

## **ADVANCED DRAINAGE SYSTEMS, INC.**

### **Compensation and Management Development Committee Charter**

#### **I. Purpose**

The primary purpose of the Compensation and Management Development Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Advanced Drainage Systems, Inc. (the “Company”) in fulfilling its oversight responsibilities related to the Company’s compensation structure and compensation, including equity compensation, and other remunerations paid by the Company.

The Committee has overall responsibility for: (a) overseeing the Company’s compensation policies, plans and benefits programs; (b) reviewing the compensation of members of the Board (“Directors”); (c) reviewing and approving, or recommending to the Board for approval for the Company’s executive officers (“Executive Management”), including the Chief Executive Officer (“CEO”): (i) the annual base salary, (ii) the annual incentive bonus, including the specific goals and amounts, (iii) equity compensation, (iv) employment agreements, (v) severance arrangements and change in control arrangements, and (vi) other benefits, compensations or arrangements; and (d) preparing the Committee report to shareholders for inclusion in the Company’s annual proxy statement, as required by Item 407(e)(5) of Regulations S-K.

#### **II. Membership and Qualification**

**Membership:** The Committee shall consist of no fewer than three (3) members, the number of which shall be determined by a majority of the total number of Directors then in office; provided, however, that the Committee may operate with fewer than three (3) members as long as such composition complies with applicable laws, rules, regulations and securities exchange listing standards. The Committee members shall be elected by the Board upon the recommendation of the Board’s Nominating and Governance Committee.

**Qualification:** Each member of the Committee shall meet the independence and experience requirements of the New York Stock Exchange or any successor thereto (“NYSE”) and shall have no material relationship with the Company and shall otherwise satisfy the independence requirements of the Company and the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

In addition to satisfying the requirements necessary to be independent under the listing standards of the NYSE, two or more members of the Committee also shall satisfy all requirements necessary from time to time to be “non-employee directors” under Rule 16b-3 of the Exchange Act of 1934, as amended, (“Rule 16b-3”) and qualified “outside director” under Section 162(m) of the Internal Revenue Code of 1986 and related regulations, all as amended from time to time (“Section 162(m”).

Chairman: Unless the Chairman of the Committee (the “Chairman”) is elected by the full Board, the Committee members may designate a Chairman consistent with any recommendation of the Board’s Nominating and Corporate Governance Committee. The Committee may delegate to its Chairman, to a subcommittee of at least two Committee members, or to management of the Company, such power and authority as the Committee deems to be appropriate, except such powers and authorities required by law or regulation to be exercised by the whole Committee. In particular, the Committee may delegate the approval of award grants and other transactions and other responsibilities regarding the administration of compensatory programs to a subcommittee consisting solely of members of the Committee who are (i) “non-employee directors” for the purposes of Rule 16b-3, and/or (ii) “outside directors” for the purposes of Section 162(m).

Resignation, Removal and Replacement: Any member of the Committee may resign from the Committee at any time by submitting an electronic transmission or by delivering written notice of such resignation to the Chairman of the Board, the Chief Executive Officer or the Secretary of the Company. A member who ceases to be independent under the listing standards of NYSE or ceases to be an outside director under Section 162(m) shall promptly resign from the Committee to the extent required for the Company to comply with applicable laws, rules and regulations.

The Board shall have the power pursuant to the Second Amended and Restated Bylaws of the Company (as may be amended, supplemented or otherwise modified from time to time, the “Bylaws”), at any time to remove a member of the Committee with or without cause, to fill all vacancies, and to designate alternate members, upon the recommendation of the Committee, to replace any absent or disqualified members, so long as the Committee shall at all times have at least three members (or such lesser number as long as such composition complies with applicable laws, rules, regulations and securities exchange listing standards) and be composed solely of independent Directors.

### **III. Meetings and Other Actions**

The Committee shall hold such regular or special meetings as its members deem necessary or appropriate. The Chairman (or in the Chairman’s absence, a member of the Committee designated by a majority of the Committee members present at such meeting) shall preside at all meetings of the Committee. All meetings of and other actions by the Committee shall be held and taken pursuant to the Bylaws, including provisions governing notice of meetings and waiver thereof, the number of Committee members required to take actions at meetings and by written consent, and other related matters. The Committee may invite any Director who is not a member of the Committee, management, counsel, representatives of service providers or other persons to attend meetings and provide information as the Committee, in its sole discretion, considers appropriate.

### **IV. Goals, Responsibilities and Authority**

The following are the general goals, responsibilities and authority of the Committee and are set forth only for its guidance. The Committee, however, may diverge from these responsibilities and/or may assume such other responsibilities as the Board may delegate from

time to time and/or as the Committee may deem necessary or appropriate from time to time in performing its functions in accordance with the Bylaws and other governance documents of the Company and in accordance with applicable law (it being understood that the Committee may condition its approval of any compensation on Board ratification to the extent so required to comply with applicable tax law such as Section 162(m)).

Nothing in this Compensation and Management Development Committee Charter (this "Charter") shall be interpreted as diminishing or derogating the duties, responsibilities or obligations of the Board. Subject to the requirements of the Bylaws, the Committee shall:

1. The Committee shall, with respect to the CEO of the Company, periodically review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level, subject to the Board approval. The Committee shall make the final determination and approval of the CEO's compensation at an executive session of the Committee.
2. With respect to non-CEO Executive Management, the Committee will review and, in its discretion, approve compensation, incentive compensation, and equity-based plans, including all material exceptions or adjustments to incentive compensation arrangements, subject to Board approval.
3. The Committee's decisions relating to each Executive Management member's compensation will generally take into consideration the aggregate amounts and mix of all the components of the individual's compensation package, including any tally sheets used in connection with the evaluation of Executive Management compensation.
4. The Committee shall review employment agreements, severance agreements, change-in-control agreements/provisions, any perquisites or other in-kind benefits, and any other special or supplemental benefits, in each case as, when, and if appropriate.
5. In determining the long-term incentive component of compensation for each member of Executive Management, the Committee will consider such factors as the Company's performance and relative shareholder return, the value of similar incentive grants or awards to officers at comparable companies, and the grants or awards provided to the members of Executive Management in past years. Additionally, the Committee shall annually review and, if appropriate, revise the peer group of companies used for comparative compensation purposes.
6. The Committee shall annually review and administer the annual executive cash incentive plan, stock incentive plan and long-term performance-based incentive plan of the Company and approve participants in these plans, target award opportunities for participants, performance criteria to be utilized in the plans and the payouts.
7. The Committee shall oversee and evaluate the design, administration and risk management of all of the Company's material incentive compensation arrangements

for appropriate identification of material arrangements, for consistency with the safety and soundness of the organization and to appropriately balance risk and reward. The Committee shall receive periodic reports on the Company's incentive compensation risk management program and recommend any prudent enhancements to the Board.

8. The Committee shall periodically review the Company's various employee benefit plans maintained by the Company covering substantially all employees, including, but not limited to, the 401(k) savings plan, the Company's employee stock ownership trust, pension plan, healthcare plan and various plans that supplement the foregoing. The Committee shall review material plan modifications (defined as plan adoption, termination, increases in benefits and any change in trustees) and recommend action on such modifications to the Board.
9. In connection with its responsibilities, the Committee may seek appropriate assurances from internal and external advisors that all compensation and benefits plans are appropriate, legally permissible and, where required, properly disclosed to the Company's shareholders. This includes consideration of appropriate provisions of the Internal Revenue Code, including Section 162(m) relative to deductibility of performance-based compensation. The Committee shall oversee the Company's policies on structuring compensation programs for members of Executive Management to preserve tax deductibility and, as and when required, establish and certify the attainment of performance goals pursuant to Section 162(m). The Committee shall retain the flexibility to pay compensation that is not eligible for Section 162(m) deductibility of performance-based compensation if it deems such payment(s) to be in the best interests of the Company.
10. The Committee shall annually review and recommend to the Board compensation and benefits for directors consistent with the Company's overall compensation philosophy and guiding principles.
11. The Committee shall assist the Board and the CEO in developing and evaluating potential candidates for officer positions, and oversee the development of succession plans for officer positions.
12. The Committee shall review and discuss with Executive Management the disclosures made in the Compensation Discussion and Analysis section of the Company's proxy statement for the annual meeting of shareholders and recommend to the Board whether the Compensation Discussion and Analysis should be included in the Company's annual report on Form 10-K and the proxy statement for the annual meeting of shareholders. The Committee shall prepare the report required by the rules and regulations of the Securities and Exchange Commission to be included in, or incorporated by reference into, the Company's annual report on Form 10-K.
13. The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain: (i) any compensation consultant in order to assist in the evaluation of Executive Management compensation, including the compensation of

the CEO; and (ii) legal, accounting or other advisors. The Committee shall have sole authority to oversee the work of any compensation consultant and advisor and approve the compensation consultant's and advisors' fees and other retention terms, including the authority to limit the amount of fees the compensation consultant or an advisor may earn from other services provided to the Company. The Company shall provide appropriate funding, as determined by the Committee, to allow the Committee to perform its functions, including for the fees and expenses of any compensation consultant and outside advisors to the Committee. The Committee may select a compensation consultant or legal, accounting or other advisor only after taking into consideration all factors relevant to that advisor's independence from Executive Management, including the following:

- a. the provision of other services to the Company by the person or entity that employs the compensation consultant or legal, accounting or other advisor;
- b. the amount of fees received from the Company by the person or entity that employs the compensation consultant or legal, accounting or other advisor, as a percentage of the total revenue of the person that employs the compensation consultant or legal, accounting or other advisor;
- c. the policies and procedures of the person or entity that employs the compensation consultant or legal, accounting or other advisor that are designed to prevent conflicts of interest;
- d. any business or personal relationship of the compensation consultant or legal, accounting or other advisor with a member of the Committee;
- e. any stock of the Company owned by the compensation consultant or legal, accounting or other advisor; and
- f. any business or personal relationship of the compensation consultant or legal, accounting or other advisor or the person employing the compensation consultant or advisor with a member of Executive Management.

14. The Chairman shall report periodically to the Board on the Committee's activities. The Committee shall maintain minutes of its meetings.
15. The Committee shall annually review and assess the adequacy of its Charter and recommend to the Board any changes to this Charter. The Committee shall annually review its own performance, assessing the skills and resources required to meet its obligations under this Charter, and shall recommend to the Board such enhancements as the Committee deems prudent.
16. The Committee shall carry out such other duties as may be delegated to it by the Board from time to time.

**V. Amendments**

Any amendments to this Charter must be approved or ratified by a majority vote of the Board, including a majority of independent Directors.

**VI. Disclosure of Charter**

This Charter will be made available on the Company's website.

Effective Date: This Charter was adopted by the Board of Directors on May 7, 2014, effective July 30, 2014.