



CHARTER OF THE EXECUTIVE COMPENSATION COMMITTEE INSTEEL INDUSTRIES, INC.

Purpose

The Executive Compensation Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Insteel Industries, Inc. (the “Company”) to assist the Board in carrying out its responsibilities of: (i) establishing compensation policies, plans, and performance goals, as well as specific compensation levels, for the Company’s directors and executive officers; (ii) succession planning; (iii) overall compensation policies for all Company employees, including adequacy and competitiveness of benefits; and (iv) producing an annual report on executive compensation for inclusion in the Company’s proxy statement.

Membership and Structure

The Committee shall consist of a minimum of three members of the Board all of whom shall be independent in accordance with the rules of the New York Stock Exchange, any other applicable regulatory requirements, and the requirements of the Company’s independence guidelines. Unless otherwise determined by the Board, each member will meet the definition of “non-employee director” set forth in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, if and to the extent required, the definition of “outside director” set forth in Section 162(m) of the Internal Revenue Code of 1986, as amended. Each member of the Committee shall be free of any relationship or affiliation that, in the judgment of the Board, would interfere with the exercise of the director’s independent judgment as a member of the Committee. Compensation for members of the Committee shall be limited to director fees. Committee members may not accept, directly or indirectly, any consulting, advisory or other compensatory fees from the Company or its subsidiaries. The members of the Committee and its chairperson (the “Chair”) are appointed by the Board upon the recommendation of the Nominating and Governance Committee and shall serve for such term or terms as the Board shall determine. The Board may remove any member from the Committee at any time with or without cause.

Meetings

The Committee shall meet at such times and places, including telephonically or by written consent, as it deems necessary to fulfill its responsibilities.

Responsibilities and Duties

In carrying out its responsibilities, the Committee believes that its policies and procedures should remain flexible in order to react to changing conditions and to ensure the effective oversight of the Company’s compensation programs. In addition to such other responsibilities and duties as the Board may from time-to-time assign, specific responsibilities and duties of the Committee include:

1. Annually review and approve, for the chief executive officer (“CEO”) and other executive officers, annual base salary, annual incentive opportunity, long-term incentive opportunity, corporate goals and objectives applicable to compensation, employment and severance arrangements, change in control arrangements and provisions, and any special or supplemental benefits, in each case when and as appropriate. Review and approve any officer severance agreement outside of normal practice. The CEO and any other executive officers shall not be present during any voting or deliberations on such officer’s compensation.
2. Annually evaluate the CEO’s performance in light of applicable goals and objectives. In determining the long-term incentive component of CEO compensation, the Committee may consider the Company’s performance and relative shareholder return, the value of similar incentive awards given to CEOs at comparable companies and the awards given to the Company’s CEO in past years.
3. In evaluating and determining executive officer compensation, the Committee shall consider the results of the most recent shareholder advisory vote on executive compensation (“Say on Pay Vote”) required by Section 14A of the Exchange Act.
4. Annually review and make recommendations to the Board with respect to the compensation of all non-management directors, including the Chairman (if different from the CEO and not a member of management), including cash compensation, expense reimbursement policies, and awards pursuant to incentive and equity-based compensation-based plans. A majority of the Board’s independent directors must approve any recommendation related to director compensation. It is the Company’s policy that directors are not paid consulting or similar fees by the Company, and any exception to this policy shall require the approval of the Committee. As a matter of policy, the Company does not loan money to officers or directors.
5. Review and approve other management participants in stock-based compensation programs and the awards to be provided thereunder.
6. Review and approve, and, where appropriate or required, recommend the Board to approve the terms of, and any amendments to, any stock-based compensation program including restricted stock awards, stock option grants, stock appreciation rights and the like.
7. Approve the terms of and participants in the Company’s Supplemental Executive Retirement Plan. Approve the terms of the participants covered by severance agreements, retirement security agreements, and/or change in control agreements.
8. Review and approve and, when appropriate, recommend to the Board for approval, any employment agreements for the CEO and other executive officers, which includes the ability to adopt, amend, and terminate such agreements.
9. Periodically review the Company’s other major benefit plans offered to all employees, such as medical coverage and retirement plans, which includes the ability to adopt, amend, and terminate such plans and the ability to delegate oversight of such plans.
10. Review and discuss with management the Company’s Compensation Discussion and Analysis (“CD&A”) and the related executive compensation information, recommend that the CD&A and related executive compensation information be included in the Company’s annual report on Form 10-K and proxy statement, and produce the Committee report on executive officer compensation required to be included in the Company’s proxy statement or annual report

on Form 10-K.

11. Determine stock ownership guidelines for the executive officers and directors and monitor compliance with such guidelines.
12. Develop and recommend to the Board for approval a CEO succession plan (the “Succession Plan”), review the Succession Plan periodically with the CEO, develop and evaluate potential candidates for CEO and recommend to the Board for approval any changes to, and any candidates for succession under, the Succession Plan.
13. Review the Company’s incentive compensation arrangements to determine whether they encourage excessive risk-taking. Review and discuss at least annually the relationship between risk management policies and practices and compensation, and evaluate compensation policies and practices that could mitigate any such risk.
14. Review and recommend to the Board for approval the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent shareholder advisory vote on frequency of Say on Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company’s proxy statement.
15. If and when the Board determines it to be necessary and appropriate, or as required by applicable law, the Committee will formulate and recommend to the Board for approval, the creation, and any subsequent revisions thereto, of a clawback policy that allows the Company to recoup compensation paid to employees, which will be filed as required by applicable law or the rules and regulations of the U.S. Securities and Exchange Commission or the New York Stock Exchange.
16. Retain and obtain the advice and assistance of independent compensation consultants, counsel, accountants, and other advisors as it deems necessary, in its sole discretion, to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of any consultants and advisors.
17. Oversee engagement with shareholders and proxy advisory firms on executive compensation matters.
18. Annually review an assessment of any potential conflicts of interest raised by the work of compensation consultants, whether retained by the Committee or by management, that are involved in determining or recommending executive officer or director compensation.
19. Prior to engaging, and annually thereafter, assess the independence (taking into consideration the factors specified by the New York Stock Exchange) of any consultants or other outside advisors.
20. Delegate any Committee responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.
21. Maintain minutes of meetings and periodically report to the Board on significant results of Committee activities.

22. Report regularly to the Board regarding matters the Committee oversees.
23. Review the Committee Charter on an annual basis and recommend to the Board any modifications to the Charter that the Committee deems appropriate for the approval of the Board.
24. Recommend to the Board the appointment of the Employee Benefit Committee and any other-plan trustees required to be appointed by the Board.
25. Conduct an annual evaluation of the performance of its duties under this Charter and present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

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