

**PSYCHEMEDICS CORPORATION**  
**COMPENSATION COMMITTEE CHARTER**

**Adopted by the Board of Directors**  
**on February 20, 2018**

**I. PURPOSE**

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Psychemedics Corporation, a Delaware corporation (the “Company”) shall have overall responsibility with respect to designing, approving and evaluating executive compensation for the Company and shall have authority to review and approve such other compensation matters as the Committee deems appropriate.

**II. COMPOSITION**

The Committee shall consist of not less than three members of the Board appointed by resolution of the Board and shall serve at the discretion of the Board. All directors on the Committee shall (i) satisfy the independence and other requirements from time to time in effect of (A) Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), for “nonemployee directors,” (B) applicable requirements of the Nasdaq Stock Market (“Nasdaq”), or such other stock market on which the Company’s securities may be listed from time to time, subject to any permitted exceptions thereunder, and (C) any other applicable requirements of the Exchange Act, and the rules and regulations of the Securities and Exchange Commission, and (ii) otherwise be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

The Board, or the Committee by vote of a majority of the Committee, may select chairperson for the Committee. The Committee may form and delegate authority to subcommittees when it deems appropriate, provided the subcommittees are composed entirely of independent directors, but authority for decisions with respect to the CEO’s compensation cannot be delegated to an individual member (including the chairperson, if one is appointed). Members of the Committee shall serve until their successors are duly elected and qualified or their earlier resignation or removal. The Board may replace any member of the Committee.

**III. FUNCTIONS AND AUTHORITY**

The operation of the Committee will be subject to the provisions of the Bylaws of the Company, as in effect from time to time.

The functions and authority of the Committee will include, but not be limited to:

1. the review and approval, for each executive officer of the Company, and for such other senior officers of the Company as the Committee deems appropriate:
  - (i) the annual base salary level;
  - (ii) bonus and other annual incentives;

- (iii) options, equity grants, non-qualified retirement plans and other long-term incentives;
  - (iv) employment agreements, severance and retention arrangements, and change in control provisions/agreements, in each case to the extent applicable; and
  - (v) any other perquisites or supplemental benefits, other than those available generally to salaried employees and other than those that are individually less than \$5,000 or less than \$10,000 in the aggregate.
2. the evaluation of the performance of the Chief Executive Officer (“CEO”), the other executive officers and such other senior officers as the Committee may deem appropriate, it being understood that any such evaluation, other than that of the CEO, may be based upon an evaluation of such officer by the CEO or such other supervising officer or officers as appropriate. With respect to the performance evaluation and compensation of the CEO, the Committee may seek input from the other independent directors before making its final decision;
  3. the annual review and discussion with management of the Company’s Compensation Discussion and Analysis to be included in the Company’s filings with the SEC, and the preparation of the Compensation Committee report, required to be included in the Company’s annual proxy statement, in each case, to the extent applicable, and any other Committee reports required by applicable laws, rules and regulations;
  4. the oversight of the administration of, and approval of the grants and terms of, any grants of stock options or other equity awarded under the Company’s stock option and other equity-based compensation plans;
  5. the review and approval of other compensation plans as the Committee deems appropriate;
  6. the general oversight of risks associated with the Company’s compensation policies and practices;
  7. the approval, and/or recommendation to the Board, of compensation for the members of the Board and each committee thereof;
  8. the annual review and assessment of the adequacy of this Charter; and
  9. the performance of such other functions and such other powers as may be necessary or convenient in the efficient discharge of the foregoing, including without limitation as may be required by applicable laws, rules and regulations, Nasdaq, the Company’s Certificate of Incorporation and Bylaws, or the Board.

#### **IV. MEETINGS**

The Committee will hold meetings, and may meet in executive session, as and when the Committee deems appropriate. The CEO may not be present during voting or deliberations on his or her compensation. The Committee may meet by telephone or video conference or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and may take action by written consent. A majority of the members of the Committee, or a duly appointed subcommittee thereof, shall constitute a quorum.

#### **V. INDEPENDENT ADVICE**

The Committee may seek accounting, legal, recruitment or other expert advice from a source independent of management and shall have the authority to approve the fees and other retention terms for such experts. Without limiting the foregoing, the Committee has the sole discretion and express authority to retain and terminate any compensation consultant to be used to assist the Committee in its authorized endeavors, including sole authority to approve the consultant's fees and other retention terms. The Committee is also directly responsible for the appointment, compensation and oversight of the work of any compensation consultant. In selecting a compensation consultant, the Committee will consider the following factors:

- whether the person or firm employing the compensation adviser provides any other services to the Company;
- how much the Company has paid the person or firm employing the compensation adviser, as a percentage of the employer's total revenue;
- what policies and procedures the person or firm employing the compensation adviser has adopted to prevent conflicts of interest;
- whether the compensation adviser has any business or personal relationship with a member of the Committee;
- whether the compensation adviser owns any Company stock; and
- whether the compensation adviser or the person or firm employing the compensation adviser has any business or personal relationship with any of the Company's executive officers.

#### **VI. MINUTES AND REPORTS**

Minutes of each Committee meeting will be kept and distributed to each member of the Committee and made available to other members of the Board of Directors. The Committee will report to the Board whenever so requested by the Board and as the Committee deems necessary.