

**CLOUD PEAK ENERGY INC.**

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

July 2018

**I. Purpose and Role**

The Compensation Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Cloud Peak Energy Inc. (the “Company”) to assist the Board with matters related to executive and director compensation. The Committee’s primary duties and responsibilities are to:

- review, evaluate and approve, or recommend to the Board or other independent directors of the Board, the agreements, plans, policies and programs of the Company to compensate the Company’s executive officers and directors;
- oversee the Company’s plans, policies and programs to compensate the Company’s non-executive employees;
- review and discuss with the Company’s management the Compensation Discussion and Analysis (“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 Company’s annual proxy statement, in accordance with applicable rules and regulations;
- produce the Compensation Committee Report as required by Item 407(e)(5) of Regulation S-K for inclusion in the Company’s annual proxy statement, in accordance with applicable rules and regulations;
- otherwise discharge the Board’s responsibilities relating to compensation of the Company’s executive officers and directors; and
- perform such other functions as the Board may assign to the Committee from time to time.

This Compensation Committee charter (this “Charter”) has been adopted by the Board and may be amended by the Board from time to time in compliance with applicable laws, rules and regulations, including the applicable rules of the Securities and Exchange Commission (the “SEC”) and the New York Stock Exchange (the “NYSE”).

**II. Composition and Organization of the Committee**

The Committee shall consist of at least three directors, each of whom satisfies the independence criteria of the NYSE (including any independence requirements applicable specifically to compensation committee members) and the *Guidelines on the Independence of the Directors* as set forth in Annex A of the Company’s Corporate Governance Guidelines. In addition, all members of the Committee shall be “Non-Employee Directors” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (“Rule 16b-3”). Notwithstanding the foregoing membership requirements, no action of the Committee shall be invalid by reason of any such requirement not being met at the time such action is taken.

The Committee shall, when it determines that it is in the best interest of the Company and its stockholders to do so, endeavor to make awards that are exempt under Rule 16b-3. The Committee may elect to have specific grants and awards approved by a subcommittee of the Committee in order to assist in achieving these purposes.

The Nominating and Corporate Governance Committee or a subcommittee thereof shall recommend nominees for appointment to the Committee annually and as vacancies or newly created positions occur. Members of the Committee shall be appointed by the Board and shall serve for such term as the Board may determine. The Nominating and Corporate Governance Committee shall recommend, and the Board shall designate, one member of the Committee to act as its Chairperson. The Secretary or an Assistant Secretary of the Company shall act as secretary to the Committee.

Committee members shall serve until their failure to qualify, resignation, retirement, removal by the Board or until their successors shall be duly appointed and qualified. A member of the Committee shall be deemed to have resigned from the Committee at such time that the member shall no longer be a director of the Company.

### **III. Meetings of the Committee**

The Committee shall meet at the call of its Chairperson, two or more members of the Committee or the Chairperson of the Board. Meetings of the Committee shall be held at such time and place, and upon such notice, as its Chairperson may determine, and may be in person or by telephone. The Committee shall maintain minutes of its meetings. The Committee shall meet at least two times per year, and may meet more frequently if circumstances so dictate.

The Committee may request any other member of the Board, any officer or employee of the Company or any other person whose presence the Committee believes to be necessary or appropriate to attend a meeting of the Committee or to meet with any member of the Committee, subject to the maintenance of confidentiality where appropriate or required.

A majority of the Committee's members shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may also act by unanimous consent, either in writing or by electronic transmission, in lieu of a meeting. For purposes of this Charter, "electronic transmission" means any form of communication not directly involving the physical transmission of paper that creates a dated record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such recipient through an automated process.

The Committee may determine such additional rules and procedures as it believes are necessary or appropriate.

#### **IV. Duties and Responsibilities of the Committee**

The Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Committee. Without limiting the generality of the preceding statements, the Committee shall have authority, and is entrusted with the responsibility, to take the following actions:

1. to establish the Company's general compensation philosophy and oversee the development and implementation of executive compensation policies and programs as set forth herein, in consultation with management and external independent consultants as appropriate;
2. to review, modify (if necessary) and approve the Company's peer companies and data sources for purposes of evaluating the Company's executive officer and director compensation competitiveness and establishing the appropriate competitive positioning of the levels and mix of compensation elements;
3. to make recommendations to the Board on any new equity-based compensation plan, on any material change to an existing plan and/or in respect of any new or material change to the Company's short-term and long-term incentive plans and employee stock purchase plan, and to discharge any responsibilities imposed on the Committee by any of these or future plans;
4. to review, modify (if necessary) and approve corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer and the Company's other executive officers;
5. to review, modify (if necessary) and approve the Company's executive compensation program in light of the Company's goals and objectives relative to executive compensation;
6. to evaluate the performance of the Company's Chief Executive Officer and, in consultation with the Chief Executive Officer, the Company's other executive officers in light of the Company's executive compensation goals and objectives;
7. based on this evaluation, to recommend to the independent directors of the Board the compensation of the Chief Executive Officer, and in consultation with the Chief Executive Officer, to set the compensation of the Company's other executive officers, including the annual base salary levels; annual cash incentive awards; long-term incentive awards; employment agreements, severance arrangements and change-in-control agreements and provisions; and any special or supplemental benefits. In determining the long-term incentive component (if any) of such compensation, the Committee should consider the Company's performance and relative stockholder return, the value of similar awards to officers at comparable companies and the awards given to the Chief Executive Officer and other executive officers historically;

8. to review and discuss with management the CD&A, and based on that review, to determine whether to recommend to the Board that the CD&A be included in the Company's annual proxy statement, in accordance with applicable rules and regulations;
9. to prepare a Compensation Committee Report as required by Item 407(e)(5) of Regulation S-K for inclusion in the Company's annual proxy statement, in accordance with applicable rules and regulations;
10. to conduct a review of compensation for non-employee directors at least annually (including compensation for service on the Board and Board committees, meeting fees and equity-based compensation), make recommendations concerning the compensation of non-employee directors to the Board and provide oversight and administration of any plans or programs providing for the compensation of non-employee directors;
11. to periodically assess the need for changes to and evaluate compliance with the Company's stock ownership guidelines;
12. to review and recommend to the Board how frequently the Company should permit stockholders to have an advisory vote on executive compensation ("say-on-pay"), which review should take into account the historical results of stockholder advisory votes on the frequency of say-on-pay resolutions at the Company;
13. following each stockholder meeting at which a say-on-pay resolution is proposed for a stockholder advisory vote, to review the results of the advisory vote and consider whether to make any adjustments to the Company's executive compensation policies and practices;
14. to prepare and recommend to the Board for adoption or amendment as applicable, a clawback policy that complies with applicable rules and regulations, including the rules and regulations of the SEC and NYSE;
15. to evaluate compensation policies and practices for all employees to ensure they do not pose risks that are reasonably likely to have a material adverse effect on the Company;
16. to report to the Board after each of its meetings;
17. to prepare and to review with the Board an annual performance evaluation of the Committee in such manner as the Committee (or other appropriate committee designated by the Board) deems appropriate;
18. to review this Charter at least annually and to recommend any changes to the Board; and

19. to carry out any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs.

## **V. Delegation to Subcommittee**

The Committee may, in its discretion and as appropriate, delegate duties and responsibilities to a member or to a subcommittee of the Committee.

## **VI. Resources and Authority**

The Committee shall have the resources and authority to discharge its duties and responsibilities, including the sole authority to retain or obtain the advice of a compensation consultant, independent legal counsel or other experts or advisors, as it deems necessary or appropriate, without seeking approval of the Board or management. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other advisor retained by the Committee. Prior to any such engagement, the Committee shall analyze the relationships such consultants, legal counsel (other than in-house legal counsel) or advisors have with members of the Committee as well as management and the Company as a whole. This analysis shall take into consideration all factors relevant to the independence of the compensation consultant, legal counsel or other advisor, including the specific factors identified by the SEC and NYSE. The Company shall provide for appropriate funding, as determined by the Committee, for payment of (a) reasonable compensation to a compensation consultant, independent legal counsel or any other advisor retained by the Committee; and (b) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Each member of the Committee shall be paid the fee set by the Board for his or her services as a member, or Chairperson, as the case may be, of the Committee. Committee members shall be reimbursed by the Company for all reasonable expenses incurred in connection with their duties as Committee members.

## **VII. Posting Requirement**

The Company shall make this Charter available on or through the Company's website as required by applicable rules and regulations. In addition, the Company shall disclose in its annual proxy statement that a copy of this Charter is available on the Company's website and provide the website address.

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While the Committee members have the duties and responsibilities set forth in this Charter, nothing contained herein is intended to create, or should be construed as creating, any responsibility or liability of the Committee members, except to the extent otherwise provided under applicable federal or state law. Further, nothing in this Charter is intended to preclude or

impair the protection provided in Section 141(e) of the Delaware General Corporation Law for good faith reliance by Committee members on reports or other information provided by others.