



COMPENSATION & DEVELOPMENT COMMITTEE CHARTER

KMG Chemicals, Inc.

This Compensation & Development Committee Charter (the “Charter”) sets forth the purpose and membership requirements of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) and establishes the authority and responsibilities delegated to it by the Board.

1. **Purpose.** The purpose of the Committee is (i) to discharge the Board’s fiduciary responsibilities relating to the fair and competitive compensation and annual evaluation of the Company’s Chief Executive Officer (“CEO”) and other executives, (ii) to define the compensation philosophy of the company, (iii) to review and make recommendations to the Board regarding the compensation paid to the Company’s directors, (iv) to prepare an annual Compensation Discussion and Analysis on executive compensation for inclusion in the Company’s proxy statement for the annual meeting of stockholders, (v) oversee and report to the Board on the status of specific Board Objectives that may be assigned to the committee each year.
2. **Committee Members.**
 - 2.1. **Composition and Appointment.** The Committee shall consist of three (3) or more members of the Board. The Board shall designate members of the Committee on the recommendation of the Nominating and Corporate Governance Committee. The members of the Committee shall be appointed by the Board. If the Board does not select a Chairperson, the members so appointed shall, at their next meeting, elect a Chairperson of the Committee to serve until a successor is named. Membership on the Committee shall rotate at the Board’s discretion. The Board shall fill vacancies on the Committee and may remove a Committee member from the membership of the Committee at any time without cause. Members shall serve until their successors are appointed by the Board.
 - 2.2. **Independence.** Each member of the Committee must (i) be a “non-employee director,” as such term is defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor provision thereto, and (ii) meet the independence requirements of the New York Stock Exchange Rules (“NYSE”) and applicable state and federal law, including the rules and regulations of the Securities and Exchange Commission (“SEC”).
 - 2.3. **Subcommittees.** The Committee shall have the authority to delegate authority and responsibilities to subcommittees; provided, that no subcommittee shall consist of less than two members.
3. **Meetings.**
 - 3.1. **Frequency of Meetings.** The Committee shall meet at least twice per annual period. The schedule for regular meetings of the Committee shall be established by the Committee. The Chairperson of the Committee may call a special meeting at any time as he or she deems advisable.



- 3.2. **Minutes.** Minutes of each meeting of the Committee shall be kept to document the discharge by the Committee of its responsibilities. The Committee shall report regularly to the Board with respect to its activities.
 - 3.3. **Quorum.** A quorum shall consist of a majority of the Committee's members. The act of a majority of the Committee members present at a meeting at which a quorum is present shall be the act of the Committee.
 - 3.4. **Agenda.** The Chairperson of the Committee shall prepare an agenda for each meeting of the Committee, in consultation with Committee members and any appropriate member of the Company's management or staff, as necessary. As requested by the Chairperson, members of the Company's management and staff shall assist the Chairperson with the preparation of any background materials necessary for any Committee meeting. Additional topics not on the agenda may be discussed as needed.
 - 3.5. **Presiding Officer.** The Chairperson of the Committee shall preside at all Committee meetings. If the Chairperson is absent at a meeting, a majority of the Committee members present at a meeting shall appoint a different presiding officer for that meeting.
4. **Executive Compensation.**
- 4.1. **Compensation Philosophy and Strategy.** The Committee shall review the compensation philosophy and strategy of the Company and its subsidiaries and consult with the CEO, as needed, regarding the role of the Company's compensation strategy in aligning it with and achieving the Company's strategic plan through the objectives and performance goals of both the short-term and the long-term interests of the Company's stockholders.
 - 4.2. **Comparison Analysis.** The Committee shall annually review market and industry data to assess the Company's competitive position with respect to the individual elements of total executive compensation to ensure the attraction, retention and appropriate reward of the Company's executive officers.
 - 4.3. **Administration of Plans.** The Committee shall administer the Company's incentive compensation and stock option and other equity based plans (including specific provisions) in which the CEO and other executive officers may be participants and recommend to the Board amendments to such plans or adoption of new plans. In connection with administering such plans, the Committee shall have the authority to (i) approve option guidelines and general size of overall grants, (ii) make grants, (iii) interpret the plans, (iv) determine the rules and regulations relating to the plans, (v) modify or cancel existing grants and substitute new grants (with the consent of grantees), (vi) designate employees eligible to participate in the plans, (vii) design both short-term and long-term incentive programs as needed, (viii) set performance measures and standards for participants, and (ix) impose limitations, restrictions and conditions upon any award as the Committee deems appropriate and as permitted under the applicable plan.
 - 4.4. **Executive Compensation.** Annually the Committee shall review the performance of, and establish the base salary, incentive compensation deferral compensation, stock options, performance units and other equity based awards for the CEO and all other executive offices.



The annual review of the CEO shall be conducted jointly by the Chairpersons of the Compensation & Development Committee and Nominating and Governance Committees and any other independent director invited to participate. The CEO may not be present during voting or deliberations with respect to his or her compensation.

5. **Special Recommendations to the Board.** The Committee, prior to the appointment or election of a CEO or any other executive officer, shall review and make recommendations to the Board and the Governance Committee regarding (i) any employment agreement, severance agreement, change in control agreement or provision, or separation agreement, or any amendment to the same, that is proposed to be entered into with the CEO or other executive officer; (ii) any deferred compensation arrangement that is proposed to be entered into with the CEO or other executive officer; and (iii) the benefits and prerequisites offered to the CEO or any other executive officer.
6. **Director Compensation Oversight.**
 - 6.1. **Review of Director Compensation.** The Committee shall annually review and make recommendations to the Board regarding the compensation paid to the Company's directors. Such review shall include any fees paid for attendance at meetings of the Board, any of its committees, daily service fees and grants of stock options or stock.
 - 6.2. **Compliance With Restrictions.** The Committee shall monitor the amount of compensation proposed to be paid to any director for compliance with the Company's equity compensation plans. In addition, the Committee shall monitor the effect that compensation proposed to be paid to a director will have on the director's ability to be considered "independent" under the requirements of the NYSE and applicable federal securities laws, including the rules and regulations of the SEC. The Committee shall advise the Board if any compensation proposed to be paid to a director would violate the Company's equity compensation plans or have an undesirable impact on the director's independence. In fulfilling its responsibilities hereunder, the Committee shall give due consideration to the different definitions of "independent" that apply to the Board and its different committees and any requirement that the Board or a Board committee contain a majority of, or be entirely composed of, "independent" directors.
7. **Reports and Assessments.**
 - 7.1. **Board Reports.** The Chairperson of the Committee shall, periodically, at his or her discretion, report to the Board on Committee actions and on the fulfillment of the Committee's responsibilities under this Charter. In addition, the Committee shall coordinate with and report to other committees established by the Board where the responsibilities of the committees overlap or where the work of the committees would be facilitated.
 - 7.2. **Charter Assessment.** The Committee shall annually assess the adequacy of this Charter and advise the Board and the Nominating and Corporate Governance Committee of its assessment and of its recommendation for any changes to the Charter.
 - 7.3. **Committee Self-Assessment.** The Committee shall annually make a self-assessment of its performance and shall report the results of such self-assessment to the Board and the Nominating and Corporate Governance Committee.



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- 7.4. **Annual Report on Compensation and Assessment of Management.** The Committee shall annually advise the Board as to whether the Company’s executive officer and other executive officer compensation arrangements are appropriate and shall conduct an assessment of management’s performance.
8. **Proxy Statement Report.** Each year the Committee shall conduct a risk assessment of compensation and shall prepare the Compensation Discussion and Analysis (CD&A) on executive compensation, in each case as required by and in compliance with the rules and regulations of the SEC. The Committee shall submit its risk assessment and the CD&A to the Board for inclusion in the Company’s proxy statement prepared for the annual meeting of stockholders.
9. **Advisors.** The Committee shall have the authority to (i) retain, at the Company’s expense, an independent compensation consultant and other expert advisors (“Advisors”) as it deems necessary to fulfill its responsibilities and (ii) determine, on behalf of the Company, the compensation of such Advisors.