



## MTS SYSTEMS CORPORATION COMPENSATION COMMITTEE CHARTER

### A. PURPOSE

The purpose of the Compensation Committee (the "Committee") is to assist the Board of Directors in fulfilling its responsibilities relating to (a) fair, reasonable and competitive compensation practices for executive officers and other key employees of the Company which are consistent with company objectives; (b) oversight of broad-based employee compensation policies and programs; and (c) oversight of the Company's retirement and employee benefit plans.

### B. MEMBERSHIP

The Committee shall be comprised of at least three non-employee directors. The members of the Committee shall be appointed and may be removed by the Board of Directors. The Board of Directors will select the Chair of the Committee and a new chairperson may be appointed every 3-4 years.

Each member of the Committee shall be: (a) an "independent director" and shall meet the independence standard contained in Nasdaq Market Rule 4200(a); (b) a "non-employee director" within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended; and (c) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Committee may make such delegations of its authority and responsibilities, as it deems appropriate, and shall periodically review such delegations.

### C. MEETINGS

The Committee will meet at least three times per year. The Committee Chair shall determine whether additional meetings are necessary or desirable in response to the needs of the Company or any issues that may arise. Meetings may be held either in person or telephonically, and at such times and places as it determines. A majority of the members of the Committee shall constitute a quorum for transacting business at a meeting. The Committee may also take action by majority written consent.

The Committee shall meet in executive session on a regular basis to provide an opportunity for private discussion of matters independent of any members of management. The Committee may invite outside advisors to such executive sessions, as it deems appropriate.

### D. DUTIES AND RESPONSIBILITIES

The Committee will perform the following key duties and responsibilities:

#### 1. Compensation Plans, Salaries, and Agreements

- a. Review the Company's compensation philosophy, policies and processes used to compensate employees to ensure that they provide the appropriate motivation to achieve superior corporate performance and shareowner value.
- b. Establish compensation plans for the corporate officers.
- c. Recommend to the Independent Directors of the Board all compensation actions for the Chief Executive Officer based on its evaluation, including base salary changes, annual incentive targets, goals, and awards including payout potential.
- d. Recommend to the Board of Directors all compensation actions for the Named Executives (other than the CEO), including base salary changes, annual and long-term incentive targets, goals, and awards including payout potential.

- e. Approve the Yield for Deferred Compensation Plans.
- f. Recommend any agreements, including severance and Change in Control to the Independent Directors of the Board for the Chief Executive Officer and to the Board of Directors for the Named Executives (other than the CEO).

**2. Performance Management**

- a. Establish annually the process for the Board's evaluation of the Chief Executive Officer.
- b. Review and approve goals and objectives for Chief Executive Officer, conduct an annual performance evaluation of the Chief Executive Officer against such goals and objectives, and discuss the results of this review in executive session with the Independent Directors of the Board.

**3. Stock Plans and Retirement Plans**

- a. Recommend stock incentive and employee stock purchase plans to the Board of Directors for submittal to shareowners.
- b. Recommend restricted stock and stock incentive awards to the Independent Directors of the Board for the Chief Executive Officer and to the Board of Directors for the other Named Executives.
- c. Review the retirement plans and determine the fit with plan objectives, and approve any amendments.
- d. Approve the corporation's discretionary matching contribution for the 401K Plan for U.S. based employees.

**5. General**

- a. Review and approve stock ownership guidelines and the progress executives achieve toward satisfying established guidelines.
- b. Select and retain and terminate executive compensation consultants and/or other experts, including fees and retention terms, to provide the Committee independent counsel, as needed.
- c. Prepare and submit to the Board of Directors periodic reports describing all actions taken by the Committee.
- d. Review and discuss with management the annual Compensation Discussion and Analysis required by Securities and Exchange Commission regulations and, based on the review and discussions, recommend to the Board of Directors whether the Compensation Discussion and Analysis should be included in the Company's annual proxy statement.
- e. Prepare the Compensation Committee report for inclusion in the Company's annual proxy statement in accordance with Securities and Exchange Commission regulations.
- f. Review peer group used to reference proxy compensation data as a supplemental data source.
- g. Review and assess the Committee Charter annually and provide recommended changes to the Board of Directors.
- h. Perform all other duties and responsibilities delegated to the Committee by the Board of Directors.