promptly a separate copy of the proxy materials to any stockholder at a shared address to which the Company delivered a single copy of these documents. To receive a separate copy of the proxy materials, stockholders may write or call the Company at the following contact: Stepan Company, Secretary's Office, Edens Expressway and Winnetka Road, Northfield, Illinois 60093; Telephone: (847) 446-7500. Stockholders receiving multiple copies of the proxy materials despite sharing an address may request delivery of a single copy of future proxy materials by contacting their broker, if the shares are held in a brokerage account, or the Company at the foregoing address, if registered shares are held.

ELECTION OF DIRECTORS

Stockholders and the persons named in the enclosed proxy will vote, pursuant to the authority granted by the stockholder in the enclosed proxy, on the election of Messrs. Randall S. Dearth and Gregory E. Lawton as Directors of the Company to hold office until the Annual Meeting of Stockholders to be held in the year 2018.

In the event any one or more of such nominees is unable to serve as Director, votes will be cast, pursuant to the authority granted in the enclosed proxy, for such person or persons as may be designated by the Board of Directors. The Board of Directors at this time is not aware of any nominee who is or will be unable to serve as Director, if elected.

Under the Company's Restated Certificate of Incorporation and By-laws, Directors are elected by a plurality of the voting power of the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote. The outcome of the election will not be affected by holders of shares of Common Stock that withhold authority to vote in the election of Directors.

The Board of Directors is divided into three classes serving staggered three-year terms. Directors for each class are elected at the Annual Meeting of Stockholders in the year in which the term for their class expires.

Nominees for Director

The following table sets forth certain information about the nominees for Director:

Name of Nominee	Principal Occupation, Business Experience and Other Directorships During the Past Five Years, and Age	Year of First Selection as Director	Number and Percent of Shares of Common Stock Beneficially Owned (1)	
Randall S. Dearth	Chairman, President and Chief Executive Officer of Calgon Carbon Corporation, a global manufacturer of activated carbon and innovative treatment systems, since May 2014. President and Chief Executive Officer of Calgon Carbon Corporation from 2012 to May 2014. President and Chief Executive Officer of LANXESS Corporation, a global chemicals manufacturer, from 2004 to 2012. Director of Calgon Carbon Corporation. Age – 51	2012	5,019(2)	*
Gregory E. Lawton	Consultant. President and Chief Executive Officer of JohnsonDiversey, Inc., a manufacturer of cleaning products, from October 2000 to February 2006. From January 1999 to September 2000, President and Chief Operating Officer of Johnson Wax Professional. President of NuTone, Inc., a subsidiary of Williams plc based in Cincinnati, Ohio from 1994 to 1998. From 1989 to 1994, served with Procter & Gamble as Vice President and General Manager of several consumer product groups. Director of General Cable and American Trim. Age – 64	2006	20,757(3)	*

* Less than one percent of outstanding shares of Common Stock.

(1) Represents number of shares of Common Stock beneficially owned as of February 27, 2015. Number of shares for each Director includes (a) shares of Common Stock owned by the spouse of the Director and shares held by the Director or his spouse as trustee or custodian for the benefit of children and family members for which the Director or his spouse as trustee or custodian has voting or investment power, and (b) shares pledged as security by the Director or the Director's family members.

(2) Includes 1,175 shares credited to the Director's account pursuant to the Stepan Company Directors Deferred Compensation Plan Amended and Restated as of January 1, 2012.

(3) Includes 5,337 shares credited to the Director's account pursuant to the Company's incentive compensation plans.

PROPOSAL: The Board of Directors recommends that the stockholders vote FOR the election of Messrs. Randall S. Dearth and Gregory E. Lawton to the Board of Directors each for a three-year term.

Directors Whose Terms Continue

The following table sets forth certain information about those Directors who are not up for election as their respective term of office does not expire this year:

Name of Director	Principal Occupation, Business Experience and Other Directorships During the Past Five Years, and Age	Year of First Selection as Director	Term Expires	Number and Percent of Shares of Common Stock Beneficially Owned(1)	
Michael R. Boyce	Chairman and Chief Executive Officer of PQ Corporation, a global specialty chemical and catalyst company, since 2005. Chairman and Chief Executive Officer of Peak Investments, an operating and acquisition company, since 1998. Executive Chairman of Eco Services Operations LLC, an environmental and recycling company, since December 2014. From 1990 to 1998, President and Chief Operating Officer of Harris Chemical Group, Inc. Director of PQ Corporation, AAR Corp and Eco Services Operations LLC. Age – 67	2010	2016	8,760(2)	*
Joaquin Delgado	Executive Vice President, Health Care Business Group of 3M Company, a global diversified technology company, since 2012. Executive Vice President, Electro and Communications Business of 3M Company, from 2009 to 2012. Vice President and General Manager, Electronic Markets Materials Division of 3M Company, from 2007 to 2009. Vice President, Research and Development and New Business Ventures, Consumer and Office Business of 3M Company, from 2005 to 2007. President of 3M Korea Ltd. from 2003 to 2005. Age – 55	2011	2017	4,688	*
F. Quinn Stepan	Chairman of the Company since November 1984. Chief Executive Officer of the Company from	1967	2016	1,614,005(3)	7.2%

	November 1984 to December 2005. Director of Fermi Research Alliance, LLC, a joint partnership of the University of Chicago and the Universities Research Association, since January 2015. Age – 77				
F. Quinn Stepan, Jr.	President and Chief Executive Officer of the Company since January 2006. President and Chief Operating Officer of the Company from February 1999 to December 2005. Director of Follett Corporation from February 2005 to July 2011. Age – 54	1999	2017	1,334,714(4)(5)	6.0%
Edward J. Wehmer	President, Chief Executive Officer and founder of Wintrust Financial Corporation, a financial services company, since May 1998. Prior to May 1998, President and Chief Operating Officer of Wintrust Financial Corporation since its formation in 1996. Director of Wintrust Financial Corporation. Involved in several charitable and professional organizations. Age – 60	2003	2016	19,779(6)	*

* Less than one percent of outstanding shares of Common Stock.

(1) See Note (1) to table under Nominees for Director.
(2) Includes (a) 872 shares that the Director has the right to acquire within 60 days through the exercise of stock options granted pursuant to the Company's incentive compensation plans, and (b) 700 shares credited to the Director's account pursuant to the Company's incentive compensation plans.
(3) See Note (2) to table under Security Ownership – Security Ownership of Certain Beneficial Owners.

(4) Includes 498,941 shares held by the Company's qualified plans and deemed beneficially owned by the Plan Committee, of which Scott D. Beamer, Gregory Servatius and F. Quinn Stepan, Jr. are members and employees of the Company. The Plan Committee selects the investment manager of the Stepan Company Trust for Qualified Plans under the terms of a Trust Agreement effective December 1, 2011, with Bank of America, N.A. ("Bank of America"). Bank of America expressly disclaims any beneficial ownership in the securities of this plan.

(5) Includes (a) 192,012 shares that F. Quinn Stepan, Jr. has the right to acquire within 60 days through the exercise of stock options granted pursuant to the Company's incentive compensation plans, (b) 10,296 shares of Common Stock allocated to F. Quinn Stepan, Jr. under the Employee Stock Ownership Plan II ("ESOP II"), and (c) 95,081 shares credited to F. Quinn Stepan, Jr.'s stock account under the Management Incentive Plan (As Amended and Restated Effective January 1, 2010), (the "Management Incentive Plan"). Amounts credited to an employee's stock account will be paid to the employee at the time of separation of service from the Company as the employee has elected under the provisions of the Management Incentive Plan.

(6) Includes 7,979 shares credited to the Director's account pursuant to the Company's incentive compensation plans.

Family Relationships

F. Quinn Stepan, Jr. is the son of F. Quinn Stepan.

SECURITY OWNERSHIP

Security Ownership of Certain Beneficial Owners

As of February 27, 2015, the following persons were the only persons known to the Company to beneficially own more than five percent of the Company's Common Stock:

Name and Address	Number of Shares of Common Stock Beneficially Owned	Percentage of Outstanding Shares of Common Stock
BlackRock, Inc. (1)	1,656,828	7.4%
F. Quinn Stepan (2)	1,614,005	7.2%
The Vanguard Group, Inc. (3)	1,382,647	6.2%

(1) As reported in a Schedule 13G/A filed with the SEC on January 26, 2015, by BlackRock, Inc. ("BlackRock"), a parent holding company, 55 East 52nd Street, New York, New York, 10022. In the Schedule 13G/A, BlackRock reported that, as of December 31, 2014, it had sole voting power as to 1,598,603 shares and sole dispositive power as to 1,656,828 shares.

(2) Represents number of shares beneficially owned as of February 27, 2015, and includes (a) 49,865 shares of Common Stock allocated to Mr. Stepan under ESOP II, (b) 413,749 shares of Common Stock credited to Mr. Stepan's stock account under the Management Incentive Plan, (c) 244,338 shares of Common Stock pledged as security for two bank loan agreements, and (d) 530,542 shares of Common Stock held by Stepan Venture II, a family-owned limited partnership for which Mr. Stepan is the managing member of the sole general partner, of which 507,408 shares of Common Stock are pledged as security for two bank loan agreements. The address for Mr. Stepan is c/o Stepan Company, Edens Expressway and Winnetka Road, Northfield, Illinois 60093.

(3) As reported in a Schedule 13G/A filed with the SEC on February 11, 2015, by The Vanguard Group, Inc. ("Vanguard"), an investment adviser, 100 Vanguard Boulevard, Malvern, Pennsylvania, 19355. In the Schedule 13G/A, Vanguard reported that, as of December 31, 2014, it had sole voting power as to 24,215 shares, sole dispositive power as to 1,359,932 shares, and shared dispositive power as to 22,715 shares.

Security Ownership of Management

The following table sets forth, as of the close of business on February 27, 2015, the security ownership of each Executive Officer listed in the Summary Compensation Table in this proxy statement, each Director and nominee for Director, and all Directors and Executive Officers as a group:

Name	Number and Percent of Shares of Common Stock Beneficially Owned (1)		
Scott D. Beamer	503,536	(2)	2.3%
Scott R. Behrens	16,970	(3)	*
Scott C. Mason	37,243	(4)	*
John V. Venegoni	27,359	(5)	*
F. Quinn Stepan	1,614,005	(6)	7.2%
F. Quinn Stepan, Jr.	1,334,714	(7)	6.0%
Michael R. Boyce	8,760	(8)	*
Randall S. Dearth	5,019	(9)	*
Joaquin Delgado	4,688		*
Gregory E. Lawton	20,757	(10)	*
Edward J. Wehmer	19,779	(11)	*
All Directors and Executive Officers (12)	3,261,841		14.6%

* Less than one percent of outstanding shares of Common Stock.

(1) Number of shares for each Director, nominee for Director, and Executive Officer (and all Directors and Executive Officers as a group) includes (a) shares of Common Stock owned by the spouse of each Director, nominee for Director, or Executive Officer, and shares held by each Director, nominee for Director, or Executive Officer, or such person’s spouse as trustee or custodian for the benefit of children and family members if such trustee or custodian has voting or investment power, (b) shares of Common Stock that may be acquired within 60 days through the exercise of stock options granted pursuant to the Company’s incentive compensation plans, and (c) shares pledged as security by such Director, nominee for Director, or Executive Officer, or such person’s family members.

(2) Includes (a) 163 shares of Common Stock allocated to Scott D. Beamer under ESOP II, and (b) 498,941 shares in the Company’s qualified plans and deemed beneficially owned by the Plan Committee, of which Scott D. Beamer, Gregory Servatius and F. Quinn Stepan, Jr. are members and employees of the Company. The Plan Committee selects the investment manager of the Stepan Company Trust for Qualified Plans under the terms of a Trust Agreement effective December 1, 2011, with Bank of America. Bank of America expressly disclaims any beneficial ownership in the securities of this plan.

(3) Includes (a) 2,986 shares of Common Stock allocated to Scott R. Behrens under ESOP II, (b) 2,075 shares that Scott R. Behrens has the right to acquire within 60 days through the exercise of stock options granted pursuant to the Company’s incentive compensation plans, and (c) 8,432 shares credited to Scott R. Behrens’s stock account under the Management Incentive Plan.

(4) Includes (a) 719 shares of Common Stock allocated to Scott C. Mason under ESOP II, and (b) 20,622 shares that Scott C. Mason has the right to acquire within 60 days through the exercise of stock options granted pursuant to the Company’s incentive compensation plans.

(5) Includes (a) 121 shares of Common Stock allocated to John V. Venegoni under ESOP II, and (b) 27,238 shares credited to John V. Venegoni’s stock account under the Management Incentive Plan.

(6) See Note (3) to table under Directors Whose Terms Continue.

(7) See Notes (4) and (5) to table under Directors Whose Terms Continue.

(8) See Note (2) to table under Directors Whose Terms Continue.

(9) See Note (2) to table under Nominees for Director.

(10) See Note (3) to table under Nominees for Director.

(11) See Note (6) to table under Directors Whose Terms Continue.

(12) As of February 27, 2015, Company-employed Directors and Executive Officers as a group had the right to acquire 272,676 shares of Common Stock under stock options exercisable within 60 days, 82,880 shares of Common Stock allocated to them under ESOP II, and 550,962 shares of Common Stock credited to their stock accounts under the Management Incentive Plan.

Equity Compensation Plan Information

The following table provides information as of December 31, 2014, about the Company’s securities that may be issued under the Company’s existing equity compensation plans, all of which have been approved by the stockholders:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	480,736	$34.35	2,246,178(1)
Equity compensation plans not approved by security holders	—	—	—
Total	480,736	$34.35	2,246,178

(1) Under the Company’s existing equity compensation plans, shares may be issued in the form of performance stock awards as awarded by the Compensation and Development Committee of the Board of Directors.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 and the rules thereunder require the Company’s Executive Officers and Directors, and persons who own more than 10 percent of the Common Stock, to file reports of beneficial ownership and changes in beneficial ownership of Common Stock with the SEC. Based solely upon a review of such reports filed with the SEC and written representations from certain reporting persons, the Company believes that all such required reports have been timely filed.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Policies and Procedures for Approving Related Person Transactions

The Company adopted a written policy entitled "Stepan Company Related Party Transactions Policy and Procedures" which was initially approved by the Audit Committee of the Board of Directors in February 2007, and has been annually reviewed by the Audit Committee at each subsequent February meeting and last amended in February 2014 ("Related Party Transactions Policy"). This policy applies to transactions ("Related Party Transactions") involving the Company and a Related Party, which is defined as a person or entity who is a Company executive officer, Director, or nominee for election as a Director, or a beneficial owner of 5% or more of the Company's stock, or an immediate family member of these persons. The Related Party Transactions Policy states that the Company will enter into or ratify Related Party Transactions only when the Board of Directors, acting through the Audit Committee or as otherwise set forth in the Related Party Transactions Policy, approves the Related Party Transaction after determining that it is in, or is not inconsistent with, the best interests of the Company and its stockholders. The Audit Committee will review the material facts of all Related Party Transactions pursuant to the Related Party Transactions Policy, as discussed below, in order to make such determination and to decide whether to approve or disapprove such Related Party Transaction. No Director may participate in any discussion involving the approval of a Related Party Transaction for which he or she is a Related Party, except that the Director must provide any material information concerning the Related Party Transaction requested by the Audit Committee.

As set forth in the Related Party Transactions Policy, the Audit Committee has reviewed and approved certain types of Related Party Transactions and determined that the following types of Related Party Transactions will be generally deemed to be pre-approved under the terms of the Related Party Transactions Policy without further review by the Audit Committee: employment of executive officers; director compensation/reimbursement; transactions where all employees or stockholders receive proportional benefits; transactions with another company at which a Related Party's only relationship is as an employee (other than as an executive officer) or director of that company or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of $1 million or 2% of that company's total annual revenues; and certain Company contributions to charitable or non-profit organizations if the Related Party's only relationship is as an employee (other than as an executive officer) or a director or acting in a similar capacity at that organization, if the aggregate amount involved does not exceed the greater of $1 million or 2% of that organization's total annual receipts. In addition, the Board of Directors has delegated to the Audit Committee Chairman the authority to approve or ratify any Related Party Transaction with a Related Party in which the aggregate amount involved is expected to be less than $120,000. All other Related Party Transactions must be approved by the Audit Committee pursuant to the procedures discussed below.

At each calendar year's first regularly scheduled Audit Committee meeting, the Company's management submits for the Audit Committee's consideration any proposed Related Party Transaction during that calendar year, including the proposed aggregate value of such transaction, as applicable. After the first calendar year meeting, any additional proposed Related Party Transactions must be submitted to the Audit Committee for approval. If the Audit Committee determines that a proposed transaction exceeds $120,000 and is a Related Party Transaction that requires review and approval by the Audit Committee, the proposed Related Party Transaction and relevant factors are reviewed by the Audit Committee. Relevant factors considered by the Audit Committee in its evaluation of a Related Party Transaction include the Related Party's relationship to the Company and the Related Party's interest in the transaction; the material facts of the proposed Related Party Transaction, including the proposed aggregate value of the transaction; the benefits to the Company of the proposed Related Party Transaction; if applicable, the availability of other sources of comparable products or services; and an assessment of whether the terms of the proposed Related Party Transaction are comparable to the terms available to an unrelated third party or to employees generally, as applicable. For ongoing transactions, the Audit Committee takes into consideration the Company's contractual obligations under the transactions and, based on all available relevant facts and circumstances, determines if the

Related Party Transaction remains in the best interests of the Company and its stockholders. After review, the Audit Committee approves or disapproves such transactions and at each subsequently scheduled meeting, the Company updates the Audit Committee as to any material change to those transactions.

In the event the Company's Chief Executive Officer, Chief Financial Officer or General Counsel becomes aware of a Related Party Transaction that has not been previously approved or ratified pursuant to the Related Party Transactions Policy pursuant to the above procedures, if the transaction is pending, it is submitted to the Audit Committee promptly for its review based on the factors above. Based on its conclusions, the Audit Committee evaluates all options, including ratification, amendment or termination of the Related Party Transaction. If the transaction is ongoing or has been completed, the Audit Committee evaluates the transaction, taking into account the same factors described above, to determine if rescission of the transaction is appropriate and requests that the General Counsel evaluate the Company's controls and procedures to determine why the transaction was not submitted to the Audit Committee for prior approval pursuant to the Related Party Transactions Policy and whether any changes to these procedures are recommended.

Transactions with Related Persons, Promoters and Certain Control Persons

Mr. Richard Stepan (son of F. Quinn Stepan and brother of F. Quinn Stepan, Jr.) is a current Company employee at the Company's Northfield, Illinois offices. Mr. Richard Stepan is neither a Company officer nor a Director or nominee for Director. As an employee of the Company, Mr. Richard Stepan receives a base salary, short-term and long-term incentive compensation as appropriate for his position, and other regular and customary employee benefits generally available to all Company employees. With respect to fiscal 2014, Mr. Richard Stepan was paid a base salary of $156,195 and participated in other regular and customary employee benefit programs generally available to all Company employees. In addition, pursuant to the Stepan Company 2011 Incentive Compensation Plan, a $55,000 long-term incentive award of stock options, stock appreciation rights and performance shares was granted to Mr. Richard Stepan in February 2015. Pursuant to the Company's Related Party Transactions Policy, the Audit Committee has reviewed this transaction and has determined that it is in the best interests of the Company and its stockholders to permit the Company to continue to employ Mr. Richard Stepan. Accordingly, the Audit Committee has approved this transaction under the Related Party Transactions Policy pursuant to the procedures described above.

Mr. John V. Venegoni is a former executive officer of the Company who retired from the Company in September 2014. On September 5, 2014, Mr. Venegoni and the Company entered into a Consulting Agreement wherein Mr. Venegoni agreed to provide certain consulting services on special projects for the Company. The Consulting Agreement provides that Mr. Venegoni will be paid a base fee of $60,000 for the consulting services and an additional success fee of up to $60,000 if certain strategic objectives are achieved. Mr. Venegoni is also entitled to reimbursement of reasonable out-of-pocket expenses incurred by him in connection with providing the consulting services. The Company did not pay any fees to Mr. Venegoni during fiscal 2014. As of February 2015, the Company has paid Mr. Venegoni $70,000 for his consulting services. Pursuant to the Company's Related Party Transactions Policy, the Audit Committee has reviewed this transaction and has determined that it is in the best interests of the Company and its stockholders to permit the Company to continue to retain Mr. Venegoni as provided in the Consulting Agreement. Accordingly, the Audit Committee has approved this transaction under the Related Party Transactions Policy pursuant to the procedures described above.

Mr. Robert J. Wood is a former executive officer of the Company who retired from the Company in April 2014. Mr. Wood is a managing member of J6 Polymers, LLC which is a business wholly-owned and operated by members of Mr. Wood's immediate family. On January 20, 2015, the Company completed the sale of certain assets of its specialty polyurethane systems business to J6 Polymers, LLC for approximately $3.2 million. The sale to J6 Polymers, LLC was for cash and included inventory as well as customer and supplier lists, formulations, manufacturing procedures and all other intellectual property associated with the manufacturing and selling of the products sold. Prior to the sale, these products were produced by the Company and third-party toll manufacturers on the Company's behalf. The products manufactured by the Company will continue to be produced for J6 Polymers, LLC during a transition period. Pursuant to the Company's Related Party Transactions Policy, the Audit Committee has reviewed this transaction and has determined that it is in the best interests of the Company and its stockholders to permit the Company to enter into this transaction with J6 Polymers, LLC. Accordingly, the Audit Committee has approved this transaction under the Related Party Transactions Policy pursuant to the procedures described above.

Corporate Governance Principles and Board Matters

Corporate Governance Guidelines and Code of Conduct

The Company is committed to having sound corporate governance principles and has adopted Corporate Governance Guidelines and a Code of Conduct to maintain those principles. The Company's Code of Conduct applies to all of the Company's officers, directors and employees, including the Company's Chief Executive Officer and Chief Financial Officer. The Company's Corporate Governance Guidelines and Code of Conduct are available at http://www.stepan.com, under "Investor Relations – Corporate Governance." Stockholders may also request a free printed copy of the Company's Corporate Governance Guidelines and Code of Conduct by contacting the Company's Secretary at Stepan Company, Secretary's Office, Edens Expressway and Winnetka Road, Northfield, Illinois 60093.

Board Committees

The Board of Directors has a standing Audit Committee, Compensation and Development Committee, and Nominating and Corporate Governance Committee. All three committees are composed entirely of independent directors in accordance with the rules of the New York Stock Exchange and as described below under "Director Independence."

Audit Committee

The Audit Committee held eight meetings in 2014. The responsibilities of the Audit Committee include annual selection and engagement of the Company's independent registered public accounting firm, meeting with the Company's independent registered public accounting firm before the year-end audit to review the proposed fees and scope of work of the audit, meeting with the Company's independent registered public accounting firm at the completion of the year-end audit to review the results of the audits of the Company's financial statements and internal control over financial reporting, meeting with the Company's independent registered public accounting firm prior to the Company's filing of each quarterly report on Form 10-Q and the annual report on Form 10-K, review of the independent registered public accounting firm's communication setting forth findings and suggestions regarding internal controls, financial policies and procedures and management's response to that communication, review of the internal audit program of the Company, review of unusual or significant financial transactions, review and approval or disapproval of Related Party Transactions pursuant to the Company's Related Party Transactions Policy, and preparation of an Audit Committee report as required by the SEC to be included in this proxy statement.

The members of the Audit Committee in 2014 were Messrs. Boyce, Dearth, Delgado, Lawton and Wehmer (Chairman), all of whom are independent directors in accordance with the rules of the New York Stock Exchange and the SEC and as described below under "Director Independence." The Board of Directors has determined that Mr. Wehmer is qualified as an Audit Committee financial expert within the meaning of SEC regulations. In addition, the Board of Directors has determined that Mr. Wehmer has accounting and related financial management expertise within the meaning of the rules of the New York Stock Exchange. None of the Audit Committee members serve on the audit committee of more than two public companies.

The report of the Audit Committee is included in this proxy statement. The charter of the Audit Committee is available at http://www.stepan.com, under "Investor Relations – Corporate Governance." Stockholders may also request a free printed copy of the charter by contacting the Company's Secretary at Stepan Company, Secretary's Office, Edens Expressway and Winnetka Road, Northfield, Illinois 60093.

Compensation and Development Committee

The Compensation and Development Committee held four meetings in 2014. The responsibilities of the Compensation and Development Committee include reviewing and, if appropriate, adjusting the salaries of the executive officers of the Company annually, approving all management incentive awards, approving proposed grants of stock awards, providing advice to the Company regarding executive development and succession planning, approving the Company's Compensation Discussion and Analysis, and preparing the Compensation and Development Committee Report as required by the SEC to be included in this proxy statement.

The members of the Compensation and Development Committee in 2014 were Messrs. Boyce, Dearth, Delgado, Lawton (Chairman) and Wehmer, all of whom are independent directors in accordance with the rules of the New York Stock Exchange and as described below under "Director Independence." Both the Compensation Discussion and Analysis and the Compensation and Development Committee Report are included in this proxy statement. The charter of the Compensation and Development Committee is available at http://www.stepan.com, under "Investor Relations – Corporate Governance." Stockholders may also request a free printed copy of the charter by contacting the Company's Secretary at Stepan Company, Secretary's Office, Edens Expressway and Winnetka Road, Northfield, Illinois 60093.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee held three meetings in 2014. The responsibilities of the Nominating and Corporate Governance Committee include assisting the Board of Directors by identifying individuals qualified to become board members and recommending to the Board of Directors the Director nominees for election to the Board of Directors, developing and recommending to the Board of Directors the guidelines for corporate governance applicable to the Company, leading the Board of Directors in its annual review of the Board of Directors' performance, and recommending the members for each Board committee.

The members of the Nominating and Corporate Governance Committee in 2014 were Messrs. Boyce (Chairman), Dearth, Delgado, Lawton and Wehmer, all of whom are independent directors in accordance with the rules of the New York Stock Exchange and as described below under "Director Independence." The charter of the Nominating and Corporate Governance Committee is available at http://www.stepan.com, under "Investor Relations – Corporate Governance." Stockholders may also request a free printed copy of the charter by contacting the Company's Secretary at Stepan Company, Secretary's Office, Edens Expressway and Winnetka Road, Northfield, Illinois 60093.

The Nominating and Corporate Governance Committee annually reports an assessment of the Board of Directors' performance to the Board of Directors. The Chairman of the Nominating and Corporate Governance Committee initially discusses the assessment with the Chairman, and if desired by any Director, the assessments are also discussed at Executive Sessions of the non-management Directors. This assessment evaluates the Board of Directors' contribution to the Company in its entirety and reviews areas in which the Board of Directors and/or management believe a stronger contribution could be made. The Nominating and Corporate Governance Committee is responsible for evaluating the performance of current members of the Board of Directors at the time they are considered for re-nomination to the Board of Directors.

Board Meetings and Attendance

During 2014, there were five regular meetings of the Board of Directors. During 2014, all of the Directors attended greater than 75 percent of the total number of meetings of the Board of Directors and the meetings of committees of the Board of Directors of which each Director was a member. While all Directors are encouraged to attend, the Company does not have a formal policy requiring attendance at the Company's Annual Meeting of Stockholders. All Directors attended the 2014 Annual Meeting of Stockholders and are currently expected to attend the 2015 Annual Meeting of Stockholders.

Director Nomination Process

It is the policy of the Nominating and Corporate Governance Committee to consider candidates recommended by stockholders for membership on the Board of Directors. In evaluating such recommendations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board of Directors to address the membership criteria. Any stockholder recommendations proposed for consideration by the Nominating and Corporate Governance Committee must comply with the requirements set forth in the Company's By-laws. Among other things, a stockholder must give written notice containing the information required by the Company's By-laws to the Secretary of the Company at Stepan Company, Secretary's Office, Edens Expressway and Winnetka Road, Northfield, Illinois 60093. The deadline to submit a director recommendation for the 2016 Annual Meeting of Stockholders is set forth in the "2016 Stockholder Proposals" section below. The Secretary delivers all correspondence to the Nominating and Corporate Governance Committee Chairman without first screening the correspondence.

The Corporate Governance Guidelines contain the Board of Directors' membership criteria that apply to nominees recommended by the Nominating and Corporate Governance Committee for a position on the Board of Directors.

Under these criteria, members of the Board of Directors should possess qualities that include strength of character, an inquiring and independent mind, practical wisdom and mature judgment. In addition to these qualities, Director nominees should also possess recognized achievement, an ability to contribute to some aspect of the Company's business, and the willingness to make the commitment of time and effort required of a Director. The Nominating and Corporate Governance Committee's process for identifying and evaluating Director nominees includes recommendations by stockholders, non-management Directors and executive officers, a review and background check of specific candidates, an assessment of the candidate's independence under the director independence standards described below, and interviews of Director candidates by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's evaluation of a nominee recommended by a stockholder would consider the general criteria and required information previously described in this section, and any other factors the Nominating and Corporate Governance Committee deems relevant.

Messrs. Dearth and Lawton are current Directors who were previously elected by the stockholders. The terms for Messrs. Dearth and Lawton expire in 2015. The nominations of Messrs. Dearth and Lawton to stand for election for a three-year term at the 2015 Annual Meeting of Stockholders have each been reviewed and approved by the Nominating and Corporate Governance Committee and the Board of Directors.

Board Diversity

The Board of Directors does not have a formal policy with respect to diversity. However, in identifying Director nominees, the Nominating and Corporate Governance Committee and the Board of Directors consider a broad definition of diversity, including but not limited to, diversity of professional experience, education and skills. For example, the Nominating and Corporate Governance Committee and the Board of Directors have considered operational experience, international experience, technical experience, financial experience, and experience related to the Company's current product lines and industries. If the Nominating and Corporate Governance Committee utilizes an outside search firm to identify Director nominees, it instructs the search firm to consider broadly-defined diversity in identifying potential nominees.

Director Independence

For purposes of determining director independence, the Company has adopted the following standards in compliance with the New York Stock Exchange director independence standards as currently in effect. No Director qualifies as "independent" unless the Board of Directors affirmatively determines that the Director has no material relationship with the Company or any of its subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company or any of its subsidiaries). In addition, a Director is not independent if:

The Director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company;

The Director, or an immediate family member, has received, during any 12-month period within the last three years, more than $120,000 in direct compensation from the Company, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(A) The Director is a current partner or employee of a firm that is the Company's internal auditor or independent registered public accounting firm; (B) the Director has an immediate family member who is a current partner of such a firm; (C) the Director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (D) the Director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time;

The Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee; or

The Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other company's consolidated gross revenues.

Under the New York Stock Exchange rules and the Company's Corporate Governance Guidelines, at least a majority of the Company's Directors and each member of the Audit Committee, Compensation and Development Committee, and Nominating and Corporate Governance Committee must meet the independence standards set forth above. The Board of Directors has determined that each of Messrs. Michael R. Boyce, Randall S. Dearth, Joaquin Delgado, Gregory E. Lawton and Edward J. Wehmer has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent under the standards set forth above. In addition, the Board of Directors has determined that each member of the Audit Committee and each member of the Compensation and Development Committee meets the additional independence standards and financial literacy requirements required for audit committee members and compensation committee members, as applicable, established by SEC rules and regulations and the New York Stock Exchange rules.

Mr. F. Quinn Stepan and Mr. F. Quinn Stepan, Jr. are not deemed independent under the rules of the New York Stock Exchange since Mr. F. Quinn Stepan has served as the Chairman of the Company since November 1984 and Mr. F. Quinn Stepan, Jr. has served as the President and Chief Executive Officer of the Company since January 2006.

Board Leadership Structure

The Board of Directors regularly reviews its leadership structure in light of the Company's then current needs, trends, internal assessments of Board effectiveness, and other factors. The Board of Directors does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. At this time, the Company separates the Chief Executive Officer and Chairman positions. The Company's Chief Executive Officer is responsible for the Company's day-to-day operations and strategic planning. In addition to chairing the Board of Directors, the Chairman provides strategic advice based on his extensive industry experience and knowledge of the Company's operations. The Board of Directors believes that it benefits from the Chairman's experience and expertise in the Company's industry and business, as well as the Chief Executive Officer's understanding of the Company's ongoing operations.

While the Board of Directors does not have a Lead Director, the independent directors regularly meet in Executive Sessions without the Chairman, the Chief Executive Officer or management present in accordance with the Company's Corporate Governance Guidelines.

Director Qualifications

All Directors and nominees for Director possess strong executive leadership experience based on their individual experience from their positions as executives of various corporations. Certain individual qualifications and skills of each Director and nominee for Director that were considered in determining that such individual should serve as a member of the Board of Directors are as follows:

Mr. F. Quinn Stepan: Mr. Stepan has served as Chairman of the Company since 1984. In his over 50-year career with the Company, Mr. Stepan has held numerous positions, including Chief Executive Officer. In addition, Mr. Stepan is a director of Fermi Research Alliance, LLC, a joint partnership of the University of Chicago and the Universities Research Association. Mr. Stepan's experience as the Company's former Chief Executive Officer provides the Board of Directors with extensive knowledge of the Company's history and its operations and strategy.
Mr. F. Quinn Stepan, Jr.: Mr. Stepan, Jr. serves as the President and Chief Executive Officer of the Company, a position he has held since 2006. In his 30-year career with the Company, Mr. Stepan, Jr. has served in a number of positions of increasing responsibility and in a variety of functions within the Company's operations. Mr. Stepan, Jr.'s day-to-day strategic leadership provides the Board of Directors with extensive knowledge of the Company's operations.
Mr. Michael R. Boyce: Mr. Boyce is the Chairman and Chief Executive Officer of PQ Corporation, a global specialty chemical and catalyst company. Mr. Boyce is also the Chairman and Chief Executive Officer of Peak Investments, an operating and acquisition company, and the Executive Chairman of Eco Services Operations LLC, an environmental and recycling company. Mr. Boyce also serves as a director for PQ Corporation, AAR Corp and Eco Services Operations LLC. Mr. Boyce provides the Board of Directors with global executive leadership in the chemical industry as well as expertise in strategic business matters.
Mr. Randall S. Dearth: Mr. Dearth is the Chairman, President and Chief Executive Officer of Calgon Carbon Corporation, a global manufacturer of activated carbon and innovative treatment systems. Mr. Dearth also serves as a director for Calgon Carbon. Prior to Calgon Carbon, Mr. Dearth served as the President and Chief Executive Officer of LANXESS Corporation, a global chemicals manufacturer. Mr. Dearth provides the Board of Directors with global executive leadership in the chemical industry and a global perspective on European leadership, strategy and business conditions.
Dr. Joaquin Delgado: Dr. Delgado is the Executive Vice President, Health Care Business Group of 3M Company, a global diversified technology company. Dr. Delgado has also held other executive leadership positions at 3M. Dr. Delgado provides the Board of Directors with expertise in innovation and current global business and operational experience.
Mr. Gregory E. Lawton: Mr. Lawton is the former President and Chief Executive Officer of JohnsonDiversey, a leading global provider of cleaning and hygiene solutions to the institutional and industrial marketplace. Mr. Lawton previously held various leadership roles at other companies and also serves as a director for General Cable and American Trim. Mr. Lawton provides the Board of Directors with global expertise and executive leadership from the consumer products industry, and extensive experience with employee development.
Mr. Edward J. Wehmer: Mr. Wehmer is the President and Chief Executive Officer of Wintrust Financial Corporation, a financial services company. Mr. Wehmer is also a Certified Public Accountant and serves as a director for Wintrust Financial Corporation. Mr. Wehmer provides the Board of Directors with expertise in strategic, financial, banking and accounting matters. Mr. Wehmer also has extensive experience with acquisitions.

Risk Management

The Board of Directors takes an active role in overseeing the Company's financial and non-financial risks. The Audit Committee, which is chaired by Mr. Wehmer, an Audit Committee financial expert, takes a lead role in overseeing Company risks. The Audit Committee receives reports from the Company's Director of Internal Audit, the Chief Financial Officer, and the General Counsel, all of whom are responsible for various aspects of the Company's risk management. The Director of Internal Audit reports directly to the Audit Committee. The Audit Committee meets with the Company's external auditors, separately from management.

The Compensation and Development Committee, which is chaired by Mr. Lawton, takes the lead role in overseeing the management of risks as they relate to the Company's compensation policies and practices. For 2014, the Compensation and

Development Committee reviewed these compensation policies and practices and did not identify any risks that are reasonably likely to have a material adverse effect on the Company.

Executive Sessions

Executive Sessions of non-management Directors are held at least two times per year. At least one of the Executive Sessions each year is limited to the Company's independent Directors. Executive Sessions are generally held by the independent Directors after every regular Board of Directors meeting and after most Board committee meetings. The Executive Sessions after all regular Board of Directors meetings are scheduled and chaired by the Chairman of the Nominating and Corporate Governance Committee. Any non-management Director can request that additional Executive Sessions be scheduled. In 2014, four Executive Sessions without management were held by the independent Directors and chaired by Mr. Boyce. In addition, Executive Sessions were also held after most Board committee meetings during 2014 and were chaired by the respective chairman of the Board committee.

Communication with the Board

A stockholder may communicate with the Board of Directors by writing c/o Secretary's Office, Stepan Company, Edens Expressway and Winnetka Road, Northfield, Illinois 60093. Mail addressed to a specific Director or Board committee will be delivered to that Director or Board committee. The Secretary delivers all correspondence without first screening the correspondence.

Compensation Committee Interlocks and Insider Participation

None.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Summary of Executive Compensation in 2014

In 2014, the Company and the Compensation and Development Committee of the Board of Directors (defined within this Compensation Discussion and Analysis section as the "Committee") applied the compensation policies and principles described in this Compensation Discussion and Analysis in determining compensation for the individuals named in the Summary Compensation Table. Those individuals are referred to herein as the named executive officers ("NEOs"). Specifically:

- Base salary was surveyed and determined to be consistent with similar positions in similar industries.
- Incentive pay was directly connected to Company and individual performance.
- All NEOs were in compliance with the Company's stock ownership requirements.
- In most cases, the types of compensation and benefits provided to the NEOs by the Company are the same as those provided to the Company's other executives. The limited amount of benefits and perquisites offered to the NEOs is common to many companies and was reasonable in both nature and amount. The Company believes it needed to offer the level of 2014 executive compensation, benefits and perquisites as part of its total reward components to attract, motivate and retain talented executives in a competitive staffing environment. After considering all components of the total compensation paid to the NEOs in 2014, the Committee has determined that the 2014 NEO compensation was competitive and reasonable.
- In 2014, for the fourth consecutive year, the Company's advisory Say-on-Pay vote was supported by the stockholders with the approval of approximately 90% of those stockholders present at the annual meeting of stockholders in person or by proxy. The Company and the Committee will continue to review and consider the results of the Say-on-Pay vote and value stockholder input on the Company's compensation program and philosophy.

Executive Compensation Best Practices the Company Follows

What We Do

- Pay for Performance – the targeted mix of all NEOs and executive officers is 60% of annual total compensation as variable and at risk each year based on Company and individual performance.
- Align all NEOs' and Executive Officers' Total Compensation Mix with Stockholders' Interests – the mix of 60% variable pay and 40% guaranteed pay (through the base salary component) and the mix of 20% short-term incentive target versus 40% long-term incentive target ensures that the Company executives' interests are aligned with the stockholders' interests.
- Require Significant Ownership of Company Stock by all NEOs and Executive Officers – the Company requires the Chairman and the Chief Executive Officer to own at least five times their respective base salary in Company stock and all other executive officers to own at least two times their respective base salary in Company stock which ensures a long-term view of Company performance as aligned with Company stockholders.
- Limit Incentive Awards – short-term incentive award payouts are limited to a maximum of 150% of annual base salary (200% beginning in 2015 if approved by the stockholders) for all NEOs and executive officers, and long-term performance share payouts are limited to a maximum of 200%; in both cases, with the maximum payout only achieved with very significant positive results.
- Limit Executive Perquisites – NEOs and executive officers are eligible for the same benefits as all other full-time employees of the Company, including health/dental/vision insurance, disability benefits, time-off benefits and retirement benefits. Other perquisites are primarily limited to a Company-leased vehicle provided to each NEO and executive officer, and opportunities to use two Company-owned properties for personal use.

Mitigate Risk in Executive Compensation – the Committee annually reviews and ensures that executive compensation plan design, policies and practices do not create excessive or undue risks which would have an adverse effect on the Company.

What We Don't Do

Grant stock options or stock appreciation rights with an exercise price less than the fair market value of the Company's Common Stock on the day of the grant.

Amend or reduce any grant price without stockholder approval.

Provide individual employment contracts or change-in-control agreements.
Pay any benefits to NEOs or executive officers upon a change-in-control.

Significant Executive Compensation Developments

The Company's significant executive compensation developments are as follows:

(1) No NEO or executive officer will receive a short-term annual incentive bonus based upon 2014 Corporate Financial Performance Results. 2014 Corporate Net Income did not reach the level of $60 million, which was the minimum required amount for annual bonuses to be paid to any executive officer, including all NEOs.

(2) For the first time, the Committee engaged an external executive compensation consultant, Exequity LLC ("Exequity"), in the third quarter of 2014. The role of this compensation consultant is described in the "Role of the Compensation Consultant" section below.

(3) The Company is requesting stockholder approval of the Management Incentive Plan (As Amended and Restated Effective January 1, 2015). It is a requirement under Section 162(m) of the Internal Revenue Code of 1986, as amended ("Code") to request stockholder approval of Company management incentive plans at least every five years in order to provide the Company with the ability to potentially preserve the tax deductibility of annual cash incentive awards paid to eligible executive officers. In addition, stockholder approval of this plan allows stockholders the opportunity to review the details of the plan and its design. This is necessary in order for stockholders to confirm that the plan is competitive and that it provides an appropriate award level for NEOs and executive officers based upon achievement of outstanding Company results which will benefit all stockholders.

(4) Some changes have been made to the short-term incentive/annual incentive bonus plan for NEOs and executive officers beginning in 2015. Return on Invested Capital ("ROIC") is being removed as a short-term Corporate financial performance objective since it is more aligned with measuring long-term results. Corporate Financial Performance Results will be measured by Corporate Net Income (with a 90% weighting) and Free Cash Flow (with a 10% weighting). This measurement places an appropriate weighting on Corporate Net Income as the primary driver of Company performance. In addition, subject to stockholder approval of the Stepan Company Management Incentive Plan (As Amended and Restated Effective January 1, 2015), NEOs and executive officers will now be eligible to receive 200% of their earned bonus amount for results based on calendar year 2015 if the Company exceeds the maximum Corporate Net Income goal.

(5) Changes have also been made to the long-term incentive plan beginning with the 2015 grants. Any grants of stock appreciation rights ("SARs") will be in the form of stock-settled SARs instead of cash-settled SARs. This change will potentially decrease the volatility of expense often associated with grants of cash-settled SARs. Performance share grants will continue to be measured over a three-year time period, however, awards will be linked to one-year Corporate Net Income targets that are adjusted, up or down, depending on ROIC results at the end of each three-year cycle. The Company believes these changes allow the primary focus to be on significant earnings growth while ensuring that key, long-term components of ROIC, such as exceeding the cost of capital, are also a priority.

(6) Two of the 2013 NEOs retired from the Company during 2014. Mr. Robert J. Wood, Vice President and General Manager - Polymers, retired in April 2014 and Mr. John V. Venegoni, Vice President and General Manager - Surfactants, retired in September 2014. Both of these NEOs were replaced by other long-tenured Company employees.

Compensation Philosophy

The basic premise of the Company's executive compensation philosophy is to pay for performance. The Company's intention is to foster a performance-driven culture with competitive total compensation as a key driver for all employees. Compensation levels commensurate with Company performance align the interests of our employees with the interests of our stockholders.

The Company's guiding philosophy in setting executive compensation is that the compensation of executive officers should reflect the scope of their job responsibilities and level of individual and corporate performance achieved. Executive compensation should be competitive internally, as well as externally, to like or comparable positions based on job descriptions and responsibilities at similarly sized companies within the Company's industries and other appropriate related industry benchmarks or survey information. The Company's compensation philosophy is reviewed at least annually by the Committee.

The effectiveness of the executive compensation program is primarily measured by Company performance, stock price appreciation, the ability of the Company to attract and retain executive officers, and comparison against other relevant, external benchmarks as needed.

The Committee generally does not consider the impact of previously awarded compensation in determining current executive total compensation. The Committee does, however, use both aggregate general industry survey data as well as a chemical industry peer group to benchmark executive compensation annually as described below under "Compensation Survey Data and Peer Group Data." Except for the limits regarding incentive compensation as described below, the Committee does not use specific policies to allocate between cash and non-cash compensation or between short-term and long-term compensation.

Compensation Objectives

The overall objectives of the Company's compensation programs are as follows:

- motivate employees to achieve and maintain a high level of performance, and drive results that will help the Company achieve its goals;
- align the interests of our employees with the interests of our stockholders;
- provide for levels of compensation that are competitive with the marketplace; and
- attract and retain employees of outstanding ability.

Role of the Compensation and Development Committee

The Committee is responsible for overseeing the establishment and administration of the Company's policies, programs and procedures for compensating the Company's executive management, as further described below. The Committee is also responsible for providing advice to the Company regarding executive development and succession planning. The Committee acts pursuant to a charter, which is available on the Company's website at http://www.stepan.com, under "Investor Relations – Corporate Governance."

Role of the Compensation Consultant

The Committee engaged Exequity as its independent compensation consultant beginning in the third quarter of 2014. Exequity provides the Committee with advice on a broad range of executive compensation matters. The scope of Exequity's services includes, but is not limited to, the following:

- Provide the Committee with an assessment of the market competitiveness of the Company's executive compensation.
- Apprise the Committee of executive compensation-related trends and developments in the marketplace.
- Inform the Committee of regulatory developments relating to executive compensation practices.
- Provide assistance on goal-setting, the calibration of levels of pay to various levels of performance, and pay for performance alignment.
- Benchmark Company executive compensation plan designs and practices against the marketplace.
- Recommend changes to the executive compensation program to maintain competitiveness and ensure consistency with business strategies, good governance practices and alignment with stockholder interests.

The Committee has assessed the independence of Exequity pursuant to SEC rules and concluded that no conflict of interest exists that would prevent Exequity from independently representing the Committee. Exequity reports directly to the Committee. The aggregate fees paid by the Committee for all services provided by Exequity did not exceed $120,000 for the year ended December 31, 2014. The Company does not engage Exequity for any consulting work.

Role of Executives in Establishing Compensation

The Committee determines the compensation of the Chairman and the Chief Executive Officer. The Chief Executive Officer and the Vice President – Human Resources make recommendations to the Committee regarding compensation for all other executive officers, including the NEOs other than the Chairman and the Chief Executive Officer. The Committee then reviews these recommendations and approves the final compensation for these individuals. All recommendations made to the Committee and all determinations made by the Committee are based upon the Company's policies and guidelines and other relevant factors outlined in the "Compensation Survey Data and Peer

Group Data" and "Elements of Compensation" sections below.

The advisory vote in 2014 was the fourth consecutive year that the Company's Say-on-Pay vote was supported by the stockholders with the approval of approximately 90% of those stockholders present at the annual meeting of stockholders in person or by proxy. The Committee acknowledges and values the feedback from the Company's stockholders on the annual Say-on-Pay vote and believes that these results demonstrate stockholder support of the Company's overall executive compensation approach, which is primarily designed as performance-based and aligned with stockholders' interests. As a result of the strong stockholder support for the 2014 Say-on-Pay vote, the Committee determined that the Company's compensation practices and processes did not require any significant modifications to achieve the desired results of the Company's compensation program or to address stockholder concerns.

The Committee will continue to consider the outcome of these advisory votes when determining future executive compensation arrangements.

Compensation Survey Data and Peer Group Data

On an ongoing basis, the Committee and the Company utilize compensation survey data from a global compensation consultant, Mercer LLC ("Mercer"), when making base compensation decisions for Company executives. In addition, the Committee and Company also use short-term and long-term incentive survey data and total cash and direct compensation benchmark survey data from Mercer. The aggregate fees paid by the Company for all services provided by Mercer did not exceed \$120,000 for the year ended December 31, 2014.

The Company also compares itself to compensation information from a select group of peer companies. The Company reviews both the survey data and peer group information for total compensation, including base salary, short-term incentives and long-term incentives, annually or otherwise periodically, as appropriate and as available. The Mercer survey data is the primary data source with the peer group data serving as a complement to the Mercer data.

The Company subscribes to compensation survey data supplied by Mercer for the purpose of comparing all separate elements of as well as the aggregate amounts for total compensation. For the executive officers, including the NEOs, the Company reviews compensation using the 2014 U.S. Mercer Benchmark Database (MBD) Survey. This survey is comprised of data from 3,080 organizations representing a variety of industries, sizes of companies and geographic areas. The Company utilizes survey data for the position or positions that most closely matches the job description of each NEO or executive officer position, and for the companies that are most closely aligned with characteristics of the Company, including comparable industry, comparable size (revenue and employees) and other measures of comparison as appropriate and available.

The Company also uses a chemical industry peer group of 14 companies ("Peer Group") as an additional reference point for data regarding total compensation. The companies included in the Peer Group were selected because of their chemical industry affiliation and similarity to the Company in size and/or business. The following companies comprised the Peer Group used in reviewing and considering 2014 total compensation: Albemarle Corporation; A. Schulman, Inc.; Axiall Corporation (formerly Georgia Gulf Corporation); Cabot Corporation; Chemtura Corporation; Cytec Industries Inc.; Ferro Corporation; H.B. Fuller Company; Innospec Inc.; Kraton Performance Polymers, Inc.; NewMarket Corporation; OM Group, Inc.; PolyOne Corporation; and Sensient Technologies Corporation.

The Company performs periodic evaluations of the Peer Group in order to ensure the Company is comparing itself with companies who have a specialty chemicals focus, who are within a reasonable range of Company market capitalization size, who are members of the American Chemistry Council, which identify the Company in their industry peer groups and/or other related factors. Exequity reviewed the Peer Group in 2014 and will continue to monitor it going forward to discuss any recommended peer group updates as necessary with the Committee and Company. The Committee believes the current Peer Group remains an appropriate comparison group.

Based on a review of the Mercer and Peer Group survey data, the Company targets total compensation for executive officers to be in the median range (plus or minus 10% of the 50th percentile) of the survey data. All NEOs' and executive officers' total compensation amounts were within or below this median range and were within appropriate and reasonable levels as compared to the survey data considering experience level, time in position, global job grades and both external and internal equity evaluations.

The Company has a long-term target total compensation mix of 40% base salary, 20% short-term incentives and 40% long-term incentives for executive officers' compensation. This target objective provides an appropriate mix of short-term and long-term rewards and incentives to encourage the necessary focus and motivation to achieve outstanding results on an ongoing basis, both in the short-term and long-term. In addition, the combined focus on both short-term and long-term objectives aligns Company and stockholders' interests. The allocation of compensation, emphasizing both short-term and long-term goals, is common market practice and appropriate in order to reduce the possibility of any material adverse effect on the Company due to the Company's compensation policies and practices. Short-term incentives for executive officers are based on individual and Company performance. Long-term incentives for executive officers are based only on Company performance. This mix assumes above average Company performance and can vary considerably if performance is either below average or at a superior level. For 2014, the actual total compensation mix for the NEOs in the Summary Compensation Table was 47.1% base salary, 0% short-term incentives and 52.9% long-term incentives.

The Target Total Compensation Mix pie chart shown above is based on above-average Company performance. The 2014 Actual NEO Total Compensation Mix pie chart reflects underperformance by the Company in 2014 which resulted in no short-term incentive bonus payment which, in turn, skewed the results significantly from the Target Total Compensation Mix.

Elements of Compensation

For the fiscal year ended December 31, 2014, the principal elements of compensation for the executive officers, including the NEOs, were as follows:

Compensation Element / Purpose	Description
Base Salary To attract and retain employees of outstanding abilities	Fixed component of pay based on specific position salary ranges determined by job responsibilities, competitive benchmark data and performance
Short-Term Incentives To drive improved year-over-year financial performance; to motivate, attract and retain employees; and to align their interests directly with Company financial objectives	Variable, annual, at risk component of pay that rewards achievement of pre-determined Company and individual goals
Long-Term Incentives To promote retention of executives, to reward outstanding Company performance, and to encourage a focus on the Company's long-term financial results	Variable, at risk, equity component of pay for eligible participants that rewards stockholder value creation over the long-term
Retirement Benefits To promote retention and to attract outstanding employees	Fixed percentage (4%) of base salary under a Savings and Investment Retirement Plan for all U.S. employees
Profit Sharing Plan and Employee Stock Ownership Plan To provide employees with a tax deferred retirement savings vehicle directly connected to the Company's financial results	Variable, annual, at-risk component directly determined by Corporate Net Income achieved
Perquisites To attract and retain superior employees for key positions	Executives and key employees, including the NEOs, are eligible for a limited amount of perquisites which are provided to be market competitive
Other Benefits	NEOs are eligible for the benefit programs that are available to all other salaried employees which provide

for basic life, health and security needs

Base Salary

The Company has established salary grades and ranges for all employees, including all of the NEOs. The grades range from 3 to 19. Salary grades reflect the responsibility level of the position, i.e., positions with the greatest level of responsibility have a higher salary grade up to the highest grade which is grade 19. The salary range for each grade is primarily based on survey data to the 50th percentile (median). The salary grade structure enables the Company to ensure pay among executives which is both market competitive and internally equitable. A complete list of salary grades is published annually to all management employees.

Beginning in 2015, in order to better align the Company's job grade salary structure with Mercer methodology and survey data and to install a system the Company can implement globally, the Company made some changes in its job grade salary structure. The most notable change is that the Company will now use a range of grades from A to S, with S being the highest grade for any position in the Company (i.e., the Chief Executive Officer and the Chairman positions). Following Mercer methodology also has led the Company, in general, to make the grades wider and to have more space between midpoints of grades up through the grade structure. None of these changes result in significant modifications which are beyond updating and upgrading the Company's prior job grade salary structure. In particular, none of the changes implemented in the base salary system lead to increased base salary for any NEO or executive officer of the Company.

The Committee, taking into consideration the performance of the Company, the Company's compensation philosophy, the survey data, and the Company's base salary grades, reviews and determines the Chairman's and the Chief Executive Officer's base salaries on an annual basis. The Chief Executive Officer and the Vice President – Human Resources make recommendations to the Committee regarding compensation for all other NEOs. The Committee has the discretion to approve such recommendations or revise the recommended amounts, higher or lower, based upon each specific executive officer's performance. The Chief Executive Officer's base salary range is determined based on the same factors and criteria as those of the other NEOs, executive officers and all salaried employees.

Short-Term Incentive Compensation

The purpose of the Company's short-term incentive compensation (annual bonus) is to promote improved year-over-year financial performance; to motivate, attract and retain executive, managerial and key employees of outstanding ability; and to align participants' interests directly with Company financial targets. The total amount of short-term compensation is a percentage of the executive's or employee's actual base salary earned each calendar year. Because senior managers have a greater ability to impact Company results, a significant percentage of their total compensation is at-risk in the form of the annual bonus.

The Chief Executive Officer has the highest level of responsibility, and therefore, is eligible for the highest bonus percentage range as compared to the other NEOs. Under the terms of the Stepan Company Management Incentive Plan (As Amended and Restated Effective January 1, 2010), (the "Management Incentive Plan"), the maximum percentage of the NEOs' and executive officers' annual bonus is 150% of his or her annual base salary, up to a maximum dollar amount of $1,500,000. Subject to stockholder approval of the Stepan Company Management Incentive Plan (As Amended and Restated Effective January 1, 2015), beginning in 2015, the maximum percentage of each NEO's or executive officer's annual bonus will be revised up to 200% of his or her annual base salary, up to a maximum dollar amount of $2,000,000. The following chart reflects the Target Bonus Range, as a percentage of annual base salary, for each NEO for the 2014 annual bonus:

NEO	Target Bonus Range
Chief Executive Officer (F. Quinn Stepan, Jr.)	0-100%
Chairman (F. Quinn Stepan)	0-75%
Vice President and Chief Financial Officer (Scott D. Beamer)	0-60%
Vice President and General Manager – Surfactants (Scott R. Behrens) (1)	0-48%
Vice President –	0-60%

Supply Chain (Scott C. Mason)	
Vice President and General Manager – Surfactants (John V. Venegoni) (1)	0-60%

(1) Mr. Venegoni retired as the Vice President and General Manager – Surfactants of the Company effective September 5, 2014, and Mr. Behrens assumed that position upon Mr. Venegoni's retirement. Mr. Venegoni is included as an NEO because disclosure of his compensation would have been provided pursuant to Item 402(a)(3)(iii) of Regulation S-K but for the fact that he was not serving as an executive officer of the Company at December 31, 2014.

Within the Target Bonus Ranges shown above, each NEO's annual bonus is directly determined by the Company's overall financial performance ("Corporate Financial Performance Objectives") and, for NEOs other than the Chief Executive Officer and the Chairman, the achievement of individual performance objectives ("Individual Performance Objectives"), as described below. Payouts against each objective are based on the relative level of achievement of the objective.

Achievement of Corporate Financial Performance Objectives (Corporate Net Income, Corporate Return on Invested Capital ("ROIC") and Corporate Free Cash Flow) is based on measuring achievement towards categories of Threshold, Target and, in the case of Corporate Net Income only, Maximum. Corporate Net Income and Corporate ROIC are also used for long-term incentive compensation grants of performance shares and are discussed below in the "Long-Term Incentive Compensation" section. There is proration between levels of achievement. Achieving Threshold or below will result in no bonus payout. Reaching the Target would result in 100% bonus payout. The Maximum is only applicable to the Corporate Net Income achievement and is only triggered when Corporate Net Income exceeds the Target objective. However, the Committee reserves the right to exercise negative discretion should ROIC and Free Cash Flow performance fall significantly below Target. Additionally, the Committee reserves the right to include or exclude any acquisition or divestiture in exercising negative discretion. Acquisitions are not typically included in the year they occur unless they are part of the plan or budget for that year.

For 2014, all other NEO objectives were measured in the Threshold and Target categories as described above. Few, if any, NEOs, other executive officers or key executives achieve the Target or Maximum level for all of their objectives in any calendar year. The Maximum level is designed to incent exceptional corporate performance, in excess of the Target, to achieve a payout at that level.

The extent, if any, to which an incentive award will be payable to a Covered Employee (as defined below) will be based solely upon the degree of achievement of pre-established performance goals over the specified calendar year. (A Covered Employee is an executive, managerial or key employee of the Company, including subsidiaries, designated by the Committee prior to the grant of an award within the meaning of Section 162(m)(3) of the Code.) The Committee may, in its sole discretion, reduce or eliminate the amount which would otherwise be payable with respect to a calendar year. In addition, bonus payments as a whole may be reduced, prorated, or eliminated entirely based on Company performance if Corporate Net Income falls below certain pre-determined levels. Similarly, in years when Company performance is exceptional and above the Target level, it is possible for NEOs to receive bonuses

above Target, while in years when Company performance is below the Threshold level, no bonus will be paid based upon Company performance.

As described above, all executive officers and other key Company executives have a Maximum level of achievement added above the Target level, which rewards exceptional Company performance. As in the past, the Maximum objective was based solely on Corporate Net Income and was set by the Committee at $97.5 million. Any additional reward earned is prorated between the Target and Maximum levels for Corporate Net Income only. The upside potential for executive officers, including all NEOs, is an additional 50% of any individual's earned bonus payout. If the Maximum is achieved or exceeded, the Chief Executive Officer is eligible for a maximum bonus of 150% of base salary (100% Target multiplied by 150%). The Chairman is eligible for a maximum bonus of 112.5% of base salary (75% Target multiplied by 150%), while the other NEOs are each eligible for a maximum bonus of 90% of base salary (60% Target multiplied by 150%), except for Mr. Behrens who is eligible for a maximum bonus of 72% of base salary (48% Target multiplied by 150%).

Subject to and upon stockholder approval of the Stepan Company Management Incentive Plan (As Amended and Restated Effective January 1, 2015), all NEOs and executive officers will have a possible maximum payout of 200% of their respective bonus, increased from the current 150%. This change has been recommended by Exequity in order for the Company to be competitive in the marketplace in this area. With a 200% maximum payout of bonus, for 2015, the Chief Executive Officer would be eligible for a maximum bonus of 200% (100% target multiplied by 200%), the Chairman would be eligible for a maximum bonus of 150% (75% Target multiplied by 200%) and all other NEOs would be eligible for a maximum bonus of 120% (60% Target multiplied by 200%). The maximum payout can only occur when the Company Net Income maximum objective is achieved or exceeded, however, proration between payout of 100% to 200% occurs once Target is achieved.

The Maximum level objective for Corporate Net Income is set at the same time all Corporate Financial Performance Objectives are approved and is designed to be very difficult to achieve, i.e., only a 10%-15% probability of achievement. This type of Maximum level objective is a common compensation practice, and the Company believes it is appropriate to use such an objective to attract and retain key Company employees who have the greatest impact on the Company results each year and to incent exceptional corporate performance which benefits all stockholders.

For 2014, the Company did not reach the Threshold level of the Corporate Net Income objective with an adjusted result of $54.7 million, as compared to the Threshold objective of $77.5 million, which resulted in no bonus achievement. In addition, the Company did not attain a required minimum amount of Corporate Net Income ($60 million) in order to pay any annual management incentive bonus to any NEOs or executive officers.

Corporate Financial Performance Objectives

The Committee establishes the Corporate Financial Performance Objectives at the beginning of each calendar year. In 2014, the Committee established targets for the three Corporate Financial Performance Objectives for all NEOs: Corporate Net Income, ROIC and Corporate Free Cash Flow.

In 2014, the following levels were set for each of these objectives:

Objective	Threshold	Target	Maximum
Corporate Net Income	$77.5 million	$90.0 million	$97.5 million

ROIC	9.5%	10.5%	Not Applicable
Corporate Free Cash Flow	($10.0 million)	$10.0 million	Not Applicable

Each NEO’s annual bonus objectives include these Corporate Financial Performance Objectives. Given their respective levels of responsibility, both the Chief Executive Officer and the Chairman had their bonuses based entirely on these Corporate Financial Performance Objectives, although the bonus amount was subject to a reduction if the Corporate Safety Objectives were not achieved. All other NEOs each had at least 40% of their bonus tied to these same Corporate Financial Performance Objectives, except for Mr. Behrens who, due to the level of his position prior to his promotion to Vice President and General Manager – Surfactants, had 25% of his bonus tied to these objectives. Mr. Behrens will have at least 40% of his bonus tied to these objectives for his 2015 bonus opportunity.

The following table shows the Company's performance against the Corporate Net Income, ROIC and Corporate Free Cash Flow objectives in 2014:

Objective	2014 Results	2014 Target	2014 Payout Against Target
Corporate Net Income	$54.7 million	$90.0 million	0%
ROIC	6.60%	10.5%	0%
Corporate Free Cash Flow	($35.3 million)	$10.0 million	0%

The 2014 results for all of these Corporate Financial Performance Objectives were not only below Target levels, but were below Threshold levels for any payout whatsoever.

The 2015 bonus for the Chief Executive Officer will be based on achievement of Corporate Net Income and Corporate Free Cash Flow financial performance objectives. The allocation assigned to each of these performance objectives for NEOs, other executive officers and other key employees will be Corporate Net Income (at 90% weighting) and Corporate Free Cash Flow (at 10% weighting) to properly reflect the relative significance of each objective to overall Company performance and to appropriately reflect the Company's growth strategy which places greater emphasis on Corporate Net Income. The Chief Executive Officer and the Chairman will continue to have a portion of their respective bonus reduced if the Corporate Safety Objectives are not achieved. At least 40% of the 2015 bonus for all other NEOs and executive officers will be based on achievement of these same two financial performance objectives.

Individual Performance Objectives

For executives other than the Chief Executive Officer and the Chairman, the Chief Executive Officer and the executive agree upon Individual Performance Objectives at the beginning of each calendar year. These Individual Performance Objectives may either be financial objectives for a particular business segment or organization, or achievement of certain financial, safety, service or other strategic objectives specific to their function and responsibility. For 2014, the Individual Performance Objectives and the results for the other NEOs resulted in no payout of any bonuses due to the fact that the Company did not achieve the minimum Corporate Net Income results of at least $60 million for 2014.

While no bonuses were awarded to any NEO or executive officer for any 2014 performance as a result of the Company not achieving the minimum Corporate Net Income amount of $60 million required to make bonus payouts, the following 2014 Performance Objectives were assigned to the NEOs with the accompanying results as indicated:

Scott D. Beamer

Vice President and Chief Financial Officer

2014 Individual Performance Objectives and Weighting Percentage	2014 Individual Performance Results
Corporate Objectives – Net Income, ROIC and Free Cash Flow (see "Corporate Financial Performance Objectives" section above)	Results for all three Corporate Financial Performance Objectives were below Threshold level for any bonus payout
50.0% of Total	0% of Total Achieved
Corporate Safety Objectives – Global Recordable Rate of less than or equal to 0.50 and Global Total Incident Rate of less than 5.00	Global Recordable Rate was 1.21 and Global Total Incident Rate was 6.78. Both results were below Threshold level for any bonus payout.
5.0% of Total	0% of Total Achieved
Establish and identify priorities for Company DRIVE program	Completed at Target level which is 100% achievement of objective
10.0% of Total	10.0% of Total Achieved
Cash savings generated by the finance group (Target level was $2.0 million)	$1.95 million cash savings achieved which is at 97.5% of Target level
10.0% of Total	9.75% of Total Achieved
Supply Chain Excellence (reduce material variance to Target level of $2.8 million)	Material variance was 8.3% of Target level
5.0% of Total	0.42% of Total Achieved
Increase analyst coverage during 2014	Increase in analyst coverage was achieved
10.0% of Total	10.0% of Total Achieved
Performance to budget for major IT projects in Brazil	Both Target levels were completed within budget and on-time
5.0% of Total	5.0% of Total Achieved
Execute processes to drive improvement in working capital objective	Achievement exceeded Target level
5.0% of Total	5.0% of Total Achieved

John V. Venegoni

Vice President and General Manager – Surfactants (January 1, 2014 to September 5, 2014)

2014 Individual Performance Objectives and Weighting Percentage	2014 Individual Performance Results
Corporate Objectives— Net Income, ROIC and Free Cash Flow (see "Corporate Financial Performance Objectives" section above)	Results for all three Corporate Financial Performance Objectives were below Threshold level for any bonus payout
40.0% of Total	0% of Total Achieved

Corporate Safety Objectives – Global Recordable Rate of less than or equal to 0.50 and Global Total Incident Rate of less than 5.00	Global Recordable Rate was 1.21 and Global Total Incident Rate was 6.78. Both results were below Threshold level for any bonus payout.
5.0% of Total	0% of Total Achieved
Global Surfactant Financial Performance Objectives—Operating Income (Target level was $112.5 million) and ROIC (Target level was 10.0%)	Results for both Operating Income and ROIC objectives were below Threshold levels for any bonus payout
40.0% of Total	0% of Total Achieved
Establish and identify priorities for Company DRIVE program	Completed at Target level which is 100% of achievement of objective
5.0% of Total	5.0% of Total Achieved
Complete Execution of Brazil Deliverables	Results were below Threshold level
10.0% of Total	0% of Total Achieved

Scott R. Behrens

Vice President and General Manager – Surfactants (September 5, 2014 to December 31, 2014)

2014 Individual Performance Objectives and Weighting Percentage (1)	2014 Individual Performance Results (1)
Corporate Objectives— Net Income, ROIC and Free Cash Flow (see "Corporate Financial Performance Objectives" section above)	Results for all three Corporate Financial Performance Objectives were below Threshold level for any bonus payout
25.0% of Total	0% of Total Achieved
Corporate Safety Objectives – Global Recordable Rate of less than or equal to 0.50 and Global Total Incident Rate of less than 5.00	Global Recordable Rate was 1.21 and Global Total Incident Rate was 6.78. Both results were below Threshold level for any bonus payout.
6.25% of Total	0% of Total Achieved
Global Surfactant Financial Performance Objective—Operating Income (Target level was $112.5 million)	Result for Operating Income objective was below Threshold level for any bonus payout
18.75% of Total	0% of Total Achieved
North American Surfactants Operating Income (Target level was $80.0 million)	Result for Operating Income objective was below Threshold level for any bonus payout
37.5% of Total	0% of Total Achieved
Global Customer Product Approvals	Results exceeded Target levels for Product Approvals
12.5% of Total	12.5% of Total Achieved

(1) Mr. Behrens participated in the 0% to 48% Target Bonus Range during 2014. As a result of his promotion in 2014 to Vice President and General Manager – Surfactants, Mr. Behrens will be participating in the 0% to 60% Target Bonus Range beginning in 2015.

Scott C. Mason

Vice President – Supply Chain

2014 Individual Performance Objectives and Weighting Percentage	2014 Individual Performance Results
Corporate Objectives— Net Income, ROIC and Free Cash Flow (see "Corporate Financial Performance Objectives" section above)	Results for all three Corporate Financial Performance Objectives were below Threshold level for any bonus payout
50.0% of Total	