

KARAT PACKAGING INC.

COMPENSATION COMMITTEE CHARTER

PURPOSE

The purpose of the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Karat Packaging Inc. (the “**Company**”) shall be to:

- oversee the Company’s compensation policies, plans and benefits programs, and overall compensation philosophy;
- establish, oversee, and administer the Company’s non-employee director compensation;
- assist the Board in discharging its responsibilities relating to (i) overseeing compensation of the Company’s Chief Executive Officer (“**CEO**”) and other individuals who are “officers” as defined in Rule 16a-1(f) (the “**Executive Officers**”) under the Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”), and (ii) evaluating and recommending the Executive Officer compensation plans, policies and programs of the Company; and
- administer the Company’s equity compensation plans, including the grant of equity awards pursuant to such plans or outside of such plans.

The Committee shall seek to structure the Company’s compensation plans, policies and programs to attract and retain the best available personnel for positions of substantial responsibility, to provide incentives for such persons to perform to the best of their abilities, and to promote success of the Company’s business.

MEMBERSHIP

The Committee shall consist of at least two Board members. Committee members shall be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee and may be removed by the Board in its discretion. The Board may designate one Committee member as its chairperson. If the Board does not designate a chairperson then the Committee may designate a chairperson by majority vote of its members. The Committee may form and delegate authority to subcommittees when appropriate.

Committee members must meet the following criteria as well as any additional criteria required by applicable law, the rules and regulations of the U.S. Securities and Exchange Commission or the securities exchange on which the Company’s securities are listed or such other qualifications as are established by the Board from time to time; *provided, however*, that the Company may rely upon any phase-in rules or interpretations applicable to newly listed companies in connection with an initial public offering:

- the independence requirements of the listing standards of the Nasdaq Stock Market, Inc. or the New York Stock Exchange, as applicable;
- unless determined otherwise by the Board, each member of the Committee will be a “non- employee director” as defined in Rule 16b-3 promulgated under Section 16 of the Exchange Act; and
- if applicable, such other qualifications as established by the Board from time to time.

RESPONSIBILITIES

The following are the principal recurring Committee responsibilities. The Committee may perform such other functions as are consistent with its purpose and applicable law, rules and regulations and as the Board or the Committee deem appropriate. In carrying out its responsibilities, the Committee’s policies and procedures shall remain flexible, to best react to changing conditions and circumstances.

- review at least annually and make recommendations to the members of the Board other than the CEO regarding the CEO’s: (i) annual base salary, (ii) annual incentive bonus, including the specific goals and amount, (iii) equity compensation, (iv) any employment agreement, severance arrangement or change of control protections, (v) any signing bonus or payment of relocation costs and (vi) any other significant benefits, compensation or similar arrangements (including, without limitation, perquisites and any other form of compensation);
- review at least annually and approve the compensation and benefits of the other Executive Officers;
- review and approve any compensatory contracts or similar transactions or arrangements with current or former Executive Officers other than the CEO, including employment contracts, severance or termination arrangements and loans made or guaranteed by the Company;
- review and approve corporate goals and objectives relevant to the compensation of the CEO and other Executive Officers, evaluate performance in light thereof, and consider factors related to the Company’s performance, including accomplishment of the Company’s long- term business and financial goals;
- make recommendations to the full Board regarding the establishment of and administer annual and long-term incentive compensation plans for Executive Officers and other senior executives, including (i) approving performance objectives and certifying performance achievement; and (ii) approving all equity-based compensation plans and grant awards of shares and stock options pursuant to such plans;

- review on a periodic basis the operations of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s), including taking steps to modify any executive compensation program that yields payments and benefits that are not reasonably related to executive and corporate performance;
- administer the Company's equity incentive plans, such administrative responsibilities to include (i) granting stock options, stock purchase rights or other equity-based or equity-linked awards to individuals eligible for such grants (including grants to individuals subject to Section 16 of the Exchange Act in compliance with Rule 16b-3 promulgated thereunder); (ii) amending such stock options, stock purchase rights or equity-based or equity-linked awards; and (iii) making recommendations to the Board regarding amendments to the plans and changes in the number of shares reserved for issuance thereunder;
- provide oversight of the Company's overall compensation plans and benefits programs and make recommendations to the Board regarding improvements or changes to such plans or programs or the adoption of new plans or programs when appropriate;
- evaluate, on a periodic basis, the competitiveness of (i) the compensation of the CEO and Company's other Executive Officers, and (ii) the Company's overall compensation plans;
- if applicable, review and recommend to the Board for approval the frequency with which the Company will conduct a Say-on-Pay Vote, taking into account the results of the most recent stockholder advisory vote on frequency of Say-on-Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's proxy statement;
- evaluate and, if applicable, make recommendations to the full Board on compensation for non-employee directors and engage outside consultants and/or the Human Resources Department when appropriate;
- establish, administer and revise as necessary or appropriate the Company's non-employee director compensation policy;
- periodically review and recommend to the Board for approval compensation and benefits, including equity awards, for non-employee directors;
- periodically review executive compensation programs and total compensation levels, including:
 - conducting comparative analyses of total compensation relative to market;

- quantifying maximum executive payouts under performance-based incentive plans and total payments under a variety of termination conditions, including upon a change of control; and
- the impact of tax and accounting rules changes;
- establish and periodically review policies for senior management perquisites;
- authorize share repurchases from terminated employees pursuant to applicable law; and
- review periodically the succession planning for Executive Officers other than the CEO, reporting its findings and recommendations to the Board, and assist the Board in evaluating potential successors to such Executive Officers where the Committee or the Board consider it appropriate.

MEETINGS

The Committee shall meet as often as it deems necessary or appropriate to fulfill its responsibilities. The Committee may meet either in person or telephonically, and at such times and places as the Committee determines. The Committee may establish its own meeting schedule, which it shall provide to the Board. The Committee chairperson shall preside at each meeting. If a chairperson is not designated or present then the Committee members present may designate an acting chairperson. The Committee may act by written consent (which may include electronic consent), which shall constitute a valid Committee action if it has been executed by each Committee member and shows the date of execution.

The Committee may invite to its meetings any director, officer or employee of the Company and such other persons as it deems appropriate to fulfill its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate, including non-employee directors who are not Committee members, to meet its responsibilities. No officer may be present during portions of any meeting during which his or her performance and compensation are being deliberated and determined.

As part of its review and approval of the performance criteria and compensation of designated key executives, the Committee should meet at least annually with the CEO, the Company's principal human resources executive, and any other corporate officers as it deems appropriate. The Committee should also meet regularly without such officers present.

MINUTES

The Committee shall maintain written meeting minutes, which minutes shall be filed with the minutes of the corresponding Board meeting. Any written consent will be effective on the date of the last signature and will be filed with the minutes of the corresponding Board meeting.

REPORTS

The Committee shall report regularly to the Board following Committee meetings, regarding such other matters as are relevant to the Committee's discharge of its responsibilities and with respect to such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the chairperson or any other Committee member designated by the Committee to make such report.

The Committee shall review and discuss with management the Company's Compensation Discussion and Analysis (if any) in the Company's annual proxy statement, and produce a report, as applicable, on executive compensation for inclusion in the Company's annual proxy statement.

SUBCOMMITTEES

The Committee may delegate its authority to subcommittees or individuals as the Committee deems appropriate, except to the extent such delegation would violate an applicable tax or securities law, regulation or rule of any exchange upon which the Company's securities are then listed. Unless modified by action taken after the date this charter is approved, the Committee delegates to a subcommittee of the Committee made up of those Committee members who are "non-employee directors" under Rule 16b-3 of the Exchange Act the nonexclusive authority to take any actions that require the approval or certification of a Committee made up solely of non-employee directors to exempt the grant and exercise of stock options from short-swing profit liability under Section 16 of the Exchange Act.

AUTHORITY TO RETAIN ADVISORS

In performing its responsibilities, the Committee shall have the authority to engage any consultant to assist in the evaluation of Executive Officer compensation, including sole authority to retain and terminate such consultant and approve such consultant's fees and other retention terms. The Committee shall also have the authority to engage and obtain advice, reports or opinions from internal or independent counsel and other expert advisors, as it determines necessary or appropriate, to carry out its duties. Other than in-house legal counsel, the Committee may engage such consultant, counsel or advisor only after considering his or her independence, in accordance with SEC Rule 10(C)-1(b) and any other factors as may be required by the SEC or the listing standards of the Nasdaq Stock Market, Inc. or the New York Stock Exchange, as applicable. However, nothing in this charter requires a compensation consultant, or other consultant or advisor (including outside legal counsel) to be independent, and the Committee may select or receive advice from any compensation advisor it prefers, including ones that are not independent, after conducting an analysis of whether such consultant or advisor meets the independence standards. 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 Company shall provide appropriate funding, as determined by the Committee, to pay any compensation consultant or any other outside advisors hired by the Committee and any administrative expenses of the Committee that are necessary or appropriate in carrying out its activities.

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.

COMPENSATION

Committee members shall receive such fees, if any, for their service as Committee members as may be determined by the Board in its sole discretion.

COMMITTEE CHARTER REVIEW

The Committee shall review and reassess the adequacy of this charter annually and shall submit any recommended charter changes to the Board for approval.

PERFORMANCE REVIEW

The Committee shall review and assess its performance annually