

XYRATEX LTD

COMPENSATION COMMITTEE CHARTER

This Compensation Committee Charter was adopted by the Board of Directors (the “**Board**”) of Xyratex Ltd (the “**Company**”) and is effective on 01 December 2011.

I. Purpose

The purpose of the Compensation Committee (the “**Committee**”) of the Board is (1) to assist the Board in discharging the Board’s responsibilities relating to compensation of the Company’s executives and non-management directors, including by designing (in consultation with management or the Board), recommending to the Board for approval, and evaluating the compensation and benefit plans, policies and programs of the Company and compliance with the compensation rules, regulations and guidelines promulgated by the NASDAQ Stock Market (the “**NASDAQ Rules**”), the U.S. Securities and Exchange Commission (the “**SEC**”) and other law, as applicable and (2) to produce an annual report on executive compensation for inclusion in the Company’s annual proxy statements. The Committee shall ensure that compensation programs are designed to encourage high performance, promote accountability and assure that employee interests are aligned with the interests of the Company’s shareholders.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company’s Bye-laws. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law and to the extent not in conflict with the Company’s Bye-laws, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

II. Membership

The Committee shall be composed of at least two or more directors, as determined by the Board, each of whom satisfies the independence requirements of the NASDAQ rules. The criteria for director independence are set forth in Annex A to this Charter.

The members of the Committee, including the Chair of the Committee, shall be appointed by the Board. Committee members may be removed from the Committee, with or without cause and with or without prior notice, by the Board. Any action duly taken by the Committee shall be valid and effective, whether or not the members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership provided herein.

If at any time and for so long as the Committee has fewer than two members, then all of the duties and responsibilities of the Committee set forth in this Charter shall be exercised by the directors of the Board that are independent (within the meaning of NASDAQ Rule 5605(a)(2), including without limitation as contemplated by NASDAQ Rule 5605(d)(1)(A)).

III. Meetings and Procedures

The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's Bye-laws that are applicable to the Committee.

The Committee shall meet on a regularly scheduled basis at least two times per year and more frequently as the Committee deems necessary or advisable to fulfill its duties and responsibilities. Meetings of the Committee may be called by the Chair upon notice given at least twenty-four hours prior to the meeting, or upon such shorter notice as shall be approved by the Committee. The Chair shall designate a secretary for each meeting who shall record minutes of all formal actions of the Committee. A majority of the Committee members, present in person or by phone, shall constitute a quorum. A majority of the members present shall decide any questions brought before the Committee, except to the extent otherwise required by the Company's Bye-laws (as in effect from time to time). Notwithstanding the foregoing, in the event the Committee consists of only two members, both members must be present, in person or by phone, to constitute a quorum, and any questions brought before the Committee must be decided by unanimous vote. Meetings of the Committee may be held by conference call. Unless otherwise restricted by the Company's Bye-laws, any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if all members of the Committee consent thereto in writing, and such writing is filed with the minutes of the Committee.

All non-management directors that are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee may, at its discretion, include in its meetings members of the Company's management, representatives of the independent auditor, any other financial personnel employed or retained by the Company or any other person whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Chief Executive Officer may not be present during voting or deliberations concerning his or her compensation, and the Committee may exclude from its meetings any persons it deems appropriate, including but not limited to, any non-management director that is not a member of the Committee.

The Committee shall have the sole authority, as it deems appropriate, to retain and/or replace, as needed, any independent counsel, compensation and benefits consultants and other outside experts or advisors as the Committee believes to be necessary or appropriate. The Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee in its sole discretion, for payment of compensation to any such persons retained by the Committee.

The Chair shall report to the Board following meetings of the Committee and as otherwise requested by the Chairman of the Board.

IV. Duties and Responsibilities

1. The Committee shall, at least annually, review and approve corporate goals and objectives relating to the compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer in light of those goals and objectives and determine and approve the compensation of the Chief Executive Officer of the Company based on such evaluation. The Committee shall have sole authority to determine the Chief Executive Officer's compensation.

2. The Committee shall, at least annually, review and approve corporate goals and objectives relating to the compensation of all executive officers (other than the Chief Executive Officer), evaluate the performance of such executive officers in light of those goals and objectives and determine and approve the compensation of the executive officers based on such evaluation. The Committee shall have sole authority to determine all executive officers' compensation.

3. The Committee shall, at least annually, review and approve all compensation and benefits for all other directors, employees of the Company and its subsidiaries with a base salary greater than \$250,000.

4. The Committee shall, at least annually, review and approve all employment agreements and severance arrangements of the Company's executive officers.

5. The Committee shall annually manage and review all annual bonus, long-term incentive compensation, share option, employee pension, welfare benefit plans (including share purchase plans) and, with respect to each plan, shall have responsibility for:

- (i) general administration;
- (ii) setting performance targets under all annual bonus and long-term incentive compensation plans as appropriate and committing to writing any and all performance targets for all executive officers in accordance with applicable rules and regulations;
- (iii) certifying that any and all performance targets used for any performance-based equity compensation plans have been met before payment of any executive bonus or compensation or exercise of any executive award granted under any such plan(s);
- (iv) approving all amendments to, and terminations of, all compensation plans and any awards under such plans;
- (v) granting any awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers, including share options and other equity rights;

- (vi) approving which executive officers are entitled to awards under the Company's share option plan(s);
- (vii) repurchasing securities from terminated employees.

All plan reviews should include reviewing the plan's administrative costs, reviewing current plan features relative to any proposed new features, and assessing the performance of the plan's internal and external administrators if any duties have been delegated. In addition, the Committee shall oversee the Company's compliance with the requirement under applicable NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.

6. The Committee shall establish and periodically review policies concerning perquisite benefits for executive officers.

7. The Committee shall manage and review executive officer and director indemnification and insurance matters.

8. The Committee shall determine the Company's policy with respect to change of control or "parachute" payments and review and approve any change of control agreements or change of control provisions affecting any elements of compensation and benefits for executive officers.

9. The Committee shall manage and review any employee loans.

10. The Committee shall evaluate its own performance on an annual basis, including its compliance with this Charter, and provide any written material with respect to such evaluation to the Board, including any recommendations for changes in procedures or policies governing the Committee. The Committee shall conduct such evaluation and review in such manner as it deems appropriate.

11. The Committee shall review and reassess this Charter at least annually and submit any recommended changes to the Board for its consideration.

12. The Committee shall have access to the Company's management and employees, at its discretion, and may require management and employees to participate in matters affecting its activities.

V. Delegation of Duties

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee, except that it shall not delegate its responsibilities for any matters that involve executive compensation, and only to the extent consistent with the Company's By-laws, applicable NASDAQ rules and other applicable law.

Independence Requirements
(as in effect on 01 December 2011)

Under the NASDAQ Rules, “independent director” means a person other than an executive officer or employee of the Company¹ or any other individual having a relationship, which, in the opinion of the Company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. A director cannot be independent:

1. unless at least three years have passed since:
 - a. the director was employed by the Company (or any Family Member² of the director was employed by the Company as an executive officer);
 - b. the director (or any Family Member of the director) was a partner or employee of the Company’s outside auditor who worked on the Company’s audit, or is a current partner of the Company’s outside auditor; or
 - c. the director (or any Family Member of the director) was employed as an executive officer of another company whose compensation committee includes an executive officer of the Company;
 - d. the director participated in the preparation of the financial statements of the Company or any current subsidiary of the Company;
2. if the director (or any Family Member of the director) accepted payments from the Company or any parent or subsidiary of the Company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the determination of independence³; and
3. if the director (or a Family Member) is a partner in, controlling shareholder or executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed five percent of the recipient’s consolidated gross revenues for that year, or \$200,000, whichever is more.⁴

Under exceptional and limited circumstances the Committee may appoint one director to the Committee who is not independent (provided such director is not a current officer or employee of the Company or a Family Member of an officer or employee of the Company), if: (a) the Committee is comprised of at least three members; (b) the Board determines that it is in the best interest of the Company and its shareholders to appoint such director to the Committee; (c) the Board discloses the nature of the relationship and the reasons for the determination in its Annual Report on Form 20-F; and (d) the director in question does not serve longer than two years on the Committee.

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- 1 References to the “Company” include any parent or subsidiary of the Company. The term “parent or subsidiary” is intended to cover entities Xyratex Ltd controls and consolidates with its financial statements as filed with the U.S. SEC (but not if the Company reflects such entity solely as an investment in its financial statements).
- 2 “Family Member” is defined to include a person’s spouse, parents, children, siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.
- 3 The following are not considered prohibited payments for purposes of the rule: (i) compensation for board or board committee service; (ii) compensation paid to a Family Member who is a non-executive employee of the Company; or (iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation.
- 4 The following are not considered prohibited payments for purposes of the rule: (i) payments arising solely from investments in the company’s securities; or (ii) payments under non-discretionary charitable contribution matching programs.