

**CONSOLIDATED WATER CO. LTD.**  
**NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE CHARTER**

**(As Revised - Effective February 10, 2015)**

**I. PURPOSE**

The Nominations and Corporate Governance Committee (the "Committee") of Consolidated Water Co. Ltd. (the "Company") acts on behalf of the Board of Directors to oversee all material aspects of the Company's corporate governance functions, including the nomination of potential members to the Company's Board of Directors. The Committee shall provide assistance to the Company's Board of Directors in fulfilling their responsibility to the shareholders and investment community relating to the composition, qualifications, performance and evaluation of the Board, as well as other matters of general corporate governance.

The Company has adopted Corporate Governance Guidelines which are integral to the Committee's responsibilities and performance and therefore for reference purposes a copy of these guidelines have been included in this Charter as Appendix 1. It shall be the Committee's responsibility to monitor the Company's adherence to these guidelines and to periodically reassess and submit these guidelines for Board approval. This reassessment and approval process shall be performed at least once every three years, but shall be undertaken on a more frequent basis if necessary due to changes in circumstances.

**II. COMPOSITION AND QUALIFICATIONS**

The Committee shall consist of three or more members to be elected by the Board of Directors at its first meeting following the Annual Meeting of Stockholders.

All members of the Committee shall be "independent directors" as determined by the Board of Directors pursuant to the Corporate Governance Guidelines and the NASDAQ Listing Standards, and shall meet any other applicable standards of the Securities Exchange Act of 1934 and rules and regulations promulgated there under, as they may from time to time be amended.

**III. APPOINTMENT AND REMOVAL**

The members of the Committee shall be appointed by the Board. The Committee Chairman will be the senior Committee member unless otherwise determined by the Committee members. A member of the Committee may be removed, with or without cause, by a majority vote of the Board.

**IV. DUTIES AND RESPONSIBILITIES**

The duties of the Committee shall be to:

1. Develop the criteria and qualifications for members of the Board of Directors.
2. Develop and disclose the process for identifying and evaluating nominees for

membership on the Board of Directors.

3. Recommend to the Board the nominees to be listed in the proxy statement for election to the Board of Directors at the annual meetings of stockholders.
4. Recommend and nominate individuals to fill the unexpired term of any vacancy existing in the Board of Directors or created by an increase in the size of the Board.
5. Recommend and nominate the members for the Committees of the Board after soliciting input relating to such membership from the Chairman of the Board, the Chairman of the applicable Committees and other Directors as appropriate.
6. Conduct an annual assessment of the size and composition of the Board of Directors and from time to time make recommendations, if necessary, to the Board for changes in the size and/or composition of the Board.
7. Provide oversight on corporate governance matters.
8. Ensure that the Company has adopted and maintains a suitable Code of Business Conduct and Ethics applicable to employees, officers and directors of the Company, as well as a process for consideration and disclosure of any requested waivers of such codes for Directors or executive officers of the Company. Periodically review and reassess the adequacy of the Code of Business Conduct and Ethics and recommend to the Board any changes to this Code considered necessary. This review and reassessment process shall be performed at least once every three years, but shall be undertaken on a more frequent basis if necessary due to changes in circumstances
9. Oversee annual performance evaluations of the Board of Directors.
10. Oversee the orientation of new Directors.
11. Ensure that the Compensation Committee periodically reviews (at least once every three years) available market data regarding non-employee director compensation to ensure the Company's Director compensation
12. In the case of succession of the Chairman of the Board, obtain input from all of the independent directors and recommend an independent Director to serve as Chairman of the Board until such times as the Board determines that a new Chairman of the Board should be appointed.
13. Periodically review and reassess periodically the adequacy of this Charter and recommend to the Board any changes to this Charter considered necessary. This review and reassessment process shall be performed at least once every three years, but shall be undertaken on a more frequent basis if necessary due to changes in circumstances.

## **V. NOMINATION AND EVALUATION OF POTENTIAL BOARD MEMBERS**

Nominees for Board membership must comply with qualifications and standards set forth in the Company's Corporate Governance Guidelines. The Committee shall be responsible for identifying and evaluating nominees for Board membership that comply with these guidelines. The procedures the Committee employs in this process should include:

- a) Evaluating the key risks facing the organization and accordingly defining board member profile requirements.
- b) Performing background checks and obtaining independent references.
- c) Reviewing current affiliations and directorships to ensure independence relative to management and the Company.

Considering skills, knowledge and expertise (financial, **regulatory**, technical and other) needed to understand the issues that affect or could affect the Company.

- d) Validating any credentials and certifications held that demonstrate an achieved competence level.
- e) Reviewing information about financial and other relationships with the Company, its external auditors, or management.
- f) Evaluating periodically the due diligence procedures used for identifying potential directors, including checking that an individual director's certifications are complete, up-to-date, and comply with the Company's ethics guidelines and independence rules.

## **VI. EVALUATION OF BOARD COMPOSITION AND PERFORMANCE**

The Committee shall evaluate the composition of the Board, and the performance of the Board and its committees, on at least an annual basis. As part of this process, the Committee shall obtain from each Board member an annual self-evaluation of the overall effectiveness of the Board and the Board committees on which each member serves.

In performing these evaluations the Committee shall consider the criteria set forth under subsections a), c), d), e), and f) of section V. herein and the Company's Corporate Governance Guidelines. The following may also constitute considerations for these evaluations:

- Relevance of current performance measures considering industry trends, regulatory changes, or other changes in the Company's objectives;
- Consideration of prior performance results;
- Engagement of external parties or other independent reviewers; and
- Tenure and succession.

## **VII. MEETINGS**

The Committee shall meet a minimum of two times per year and more frequently as circumstances require.

## **VIII. ADVISORS**

The Committee shall have sole discretion and the exclusive authority, at the expense of the Company, to retain any search firms to be used to identify director candidates (including the authority to approve reasonable fees and other terms of engagement with respect to such search firms) and such outside counsel and other advisors, as it seems appropriate.

## **NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE CHARTER**

### **APPENDIX 1 - CORPORATE GOVERNANCE GUIDELINES**

#### **Introduction**

Consolidated Water Co. Ltd. (the “Company”) has adopted the following Corporate Governance Guidelines to assist its Board of Directors (the “Board”) in the proper exercise of its corporate governance responsibilities. The Board is elected by the Company's shareholders to oversee management and the Company. The Board's purpose is to increase shareholder value and to ensure the continuity and vitality of the Company's business by establishing and maintaining appropriate corporate policies, selecting the Chief Executive Officer (“CEO”), providing for succession planning, monitoring the performance of both the Company and its CEO, overseeing strategic planning, and providing management with appropriate advice, feedback and guidance. Management is directly responsible to the Board and must be committed to ensuring that the Company operates in a financially sound and legal and ethically responsible manner.

#### **Director Qualification Standards and Selection of New Director Candidates**

The Board shall delegate the responsibility for reviewing and recommending nominees for membership on the Board to the Nominations and Corporate Governance Committee. Director candidates should possess certain minimum qualifications for Board membership, including strong personal values and discipline, high ethical standards, a commitment to full participation on the Board and its committees, relevant career experience, and a commitment to ethnic diversity. Candidates should possess individual skills, experience and demonstrated abilities that help meet the current needs of the Board and the Company, such as experience or expertise in some of the following areas: the desalination industry, international business, industry-related science and technology, finance, economics, corporate law, strategic planning, corporate governance, public affairs, and/or related experience as the CEO or Chief Financial Officer of a major company. Other factors that will be considered are independence of thought, the ability to comply with applicable Director independence standards (where independence is desired and/or required) and an absence of relationships or investments that could create potential conflicts of interest. The Nominations and Corporate Governance Committee shall adopt a process for identifying new Director candidates and disclose this process in each Annual Meeting proxy statement.

#### **Director Independence**

It shall be the policy of the Board that a majority of the members of the Board of Directors, and all of the members of the Audit Committee, Compensation Committee and the Nominations and Corporate Governance Committee, qualify as "independent directors" in accordance with applicable provisions of the Securities Exchange Act of 1934, and the rules promulgated there under, and the listing standards of the NASDAQ, as they may from time to time be amended. The Board of Directors shall annually review and determine the independence of each Director.

In addition to the above a Director shall not be considered independent if he or she has a material relationship with the Company, either directly or as a partner, shareholder or officer of an entity that has a relationship with the Company. A "material relationship" would include sales to or purchases from or transactions with the Company or an affiliated entity. This independence analysis shall also apply to any charitable contributions by the Company to any charitable or non-profit organization in which a Director serves as an executive officer or a member of the board.

### **Board Size and Composition**

The number of Directors shall be no less than seven and no more than thirteen. This range provides diversity of thought and experience without hindering effective discussion or diminishing individual accountability. The Nominations and Corporate Governance Committee shall conduct an annual assessment of the size and composition of the Board and from time to time make recommendations, if necessary, to the Board for changes in the size of the Board.

### **Director Compensation**

Director compensation for the Board and all Board committees shall be determined by the Compensation Committee. The Company's policy shall be to ensure that the Director compensation is appropriate and competitive to ensure the Company's ability to attract and retain highly-qualified Directors. Director compensation will be disclosed each year in the Company's Annual Meeting proxy statement.

### **Director and Executive Employee Stock Ownership Requirements**

Directors and executive employees are encouraged to have an appropriate equity ownership in the Company as this helps to more closely align their economic interests with those of other shareholders.

### **Board Committees and Charters**

The names and duties of the standing committees of the Board of Directors shall be contained in the Company's Bylaws. Each standing committee shall adopt a written charter describing its duties. The charters shall be available on the Company's corporate website.

### **Frequency of Board and Committee Meetings**

Regular meetings of the Board of Directors shall be held at such times and places as determined by the Chairman of the Board and the CEO. The frequency of committee meetings shall be set forth in each committee's charter. Additional meetings of the Board and its committees shall be held in circumstances that create the need for a special meeting.

### **Selection of Agenda Items for Board and Committee Meetings**

The Chairman of the Board and the CEO shall establish the agenda for Board meetings. Similarly, the committee chairs shall establish the committee agendas.

### **Board and Committee Materials Distributed in Advance**

The Board and its committees shall be provided with appropriate materials in advance of each meeting.

### **Executive Sessions of Non-Management Directors**

The non-management Directors can meet in executive sessions in connection with a regularly scheduled meeting of the Board, and at other times as they may determine is appropriate. Committees of the Board may also meet in executive session as they deem appropriate.

### **Board Self-Evaluation**

The Nominations and Corporate Governance Committee shall be responsible for conducting annual evaluations of the Board and Board committee members.

### **Director Access to Management and Independent Advisors**

The Company shall provide each Director with complete access to the management of the Company, subject to reasonable efforts to avoid disruption to the Company's management, business and operations. The Board of Directors and Board committees shall have the right to consult and retain independent legal and other advisors at the expense of the Company.

### **Stockholder Communication with Directors**

In order that interested parties may contact the Board or individual Directors, the Company shall describe communication procedures in each Annual Meeting proxy statement and on its corporate governance website.

### **Annual Election of Directors**

Directors are divided into three classes one of which will stand for election on a three year cycle at each Annual Meeting of Shareholders. The Nominations and Corporate Governance Committee shall establish procedures under which each Director is nominated for election at a meeting of shareholders with respect to his/her applicable class. As applicable to all Directors, the Director who tenders his or her resignation is not eligible to cast a Board vote. The Board will upon notification and receipt of a Director's resignation file a Form 8-K to the Securities and Exchange Commission within the time period and manner as required by such Commission. The Nominations and Corporate Governance Committee shall recommend to the Board whether to fill such vacancy or reduce the size of the Board.

### **Chief Executive Officer Evaluation and Succession**

The Compensation Committee and other Board members as deemed appropriate shall conduct an annual review of the performance of the CEO. The Nominations and Corporate Governance Committee shall recommend to the Board of Directors policies and procedures regarding succession to the CEO.

### **Code of Business Conduct and Ethics**

The Company shall adopt a Code of Business Conduct and Ethics to provide guidelines for ethical conduct by Directors, management and employees. In the area of corporate governance, the Code of Business Conduct and Ethics shall contain guidance regarding conflicts of interest, corporate opportunities, confidentiality and protection of Company assets. The Code of Business Conduct and Ethics shall be posted on the Company's website.

### **Director Orientation and Continuing Education**

The Company shall have an education and orientation program designed to familiarize new Directors with the Company, its management structure and operations, the industries in which the Company operates, and key legal, financial, and operational issues. Directors shall be

provided with information regarding corporate governance and the structure and procedures of the Board and the committees on which the Directors will serve.

At the Company's expense, provided such expenditure is reasonable and approved in writing (email is acceptable) in advance by the Company's CEO or Chief Financial Officer, the Directors shall be encouraged to attend appropriate Company and external continuing director education programs to help them stay current on corporate governance, best Board practices, financial and accounting practices, ethical issues for directors and management, and similar matters.

### **Hedging and Pledging Transactions Involving Company Stock**

The Board believes that ownership of the Company's stock by the Company's executive officers and Directors helps to align the interests of the Company's leadership with those of its shareholders. The Board recognizes that transactions that are designed to hedge or offset declines in the market value of the Company's stock can hinder this alignment, impede the Company's compensation programs and goals, and undermine policies regarding stock ownership.

The Board also recognizes that officer and director pledging of the Company's stock as collateral for indebtedness can be adverse to the interests of the Company's shareholders in that it may create the risk of forced sales that depress the value of the Company's stock, create risk of legal violations, and encourage excessive risk-taking by executive officers and directors.

This policy applies to transactions in the Company's common stock and other equity securities by Directors and officers of the Company designated by the Board as executive officers for the purposes of federal securities laws.

Executive officers and Directors shall not, directly or indirectly:

- Purchase any financial instrument or enter into any transaction that is designed to hedge or offset any decrease in the market value of the Company's common stock or other equity securities (including, but not limited to, prepaid variable forward contracts, equity swaps, collars, puts, calls, or other derivative securities that are designed to hedge or offset a decrease in market value of equity securities of the Company; or
- Pledge or otherwise encumber shares of the Company's common stock or other equity securities as collateral for indebtedness. This prohibition includes, but is not limited to, holding such shares in a margin account. This policy does not apply to the exercise of an employee or director stock option acquired pursuant to the Company's plans, or to the surrender of shares subject to an option to satisfy the exercise price or the tax withholding requirements.

Each executive officer and Director is required to certify compliance with this policy in connection with the Company's annual securities questionnaires. Executive officers and Directors shall be afforded a reasonable opportunity to unwind or otherwise terminate any transaction that exists at the time such officer or director became subject to this policy if it would otherwise violate this policy.

### **Clawback of Executive Compensation Incentive Payments**

In the event that the Board determines there has been a restatement of the Company's filed financial statements due to material noncompliance with any financial reporting requirement

under the securities laws, the Board will review all incentive payments that were made to officers and all performance-based equity awards granted to officers that were vested on the basis of having met or exceeded such performance targets in grants or awards made during the fiscal year prior to the filing of the Current Report on Form 8-K announcing the restatement.

If such payments and/or vesting would have been lower had they been calculated based on such restated results, the Board will, to the extent permitted by governing law, seek to recoup for the benefit of the Company's shareholders such payments to and/or equity awards held by officers by requiring officers to pay such amount(s) to the Company by set-off, by reducing future compensation, or by such other means or combination of means as the Board determines to be appropriate. The value of recoupment to be sought shall be determined by the Board.

### **Director and Executive Equity Ownership**

The Board believes that it is in the best interest of the Company and its shareholders to align the financial interests of the Chief Executive Officer and non-employee Directors with those of the Company's shareholders. In this regard, the Compensation Committee of the Board has adopted minimum stock ownership guidelines. The Compensation Committee may modify this policy at its discretion.

This policy is applicable to all non-employee Directors and the Chief Executive Officer ("participants") of the Company. These participants are encouraged to own shares of common stock of the Company in accordance with the following schedule:

Leadership Position	Value of Shares
Non-Employee Member of the Board of Directors	3x annual cash retainer
Chief Executive Officer	3x base salary

Participants may satisfy their respective ownership guidelines with common stock in these categories:

- Shares owned directly;
- Shares owned indirectly (e.g., by a spouse or a trust);
- Shares represented by amounts invested in a 401(k) plan or deferred compensation plan maintained by Consolidated Water Company Ltd.; and
- Time-vested restricted stock or restricted stock units.

Unexercised options and unearned performance shares are not counted toward meeting the guidelines.

The value of a participant's stock ownership requirement is based on his or her then current retainer or salary, and the value of the participant's holdings is based on the average closing price of a share of the Company's stock for the previous calendar year.

Participants should satisfy the ownership target within five years of January 1, 2014. The Compensation Committee of the Board is responsible for monitoring the application of these stock ownership requirements. The Compensation Committee has the discretion to encourage compliance of the stock ownership guidelines, including requesting participants who have not yet achieved the goal, to retain the shares they acquire through stock awards and the exercise of stock options



up to the number of shares necessary to achieve the ownership targets.

**Periodic Review of Guidelines**

These Corporate Governance Guidelines shall be reviewed periodically (at least once every three years but more frequently if necessary) by the Board and the Nominations and Corporate Governance Committee.