



## COMPENSATION COMMITTEE CHARTER

February 16, 2017

### Statement of Purpose and Responsibilities

The Board of Directors shall have a Compensation Committee (the "Committee"). The Committee shall provide assistance to, and discharge certain responsibilities of, the Board of Directors (the "Board") of ORION ENERGY SYSTEMS, INC. (the "Company").

The purposes of the Committee are to oversee the design and administration of the Company's executive compensation programs, the competency and qualifications of senior management personnel, and senior management succession planning; and to ensure that the Company's officers, management group, directors, employees and consultants are compensated in furtherance of the Company's overall compensation objectives. The Committee's principal responsibilities and functions shall be to:

1. Determine and approve the Company's compensation philosophy.
2. At least annually, review and approve corporate goals and objectives relevant to the compensation of the executive officers of the Company, including the Chief Executive Officer.
3. At least annually, evaluate the performance of, and set the salary, bonus, equity compensation (if any) and other benefits for, the executive officers of the Company, including the Chief Executive Officer, in light of the corporate goals and objectives relevant to their compensation, any applicable peer group company data and/or other market or survey data selected by the Committee, any recommendations of any advisors or consultants engaged by the Committee, the results of any advisory shareholder vote on the compensation of the Company's executive officers (the "say on pay" vote) and such other considerations as the Committee deems appropriate and, in the case of the executive officers of the Company other than the Chief Executive Officer, based in part on the recommendations of the Chief Executive Officer.
4. Administer, periodically review and approve the Company's long- and short-term incentive compensation plans, including, without limitation, Company's equity compensation plans in effect from time to time.
5. Determine overall scope of participation in the incentive plans and which officers shall participate in the plans. Determine the overall scope and weighting of performance measures and target award levels under the plans.
6. Monitor and evaluate such other matters relating to the compensation and benefits structure of the Company as the Committee deems appropriate, including:
  - a. Conduct an annual risk assessment of the Company's compensation plans and provide input to management on whether compensation arrangements for Company executives and other employees incentivize unnecessary and excessive risk taking.
  - b. Provide guidance to management on significant issues affecting compensation philosophy or policy.
7. Review and approve the Company's succession plan for the Chief Executive Officer and other key executives.
8. On an annual basis, review the Compensation Discussion and Analysis ("CD&A") required to be included in the Company's annual proxy statement and/or report on Form 10-K, determine whether or not to recommend that the CD&A be so included and prepare a report regarding executive compensation for inclusion therein.
9. As part of its review of the CD&A, take into account the say on pay vote for the upcoming annual meeting in accordance with applicable law (including voting standards) as well as prior say on pay votes.
10. Determine and recommend to the Board a desired frequency for say on pay votes (i.e., a recommendation for the advisory "say when on pay" vote), if any, to be proposed to shareholders at the annual meeting at least once every six years and in accordance with applicable law, SEC rules and Nasdaq Capital Market listing requirements (including voting standards) and prior shareholder votes on this subject.
11. Oversee the Company's response to the outcome of shareholder votes on say on pay and say when on pay.
12. Consider whether and to what extent, if any, to adopt and implement a so-called "clawback policy".
13. From time to time as the Committee determines it to be necessary or appropriate, conduct such reviews, investigations and surveys as necessary or appropriate in the exercise of its duties and responsibilities.
14. Annually review the compensation paid to the Company's non-employee directors, including in their roles as Chair of the Board, Lead Director (if any), committee chairs and members, participation in ad hoc committees, and take such actions as the Committee deems necessary or appropriate, including recommending to the Board changes to the compensation and benefits of the Company's non-employee directors to ensure that the package assists with attracting, retaining and motivating directors.

15. Determine stock ownership guidelines for executives and directors and monitor compliance with such guidelines.

### **Authority**

In exercising its responsibilities, the Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel and other adviser retained by the Committee. The Committee shall be provided with appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the Committee. The Committee shall conduct any evaluation of the independence of its advisors that is required by law, SEC rules or Nasdaq Capital Market listing standards from time to time and shall consider the following factors:

- The provision of other services to the Company by the firm that employs the compensation adviser;
- The amount of fees received from the Company by the firm that employs the compensation adviser, as a percentage of the total revenue of the firm that employs the compensation adviser;
- The policies and procedures of the firm that employs the compensation adviser that are designed to prevent conflicts of interest;
- Any business or personal relationship of the compensation adviser with a member of the Committee;
- Any stock of the Company owned by the compensation adviser or the adviser's immediate family members; and
- Any business or personal relationship of the compensation adviser or the firm employing the adviser with an executive officer of the Company.

The Committee shall not have the authority to delegate any of its responsibilities as enumerated in this Charter to management or any subcommittees.

On an annual basis, the Board will conduct an assessment of the Committee's performance during the previous year. In addition, from time to time as it deems necessary or appropriate, the Committee may conduct a similar self-assessment. The purpose of these assessments is to increase the effectiveness of the Committee and its members. Compliance with the responsibilities listed in this Charter shall form the principal criteria for such assessments, as well as such other factors and circumstances as are determined appropriate by the Committee or the Board.

### **Membership**

The Committee shall be composed of three or more directors as determined by the Board, each of whom shall be an independent director. As used herein, an "independent director" means a director who, in each case as and when necessary:

1. Meets the independence requirements of the Nasdaq Capital Market and the SEC applicable to compensation committee members as in effect from time to time.
2. Is a "Non-Employee Director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.
3. Is an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The members of the Committee shall be elected on an annual basis by a majority vote of the Board, and any vacancies on the Committee shall be filled by a majority vote of the Board, in each case on the recommendation of the Company's Nominating and Corporate Governance Committee. Members of the Committee may only be removed by the affirmative vote of a majority of the Board.

Unless a Chair is appointed by the full Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership. In the event that the Committee Chair is unable to serve as Chair for a specific meeting, he or she shall designate one of the Committee members to preside.

### **Meetings**

The Committee shall fix its own rules of procedure, which shall be consistent with the bylaws of the Company and this Charter. The affirmative vote of a majority of the full Committee membership shall be the act of the Committee, unless the Wisconsin Business Corporation Law, the Articles of Incorporation of the Company or its bylaws require the vote of a greater number of directors or the entire Board.

The Committee shall meet not less than twice per year, including at least once per year in executive session without the Chief Executive Officer. The Chair or a majority of the members of the Committee may also call a special meeting of the Committee. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum for the transaction of business.

The Committee may ask members of management, or others whose advice and counsel are relevant to the issues then being considered by the Committee, to attend any meeting and to provide such pertinent information as the Committee may request. Subsequent to each Committee meeting, a report of the actions taken by the Committee shall be made to the Board.