

CHARTER OF THE COMPENSATION COMMITTEE OF GUSHAN ENVIRONMENTAL ENERGY LIMITED

Purpose

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Gushan Environmental Energy Limited (the “Company”) is to assist the Board in reviewing and approving the compensation structure of the directors and the executive officers of the Company, including all forms of compensation to be provided to the directors and the executive officers of the Company.

Composition of the Committee

The Committee shall be comprised of three or more directors one of whom meets the independence and other requirements of the New York Stock Exchange, Inc. (“NYSE”) and the Securities and Exchange Commission (the “SEC”), provided that the Board may elect to take advantage of any exemption from such requirements provided in the SEC or NYSE rules. Determinations as to whether a particular director satisfies the requirements for membership of the Committee shall be made by the Board.

The members of the Committee shall be appointed by the Board on the recommendation of the Corporate Governance and Nominating Committee and shall serve for such terms as the Board may determine, or until their earlier resignation, death or removal by the Board.

Meetings

The Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities, but in any case, not less than twice a year or more frequently as necessary. The Board shall designate one member of the Committee to serve as its chairperson. The Committee will meet at such times as determined by its chairperson or as requested by any two of its members. Notice of all meetings shall be given, and waiver thereof determined, pursuant to the provisions contained in the Company’s Articles of Association. The chairperson will preside, when present, at all meetings of the Committee. The Committee may meet by telephone or video conference and may take action by written consent.

Each member of the Committee shall have one vote. One-third of the members, but not less than two, shall constitute a quorum. The Committee shall be authorized to take any permitted action only by the affirmative vote of a majority of the Committee members present at any meeting at which a quorum is present, or by the unanimous written consent of all of the Committee members.

The Committee shall maintain copies of minutes of each meeting of the Committee, and each written consent to action taken without a meeting, reflecting the actions so authorized or taken by the Committee. A copy of the minutes of each meeting and all consents shall be placed in the Company’s minute book.

Delegation

The Committee may form, and delegate authority to, subcommittees when it deems appropriate.

External Advisors

The Committee shall have the sole authority to retain and terminate compensation consultants to assist in the evaluation of director, principal executive officer (the “PEO”) or executive officer compensation, including sole authority to approve the consultants’ fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from any officer or employee of the Company or any outside legal expert or other advisor.

Duties and Responsibilities

The Committee shall:

1. Review and determine the compensation package for the PEO. Annually, while meeting in executive session, review and approve corporate goals and objectives relevant to the PEO compensation, evaluate the PEO's performance in light of those goals and objectives and establish the individual elements of the PEO's total compensation based on this evaluation. In determining the long-term incentive component of the PEO's compensation, the Committee shall consider the Company's performance and shareholder returns relative to comparable companies, the value of similar incentive awards to the PEOs at comparable companies and the awards given to the PEO in past years.
2. Review and determine the compensation package for the Company's executive officers.
3. Review and monitor the Company's employee and management compensation and benefit plans and policies.
4. Advise on the setting of compensation for officers whose compensation is not subject to Committee approval.
5. Review periodically and approve any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.
6. Approve grants and/or awards of and administer restricted stock, stock options and other forms of equity-based compensation under the Company's stock option, incentive-compensation and equity-based plans.
7. Approve adoptions of, and any material amendments to, tax qualified, non-discriminatory employee benefit plans and parallel nonqualified plans, and any inducement grant of options made to a person not previously an employee or director of the Company.
8. Review and approve, for the PEO and other executive officers of the Company, when and if appropriate, employment agreements, severance agreements and change in control provisions/agreements.
9. Evaluate and recommend to the full Board appropriate compensation for the Company's directors, including compensation and expense reimbursement policies for attendance at Board and committee meetings.
10. Review and approve officer and director indemnification and insurance matters.
11. Review and approve any employee loan in an amount equal to or greater than Rmb 100,000.
12. Provide the compensation committee report on executive compensation to the Board.
13. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
14. Conduct an annual performance evaluation of the Committee.
15. Report to the Board on a regular basis and make such recommendations with respect to any of the above and other matters as the Committee deems necessary or appropriate.
16. Identify Board members qualified to fill a vacancy on the Committee of the Board and recommend such Board members to the Board for appointment to the Committee.
17. Identify committee members of the Committee not qualified or suitable to continue to be committee members of the Committee and recommend removal of such committee members from the Committee to the Board.
18. Receive, review and confer with the Audit Committee any concerns raised by any parties directly or indirectly to the Committee and take action in response to such concerns as may be deemed appropriate by the Committee.
19. Perform such other duties and responsibilities, consistent with this Charter, delegated to the Committee by the Board or required under the provisions of any compensation or benefit plan maintained by the Company.