

**CHARTER OF THE COMPENSATION AND CORPORATE
GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS OF
NORTHERN POWER SYSTEMS CORP.**

Adopted January 2, 2015

PURPOSE

The Compensation and Corporate Governance Committee (the “**Committee**”) of Northern Power Systems Corp. (the “**Company**”), on behalf of the Company’s Board of Directors (the “**Board**”), discharges the Board’s responsibilities relating to:

- Developing and implementing compensation policies and plans that ensure the attraction and retention of key management personnel, the motivation of management to achieve the Company’s corporate goals and strategies, and the alignment of the interests of management with the long-term interests of the Company;
- Developing and recommending to the Board a set of corporate governance guidelines applicable to the Company, periodically reviewing such guidelines, and recommending any changes thereto;
- Identifying, selecting, or recommending individuals qualified to become board members, nominees recommended by securityholders, consistent with criteria approved by the Board; and
- Overseeing the evaluation of the Board, its committees and management.

MEMBERSHIP

The number of individuals serving on the Committee shall be fixed by the Board from time to time, but shall consist of no fewer than two members, each of whom satisfies the standards of independence as set by Canadian and United States securities administrations and Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market LLC.

In addition, in affirmatively determining the independence of any director who will serve on the Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and (ii) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

Each member of the Committee shall be appointed annually by the Board, and shall continue to be a member until a successor is appointed, unless the member resigns, is removed by the Board with or without cause, or ceases to be a director of the Company. The Board may fill a vacancy that occurs on the Committee at any time. The Board shall designate one member of the Committee to serve as Chair of the Committee. The Secretary of the Company shall be the secretary of the Committee.

MEETINGS

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities, but shall meet at least annually. Meetings may be in person or by telephone conference or other technology by means of which all persons can hear and participate. A majority of members of the Committee shall constitute a quorum for purposes of holding the meeting and the Committee may act by a vote of a majority of members present at such meeting. In lieu of a meeting, the Committee may act by unanimous written consent in accordance with the Company's Articles. The Chair of the Committee, in consultation with the other members and management, may set meeting agendas consistent with this Charter.

ROLES AND RESPONSIBILITIES

The Board has delegated to the Committee the responsibilities listed below. The enumerated responsibilities are not meant to restrict the Committee from examining any matters related to its purpose.

1. Compensation Activities

Executive, Senior Management, and Incentive Compensation

- Review and approve the corporate goals and objectives that may be relevant to the compensation of the Company's Chief Executive Officer ("CEO"), evaluate the CEO's performance in light of those goals, and determine and approve the CEO's compensation based on such evaluation. The chief executive officer may not be present during voting or deliberations on his or her compensation.
- Make recommendations to the Board with respect to the Company's overall system of executive compensation and assessing the performance of the Company's executive management and the determination of all direct, indirect and incentive compensation, benefits and prerequisites (cash and non-cash) for members of the Company's executive management team.
- Provide oversight of decisions regarding the compensation of all members of senior management of the Company (other than the CEO and executive management team described above), including with respect to any incentive-based compensation plans and equity-based plans; and review periodically the aggregate amount of compensation being paid or potentially payable to members of the Company's senior management.
- Review and approve grants and awards under incentive-based compensation plans and equity-based plans, in each case consistent with the terms of such plans.
- Review and make recommendations to the Board as the Committee deems advisable with regard to policies and procedures for the grant of equity-based awards by the Company.

Independent Director Compensation

- Review and make recommendations to the Board with respect to the compensation of the Company's independent directors, including with respect to any equity-based plans.

Compensation Advisor

- Appoint, retain, terminate, and oversee the work of any compensation consultant, legal counsel or other advisor retained on behalf of the Committee in connection with the compensation of the Company's management or directors, including the sole authority for approving any such consultant or advisor's fees and terms of engagement, after taking into consideration all factors relevant to that consultant or advisor's independence from management of the Company, including:
 1. the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
 2. the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
 3. the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
 4. any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
 5. any securities of the Company owned by the compensation consultant, legal counsel or other adviser; and
 6. any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an Executive Officer of the Company.

Compensation Report

- Review and discuss with management the Compensation Discussion and Analysis ("CD&A") to be included in any proxy statement or annual securities reporting.
- Based on such review, make a recommendation to the Board to include the CD&A in any proxy statement or annual securities reporting.
- Prepare any required Compensation Committee Report to be included in any proxy statement or annual securities reporting.

2. Corporate Governance and Nominating Activities

Corporate Governance

- Develop and recommend to the Board a set of Corporate Governance Guidelines applicable to the Company that satisfy Canadian and U.S. securities exchange standards, and Rule 5605 of the Listing Rules of the NASDAQ Stock Market LLC.
- Review and reassess such guidelines periodically and recommend any proposed changes to the Board for approval.
- Monitor, assess and make recommendations to the Board with respect to the relationship between the Board and the Company's executive management, including the limits to executive management's authority.

- Review and make recommendations to the Board with respect to material corporate policies affecting such matters as corporate disclosure, insider trading, and ethical business conduct

Nomination and Board Composition

- Recommend to the Board, and annually reassess, criteria for Board and committee membership, which shall include a description of any specific minimum qualifications that the Committee believes must be met by a Committee-recommended nominee, and a description of any specific qualities or skills that the Committee believes must be met by one or more of the Company's directors and committee members.
- Establish a policy with regard to the consideration of director candidates recommended by securityholders.
- Establish procedures to be followed by securityholders in submitting recommendations for director candidates to the Committee. At date of adoption by the Board, the procedures to be followed by securityholders are as follows:
 1. All securityholder recommendations for director candidates must be submitted to the General Counsel of the Company, who will forward all recommendations to the Committee.
 2. All securityholder recommendations for director candidates must be submitted to the Company not less than 120 calendar days prior to the date on which the Company's proxy statement was released to securityholders in connection with the previous year's annual meeting.
 3. All securityholder recommendations for director candidates must include the following information:
 - a. The name and address of record of the securityholder.
 - b. A representation that the securityholder is a record holder of the Company's securities, or if the securityholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) of the Securities Exchange Act of 1934.
 - c. The name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five (5) full fiscal years of the proposed director candidate.
 - d. A description of the qualifications and background of the proposed director candidate which addresses the minimum qualifications and other criteria for Board membership approved by the Board from time to time and set forth in this Charter.
 - e. A description of all arrangements or understandings between the securityholder and the proposed director candidate.
 - f. The consent of the proposed director candidate (i) to be named in the proxy statement relating to the Company's annual meeting of securityholders and (ii) to serve as a director if elected at such annual meeting.

- g. Any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to the rules of the Securities and Exchange Commission.
- Establish a process for identifying and evaluating nominees for the Board, including nominees recommended by securityholders. At date of adoption by the Board, the process for identifying and evaluating nominees for the Board is as follows:
 1. The Committee may solicit recommendations from any or all of the following sources: non-management directors, the Chief Executive Officer, other executive officers, third-party search firms, or any other source it deems appropriate.
 2. The Committee will review and evaluate the qualifications of any proposed director candidate, and conduct inquiries it deems appropriate.
 3. The Committee will evaluate all proposed director candidates in the same manner, with no regard to the source of the initial recommendation of such proposed director candidate.
 4. In identifying and evaluating proposed director candidates, the Committee may consider, in addition to the minimum qualifications and other criteria for Board membership approved by the Board from time to time, all facts and circumstances that it deems appropriate or advisable, including, among other things, the skills of the proposed director candidate, his or her depth and breadth of business experience or other background characteristics, his or her independence and the needs of the Board.
 - Upon identifying individuals qualified to become members of the Board, consistent with the minimum qualifications and other criteria approved by the Board from time to time, recommend that the Board, meeting in an executive session, select the director nominees for election at each annual meeting of securityholders; provided that, if the Company is legally required by contract or otherwise to provide third parties with the ability to nominate individuals for election as a member of the Board (in accordance with shareholder agreements or management agreements, for example), the selection and nomination of such director nominees shall be governed by such contract or other arrangement and shall not be the responsibility of the Committee.
 - Review all securityholder nominations and proposals submitted to the Company (including any proposal relating to the procedures for making nominations or electing directors), determine whether the nomination or proposal was submitted in a timely manner and, in the case of a director nomination, whether the nomination and the nominee satisfy all applicable eligibility requirements, and recommend to the Board appropriate action on each such nomination or proposal.
 - Consider nominations in light of the requirement that a majority of the Board be comprised of directors who meet the independence requirements set forth in Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market LLC.
 - Annually determine the independence of each director for the purpose of their membership on the Board and each committee, in accordance with applicable law, rules, regulations, instruments and policies of applicable regulators and, if advisable,

developing and recommending to the Board categorical independence guidelines for the Company's directors.

- Review any material changes in a director's circumstances that could adversely impact the director's ability to carry out his or her duties on the Board and any committees.
- Annually review and make recommendations to the Board pertaining to the allocation of Board members to each of the Board committees, which allocations shall be determined by the Board meeting in an executive session,; and appoint directors to fill vacancies arising from time to time in respect to any of such committees.
- Annually review any management succession plan developed by the CEO, ensuring that it adequately addresses the succession of members of executive management and making any recommendations to the Board as the Committee deems necessary or advisable.
- Oversee an annual evaluation of the Board and the Company's management for the prior fiscal year.

3. Additional Responsibilities

Risk Management

- Assess with the Company's executive management the Company's material risk exposures relating to corporate governance, executive compensation and management succession, and the Company's actions to identify, monitor, and mitigate such exposure.

Annual Review

- Annually review and assess the adequacy of this Charter, and the charters of the Board's other standing committees, and make recommendations to the Board with respect to such amendments as may be necessary or advisable.
- Perform an annual performance evaluation of the Committee and report to the Board on the results of such evaluation.

Matters Relating to Retention and Termination of Search Firms to Identify Director Candidates

- Exercise sole authority to retain and terminate any search firm that is to be used by the Company to assist in identifying director candidates. The Committee shall also have sole authority to approve any such search firm's fees and other retention terms.

GENERAL PROVISIONS

The Committee may establish and delegate authority to one or more subcommittees consisting of one or more of its members when the Committee deems it appropriate to do so in order to carry out its responsibilities.

The Committee shall make regular reports to the Board concerning areas of the Committee's responsibilities.

The Committee shall have the authority to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent auditor, or any other professional retained by the Company to render advice to the Company attend a meeting of the Committee or meet with any members of or advisors to the Committee. The Committee shall also have the authority to engage legal, accounting or other advisors to provide it with advice and information in connection with carrying out its responsibilities and shall have sole authority to approve any such advisor's fees and other retention terms.

In carrying out its responsibilities, the Committee shall be entitled to rely upon advice and information that it receives in its discussions and communications with management and such experts, advisors and professionals with whom the Committee may consult.

The Committee may perform such other functions as may be requested by the Board from time to time.