

## **GULF ISLAND FABRICATION, INC.**

### **COMPENSATION COMMITTEE CHARTER**

The purpose of the Compensation Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Gulf Island Fabrication, Inc. (the “Company”) in fulfilling the Board’s oversight responsibilities by: (i) discharging the responsibilities of the Board relating to the compensation of the Company’s officers, and (ii) administering the Company’s cash-based and equity-based incentive compensation plans. The Compensation Committee shall review and reassess the adequacy of this charter at least annually and recommend any proposed changes to the Board for approval.

#### **Composition and Independence**

The Committee shall be appointed by the Board and shall consist of a minimum of three directors. The Board may remove and replace members of the Committee. All Committee members shall be “independent” in accordance with the rules of the Securities and Exchange Commission (the “SEC”) and the Nasdaq Stock Market. No Committee member shall accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of the Company’s subsidiaries. In determining whether a director is eligible to serve on the Committee, the Board will consider the source of compensation of the director, whether the director is affiliated with the Company, any of the Company’s subsidiaries or an affiliate of any of the Company’s subsidiaries and all other factors necessary to determine whether the director has a relationship with the Company which is material to that director’s ability to be independent from management in connection with the duties of a member of the Committee. Each member shall also (i) qualify as a “non-employee director” under Rule 16b-3 of the Securities Exchange Act of 1934 (the “Exchange Act”), and (ii) qualify as an “outside director” under Section 162(m) of the Internal Revenue Code.

One member of the Committee shall be appointed by the Board as chair. The chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, and making regular reports to the Board. The Committee may not designate subcommittees except with the prior approval of the Board.

#### **Responsibilities**

The Committee shall have the authority and responsibilities set forth below. The Committee shall report its actions and recommendations to the Board at its next meeting. The Committee will conduct and present to the Board an annual performance evaluation of the Committee.

All actions and recommendations of the Committee with respect to the following responsibilities must be approved by the Board in order to become effective as acts of the Company:

- The Committee shall periodically review, approve and recommend to the Board the Company’s goals and objectives relating to the compensation of the Company’s

executives and other key employees (as the Committee may identify), including the specific relationship of corporate performance to such individuals' compensation.

- At least annually, the Committee shall evaluate the performance of the Company's executives and other key employees in light of such goals and objectives, and recommend to the Board the compensation of such individuals based on such evaluations.
  - In its recommendation regarding the compensation of the Company's Chief Executive Officer, the Committee shall report the factors and criteria upon which the recommendation is based and the relationship of the Company's performance to the Chief Executive Officer's compensation.
  - If the Board modifies or rejects in any material way any recommendation by the Committee with respect to the compensation of the Company's executives and other key employees, the Company shall make such disclosures to its shareholders as may be required by law.
- The Committee shall approve and recommend to the Board any agreements governing the terms of the employment and compensation of the Company's executives and other key employees, and any amendments to such agreements, including employment, noncompetition, indemnity, severance, change-in-control, termination and retirement agreements.
- The Committee shall approve and recommend to the Board all cash-based and equity-based incentive compensation plans or programs in which any or all of the Company's executives and other key employees may participate.
- The Committee shall periodically review and, if it deems appropriate, recommend to the Board adoption of new, or amendments to existing, cash-based and equity-based incentive plans.
- The Committee will oversee the Company's assessment of whether its compensation policies and practices are likely to expose the Company to material risks.
- The Committee shall periodically approve and recommend to the Board all Company benefit programs in which the Company's executives and other key employees may participate, other than those available generally to all salaried employees.
- The Committee shall consider the application of Section 162(m) of the Internal Revenue Code, Section 16 of the Exchange Act and any other rules governing executive compensation with respect to the Company's compensation structure and programs.
- The Committee shall oversee, review or approve such other compensation-related matters, and perform such other services, as may be delegated to it from time to time by the Board.

- The Committee will recommend, at least every six years, to the Board the Company's proposal relating to the frequency of the "say on pay" vote required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other policies or procedures related thereto. In addition, the Committee will review and consider the results of the most recent "say on pay" vote on the Company's executive compensation in determining executive compensation decisions and policies.

The Committee shall have the sole authority with respect to the responsibilities delegated below, and further action by the Company's Board shall not be required in order for such acts of the Committee to constitute the acts of the Company:

- The Committee shall have the sole authority to grant awards under the Company's cash-based and equity-based incentive compensation plans and programs, and to enter into and amend agreements with participants as to the terms of such awards.
  - The Committee shall have the sole authority to administer and interpret such plans and programs.
  - The Committee may delegate its authority to grant awards under the Company's cash-based and equity-based incentive compensation plans and programs as may be permitted by the terms of such plans and programs.
- The Committee will (a) review and discuss with Company's management the Compensation Discussion and Analysis (the "CD&A") to be included in the Company's annual proxy statement and determine whether to recommend to the Board that the CD&A be included in the annual report on Form 10-K and/or proxy statement, and (b) produce an annual report of the Committee for inclusion in the Company's annual report on Form 10-K and/or proxy statement in compliance with and to the extent required by the rules and regulations of the SEC.

## **Advisors**

The Committee shall have the sole authority, to the extent it deems necessary or appropriate, to retain independent legal counsel, accountants, consultants or other advisors (the "Advisors"). The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any Advisors retained by the Committee. The Company shall provide appropriate funding, as determined by the Committee, for payment of reasonable compensation to such Advisors.

Prior to selecting any Advisor, and on an annual basis for Advisors from whom the Committee obtains advice on a regular basis, the Committee shall take into consideration all factors relevant to the Advisor's independence from management, including the independence factors listed below. The Committee is required to conduct this independence assessment with respect to Advisors that provide advice to the Committee, other than in-house legal counsel. The independence factors that the Committee must consider, in addition to any other factors the Committee deems relevant, are: (a) the provision of other services to the Company by the employer of the Advisor; (b) the amount of fees received from the Company by the employer of

the Advisor, as a percentage of the total revenue of the employer of the Advisor; (c) the policies and procedures of the employer of the Advisor that are designed to prevent conflicts of interest; (d) any business or personal relationship of the Advisor with a member of the Committee; (e) any stock of the Company owned by the Advisor and the immediate family members of individuals providing services to the Company; and (f) any business or personal relationship of the Advisor or the employer of the Advisor with an executive officer of the Company.

In addition to conducting the independence assessment discussed above, the Committee shall also determine whether the work of any Advisor has raised any conflict of interest and review the proposed disclosure in the Company's proxy statement of the nature of the conflict and how the conflict is being addressed. The independence factors listed above are among the factors that shall be considered by the Committee in determining whether a conflict of interest exists.

### **Meetings**

The Committee shall meet at least once annually. Meetings may be called by the chair of the Committee, or at the request of a majority of the members of the Committee, the Company's President or the Chairman of the Board. Meetings of the Committee may be held either personally or telephonically, and a majority of the members of the Committee shall constitute a quorum. The Committee shall maintain written minutes of all of its meetings and provide, upon request, a copy of all such minutes to any member of the Board.

The Company's Chief Executive Officer may attend meetings of the Committee, but may not be present during voting or deliberations on his compensation.

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Recommended by the Compensation Committee and adopted by the Board of Directors on February 27, 2014.