

CHARTER OF THE COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE OF THE BOARD OF DIRECTORS OF SMTC CORPORATION

Organization and Governance

The Compensation and Management Development Committee (the “Committee”) of the Board of Directors (the “Board”) of SMTC Corporation (the “Company”) will be comprised of three or more members, one of whom will act as Chair and each of whom is determined by the Board to be “independent” in accordance with the provisions of Rule 10C-1(b)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the rules of NASDAQ or any stock exchange on which the Company’s shares may be listed or traded. Additionally, no director may serve unless he or she (i) is a “non-employee director” for purposes of Rule 16b-3 under the Exchange Act and (ii) satisfies the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code.

The members of the Committee will be appointed by the Board based on recommendations from the Nominating and Governance Committee of the Board. The members of the Committee will serve for such term or terms as the Board may determine or until earlier resignation or death.

The Board may remove any member from the Committee at any time with or without cause.

The Committee will act by a majority of the members present at a meeting. Meetings may be held in person or by a means of telecommunication that allows all members attending to communicate with each other. In lieu of a meeting, the Committee may act by unanimous written consent. In the event that one or more vacancies on the Committee temporarily reduces the number of members to two (2), actions taken by these two (2) members of the Committee will be deemed authorized actions of the Committee.

Statement of Purpose

The purpose of the Committee is to discharge the responsibilities of the Board with respect to the compensation of the Company’s executives.

Duties and Responsibilities

The Committee will:

1. Review, develop and recommend to the Board the Company’s executive compensation strategies, policies and programs to enable the Company to attract, retain, deploy and motivate executives necessary to meet current and future needs of the Company.
2. Review and make recommendations regarding the compensation of the Chief Executive Officer, including base salary, annual and other fiscal year incentives, long-term incentives, equity-based awards and all other executive benefits on an annual basis. In evaluating and making recommendations regarding the Chief Executive Officer’s compensation, the Committee will consider the results of the most recent shareholder advisory vote on executive compensation (“Say on Pay Vote”) required by Section 14A of

the Exchange Act. The Chief Executive Officer cannot be present during any voting or deliberations by the Committee on his or her compensation. The Committee will submit its recommendation to the Board for final approval.

3. Review and make recommendations regarding the goals and objectives relevant to the variable compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance against those goals and objectives, and set the Chief Executive Officer's variable compensation awards based on this evaluation on an annual basis. The Committee will submit its recommendation to the Board for final approval.
4. Review and approve the compensation, including long-term incentives and equity-based payments, of the Chief Executive Officer's direct reports, including base salaries, bonuses and benefit programs (e.g., major pension plans, employee savings plans and employee health and welfare plans), severance arrangements or plans, including any benefits to be provided in connection with a change in control, and change in control agreements. The Committee will approve the adoption, amendment or termination of such plans. In evaluating and approving executive compensation, the Committee will consider the results of the most recent Say on Pay Vote.
5. Review and make recommendations regarding the content and issuance of any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, and change in control agreements for the Chief Executive Officer and direct reports, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans. The Committee will submit its recommendation to the Board for final approval. The Committee will review and approve recommendations regarding the items described under this paragraph 5 for all other employees.
6. Issue a report to the shareholders to the extent required by the Securities and Exchange Commission for inclusion in the Company's annual general meeting proxy statement or Annual Report on Form 10-K.
7. To review on an annual basis the risks arising from the Company's compensation policies and practices for its employees and determine whether or not such policies and practices are reasonably likely to have a material adverse effect on the Company.
8. Establish, and from time to time, as it considers appropriate, review, director compensation guidelines and principles, which include a statement of principle that the Company's Director compensation arrangements shall be competitive with director compensation at comparable companies; and a requirement that a portion of each director's compensation (as determined by the Committee from time to time) be paid in the form of equity.
9. Periodically review and make recommendations to the Board regarding the form and amount of the compensation of Board and Board Committee members.
10. Perform any other activities consistent with this Charter, the Company's certificate of incorporation and governing law, as the Committee or the Board deems necessary or appropriate.

11. Review and discuss the Compensation Discussion and Analysis (the “CD&A”) required to be included in the Company’s proxy statement and Annual Report on Form 10-K by the rules and regulations of the Securities and Exchange Commission with management, and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.

Outside Advisors

The Committee may select, retain and/or replace, or obtain advice of, as needed in its sole discretion, compensation and benefits consultants, independent legal counsel and any other advisor to provide advice to the Committee. In that connection, in the event the Committee retains any such advisor, the Committee will be directly responsible for compensation and oversight of the advisor and will have the sole authority to approve such advisor’s fees and other retention terms. The Company will provide funding, as determined by the Committee, for payment of compensation to such advisor.

Before selecting such an advisor, the Committee will undertake an independence assessment prior to selecting the advisor that will provide advice to the Committee, taking into account such factors as may be required by NASDAQ or any stock exchange on which the Company’s shares may be listed or traded from time to time. The Committee may retain, or receive advice from, any compensation advisor it prefers, including one that is not independent, after considering the results of the independence assessment.

The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice.

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. Any compensation consultant retained by the 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.

The Committee will review on an annual basis the performance of compensation and benefits consultants, independent legal counsel and any other advisor engaged to perform such services.

Delegation of Authority

The Committee may form and delegate authority and duties to subcommittees as it deems appropriate.

Reporting to the Board

Report to the Board significant issues discussed and make recommendations to be acted upon by the Board, as appropriate.

Evaluation of Charter and Committee

The Committee will review at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval. The Committee will conduct an annual evaluation of its performance and will present the results of the evaluation to the Board. The Committee will conduct this evaluation in such manner as it deems appropriate.