

**GRAHAM CORPORATION**  
**CHARTER OF THE COMPENSATION COMMITTEE**  
**OF THE BOARD OF DIRECTORS**

**Membership and Qualifications**

Members of the Compensation Committee of the Board of Directors (the “Board”) of Graham Corporation (the “Company”) shall be appointed by the Board and shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Compensation Committee shall consist of at least three (3) directors, each of whom shall be “independent” in accordance with Rule 10C-1(b) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the rules of the New York Stock Exchange (“NYSE”). Each member of the Compensation Committee must also qualify as a “non-employee director” for purposes of Rule 16b-3 under the Exchange Act and as an “outside director” for purposes of Section 162(m) of the Internal Revenue Code, as amended.

**Meetings, Structure and Procedures**

The Compensation Committee shall meet at least two (2) times per year. One Compensation Committee member shall serve as the Committee Chair and the Board shall determine which member shall be the Chair. The Compensation Committee will meet at such times and places as determined by the Chair, or as may be requested by any two (2) Compensation Committee members, upon three (3) days notice to each member personally, by mail or by written telecommunication. In addition, the Compensation Committee shall meet at such other times as it deems necessary or desirable to fulfill its responsibilities. The Compensation Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate.

The agenda of each Compensation Committee meeting will be prepared under the direction of the Chair and, whenever practicable, circulated to each Compensation Committee member prior to the meeting date. The Chair will preside, when present, at all Compensation Committee meetings.

A majority of the Compensation Committee shall constitute a quorum. Any action required or permitted to be taken at any Compensation Committee meeting may be taken without a meeting if all members of the Compensation Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Compensation Committee. Members of the Compensation Committee may participate in a Compensation Committee meeting by conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation in a meeting by these means shall constitute presence in person at the meeting.

Minutes shall be prepared for all meetings of the Compensation Committee to document the Compensation Committee's discharge of its responsibilities. The minutes shall be circulated in draft form to all Compensation Committee members, and shall be approved as presented or as modified at a subsequent Compensation Committee meeting.

## **Purpose**

The Compensation Committee has direct responsibility for reviewing and approving Company goals and objectives relevant to the compensation of the Chief Executive Officer, evaluating the Chief Executive Officer in light of those goals and objectives, and either as a committee or together with the other independent directors of the Board (as directed by the Board), determining and approving the compensation level of the Chief Executive Officer based on such evaluation. The Compensation Committee also has the direct responsibility for making recommendations to the Board with respect to non-Chief Executive Officer executive officer compensation including compensation pursuant to incentive compensation and equity-based plans that are subject to Board and/or stockholder approval.

The Compensation Committee is also responsible for producing the report on executive officer compensation required by the Securities and Exchange Commission to be included in the Company's annual proxy statement, and performing such other tasks as are consistent with this Charter.

## **Authority and Responsibilities**

The Compensation Committee shall:

1. Review and approve annually Company goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of those goals and objectives, and either as a committee or together with the other independent directors of the Board (as directed by the Board), determine and approve the Chief Executive Officer's compensation level based on such evaluation. In evaluating and determining Chief Executive Officer compensation, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("Say on Pay Vote") required by Section 14A of the Exchange Act.
2. Produce the annual report on executive compensation required by the Securities and Exchange Commission to be included in the Company's annual proxy statement and review the Compensation Discussion and Analysis required to be included in the Company's annual proxy statement.
3. Make recommendations to the Board with respect to incentive compensation and equity-based plans that are subject to Board and/or stockholder approval.
4. Review annually and make recommendations to the Board with respect to the compensation of the Company's executive officers other than the Chief Executive Officer, including compensation pursuant to incentive compensation and equity-based

plans. The Compensation Committee shall also review the appropriateness of Company policies and practices regarding perquisites provided to executive officers.

5. From time to time review and make recommendations to the Board with respect to the compensation of directors.
6. From time to time review and make recommendations to the Board regarding awards to employees pursuant to any of the Company's equity or incentive-based compensation plans now or hereafter in effect. The Compensation Committee shall exercise such power and take such actions as may be permitted or required to be taken by the Board pursuant to such plans.
7. Have the authority and responsibilities regarding the retention of a compensation consultant, legal counsel or other adviser that are required or provided under Rule 10C-1 promulgated under the Exchange Act and NYSE rules. The Compensation Committee may select and retain a compensation consultant, legal counsel, or other adviser as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Compensation Committee shall receive appropriate funding from the Company, as determined by the Committee, for payment of compensation to its compensation consultants, outside legal counsel, or other adviser to the Committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under the Charter. The Compensation Committee shall select a compensation consultant, legal counsel or other adviser to the Compensation Committee only after taking into consideration all relevant factors related to that person's independence from the management of the Company, as required by NYSE rules.
8. 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. Any compensation consultant retained by the Compensation Committee to assist with its responsibilities relating to executive compensation shall not be retained by the Company for any compensation or other human resource matters.
9. Have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Compensation Committee may deem appropriate in its sole discretion.
10. At least annually, review and assess the adequacy of this Charter and conduct a performance evaluation of the Compensation Committee. The Compensation Committee shall recommend any proposed changes to the Board for approval.

## **General**

The Compensation Committee is also charged with such other tasks and responsibilities as are consistent with this Charter, the Exchange Act, the rules and regulations promulgated by the Securities and Exchange Commission and NYSE rules.