

# Advanced Emissions Solutions, Inc.

## COMPENSATION COMMITTEE CHARTER

- I. **Purpose.** The Compensation Committee (“Committee”) is appointed by the Board of Directors of the Company (“Board”) to discharge the Board’s responsibilities relating to the compensation of the Company’s executives.
- II. **Composition.** The Committee must be comprised of three or more directors as determined by the Board. Committee members shall be appointed by the Board on an annual basis upon the recommendation of the Nominating and Governance Committee and may be removed by the Board at any time for any or no reason. The members of the Committee shall meet the independence requirements of applicable laws, regulations and rules of the Nasdaq Stock Market.<sup>1</sup> In appointing committee members, the Board must find that each member is a “non-employee director” as defined by Rule 16b-3 under the Securities Exchange Act of 1934 and an “outside director” as defined by Section 162(m) of the Internal Revenue Code. The Committee shall select a Chairperson from among its members who shall serve for a term of not less than one year.
- III. **Meetings and Operations.** The Committee shall meet at least four times per year and at such additional times as may be deemed necessary or appropriate by the Chairperson and at such times and places and by such means as the Chairperson determines. The Committee may invite executive officers to attend its meetings, but no executive officer shall be present during any deliberations of the Committee regarding such officer’s compensation. The Committee shall keep adequate and accurate minutes of all meetings and Committee members will be furnished with copies of the minutes of each meeting and any action taken by written consent. The Committee shall report regularly to the Board with respect to its activities (no less often than at each regularly scheduled meeting of the Board). A majority of the members of the Committee shall constitute a quorum. The Committee shall be governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) applicable laws.

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<sup>1</sup> Under exceptional and limited circumstances, the Board may appoint a member of the Compensation Committee that does not meet the Nasdaq’s independence requirements if such individual’s membership is required by the best interests of the Company and its shareholders. Such member must, however, meet the SEC’s independence criteria under Section 10A(m)(3) of the Exchange Act and rules thereunder and must not be an officer or employee or a family member of an officer or employee. If such a member is appointed, he or she may serve for no more than two years and may not serve as Chairperson. In addition, the Company must disclose in its annual proxy statement the basis for the Board’s determination and the nature of the individual’s relationship to the Company.

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### IV. Authority.

#### A. Advisors

The Committee has the sole authority to engage and compensate compensation consultants and legal and other advisors to the Committee. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor and the authority granted in this Charter shall not affect the ability of the Committee to exercise its own judgment in fulfillment of its duties. The compensation consultant, outside counsel and any other advisors retained by the Committee shall be independent, as determined in the discretion of the Committee, to the extent required by applicable laws, regulations and rules of the Nasdaq Stock Market. The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.

#### B. Resources

1. The Company shall provide the Committee with appropriate resources to ensure that Committee members receive appropriate orientation briefings and educational resources related to compensation matters relevant to the responsibilities of the Committee.
2. The Company shall provide the funding that the Committee determines is appropriate for advisors to the Committee.
3. The Company shall provide funding for ordinary administrative expenses of the Committee that are necessary or appropriate in connection with its duties.

### V. Responsibilities

1. Establish the Company's philosophy for executive compensation and review the Company's executive compensation programs to analyze their alignment with (a) attraction and retention of executive officers, (b) motivation of executive officers to achieve the Company's business objectives and (c) the long-term interests of the Company's shareholders.
2. Establish annual and long-term performance goals and objectives for executive officers.

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3. Evaluate the performance of the Company's executive officers in light of approved performance goals and objectives and approve the annual compensation, including salary, bonus and equity compensation, for executive officers. In determining executive compensation, review and consider a tally sheet for each executive officer setting forth all elements of past and current compensation and consider benchmarking of compensation to comparable companies. Establish policies for allocating between short-term and long-term compensation and between cash and non-cash compensation and review annually. Consider the results of the most recent stockholder advisory vote on executive compensation (i.e. Say on Pay Vote).

4. Review and approve the Company's performance goals and objectives relevant to the compensation of the Company's Chief Executive Officer (CEO), evaluate the CEO's performance in light of these objectives and determine and approve the CEO's compensation based on this evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee shall consider the Company's performance and relative shareholder return, the value of similar programs at comparable companies, the value of past awards and any other factors the Committee considers appropriate.

5. Review and approve compensation packages for new executive officers and any severance or termination packages proposed to be made to officers, as requested by management.

6. Review and discuss with the Board and senior executive officers plans for officer development and corporate succession plans for the CEO and other senior officers.

7. Review, approve and, when appropriate, make recommendations to the Board concerning the Company's long-term incentive compensation plans, including equity-based plans, which includes the ability to adopt, amend and terminate such plans, and where appropriate or required, recommend for approval by the stockholders of the Company. Unless otherwise delegated by the Board, the Committee will be responsible for administering the Company's equity-based and employee benefit plans and will discharge any responsibilities imposed on the Committee under those plans, including authorizing grants and awards and determining when grants and awards shall be made.

8. Review the Company's incentive compensation arrangements to verify that measures (including financial and nonfinancial measures), targets, incentives and other rewards for executive officers and operating personnel are realistic (i.e. not unduly aggressive) and aligned with ethical values and performance related to internal control, and to determine whether they encourage excessive risk-taking. Review and discuss at least annually the relationship between risk management policies and practices and compensation and

**Adopted September 9, 2015**

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evaluate compensation policies and practices that could mitigate any such risk. Act to remove or reduce incentives or temptations that might prompt personnel to engage in dishonest, illegal or unethical acts.

9. Establish equity ownership guidelines for executive officers and review each officer's holdings against such guidelines annually to determine whether such guidelines have been met.

10. In consultation with senior management, establish, review and evaluate the philosophy and long-term strategy of employee compensation and the components of the stock and other compensation plans used by the Company.

11. In consultation with management, oversee regulatory compliance with respect to compensation matters, including an analysis of accounting and tax ramifications to the Company and, if and when required, establishing performance goals and certifying that they have been attained for purposes of Section 162(m) of the Internal Revenue Code.

12. Review and make recommendations with respect to any shareholder proposals related to compensation matters.

13. Review executive compensation disclosures in the Company's Annual Report on Form 10-K and annual Proxy Statement, including any Compensation Discussion and Analysis ("CD&A") required by law, discuss with management and recommend to the Board whether the CD&A, if applicable, shall be included in the Annual Report on Form 10-K and Proxy Statement. Prepare an annual report of the Compensation Committee for inclusion in the Annual Report and Proxy Statement in accordance with SEC rules. Review and approve the compensation with respect to any related party transaction, including any transaction required to be disclosed under applicable SEC rules (currently Item 404 of Regulation S-K promulgated by the SEC) in accordance with the Company's Statement of Policy with respect to Related Party Transactions.

14. Conduct an annual self-assessment with the goal of continuing improvement, in any manner as it deems appropriate, and present the results of the evaluation to the Board.

15. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Charter to the Board.

16. The Committee will perform such other functions consistent with law and the Company's charter and bylaws as the Board of Directors deems necessary or appropriate.