

# **NAPCO SECURITY TECHNOLOGIES, INC.**

## **COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

### **CHARTER**

#### **I. PURPOSE**

The purposes of the Compensation Committee shall be:

1. To discharge the Board's responsibilities relating to compensation of the Company's executives; and
2. To prepare the report on executive compensation for inclusion in the Company's annual proxy statement in accordance with applicable law.

#### **II. STRUCTURE AND OPERATIONS**

##### **1. Composition and Qualification**

The Compensation Committee shall be comprised of three members of the Board of Directors. The members of the Compensation Committee shall meet the independence requirements of the NASDAQ Stock Market, as in effect from time to time. All Committee Members shall also be non-employee directors as defined by Rule 16b3 under the Securities Exchange Act of 1934.

##### **2. Appointment and Removal**

The members of the Compensation Committee shall be appointed by the Board on the recommendation of the Nominating Committee and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Vacancies shall be filled in a similar manner. Compensation Committee members may be removed with or without cause by the majority vote of the directors then in office.

##### **3. Chairman**

Unless the Chairman is elected by the full Board of Directors, the members of the Committee shall designate a Chairman by the majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and, in consultation with the other Committee members, set the agendas for Committee meetings. The Chairman shall ensure that such agendas are circulated to the other Committee members in advance of each meeting.

### III. MEETINGS

The Compensation Committee shall meet as often as its members deem necessary to perform the Committee's responsibilities. The Committee shall call meetings of the Compensation Committee. A majority of the members of the Compensation 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.

The Compensation Committee shall make reports to the Board of Directors after each of its meetings, or as it deems necessary. The report to the Board of Directors may take the form of an oral or written report by the Chairman or any other member of the Compensation Committee designated by the Compensation Committee to make such report. The Compensation Committee shall maintain minutes or other records of meeting and activities of the Compensation Committee.

### IV. RESPONSIBILITY AND DUTIES

The functions listed below shall be principal activities of the Compensation Committee in carrying out additional functions and adopt additional policies and procedure as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors related to its purposes as outlined in this Charter.

The following are within the authority of the Compensation Committee:

Determine CEO compensation (the company's CEO may not be present at the meeting deliberations on this subject).

Determine non-CEO executive officer compensation (the Company's CEO may be present at the meeting deliberations on this subject, but may not vote).

Make recommendations to the Board with respect to incentive-compensation plans and equity-based plans, and establish criteria for the granting of options to the Company's officers and other employees and review and approve the granting of options in accordance with such criteria.

Evaluation

Review and evaluate the adequacy of this Charter annually and recommend to the Board any changes deemed appropriate by the Compensation Committee.

Review its own performance annually.

## V. COMMITTEE RESOURCES

The Compensation Committee shall have the authority, to extent it deems necessary or appropriate, to retain advisors including compensation consultants to assist in evaluating CEO, senior executive or director compensation. The Compensation Committee shall have the sole authority to approve the fees payable to such advisors and any other terms of retention, such as fees to be borne by the Company.