

**CTS CORPORATION  
BOARD OF DIRECTORS  
COMPENSATION COMMITTEE CHARTER**

**PURPOSE:** The Compensation Committee is appointed by the Board to discharge the Board's responsibilities relating to compensation of the Company's directors and officers. The Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Company.

The Committee is also responsible for reviewing and recommending the Compensation Discussion & Analysis and Compensation Committee Report for inclusion in the Company's proxy statement and Form 10-K.

**COMPOSITION:** The Committee will be comprised of a minimum of three (3) and a maximum of five (5) members of the Board of Directors designated by the Board of Directors based upon recommendations of the Nominating and Governance Committee. The Committee shall be comprised entirely of independent directors based upon criteria established by the Board of Directors. In determining whether a director is eligible to serve on the Committee, the Board must also consider all factors specifically relevant to determining whether the director has a relationship to the Company that is material to the director's ability to be independent from management in connection with the duties of a Committee member or that would impair the director's ability to make independent judgments about the Company's executive compensation. These factors must include but are not limited to (1) the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by the Company to the director and (2) whether the director is affiliated with the Company, a Company subsidiary or an affiliate of a Company subsidiary. Each Committee member will serve at the pleasure of the Board for such term as the Board may decide or until such Committee member is no longer a Board member.

**RESPONSIBILITIES AND AUTHORITY:**

1. Establish executive compensation policies, principles and guidelines based on factors including Company performance, shareholder return, competitiveness with compensation offered by comparable companies and compensation levels in recent years, taking into account any risks attendant to any such compensation policies, principles and guidelines, and considering the most recent advisory say on pay vote by shareholders;
2. Oversee preparation and approval of statements to shareholders on compensation matters as required by the Securities and Exchange Commission and other government bodies and the New York Stock Exchange ("NYSE");
3. Review and approve, for the senior executives of the Company: (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) employment agreements and severance arrangements, as, when and if appropriate, and (e) any special or supplemental benefits;
4. Review and make recommendations to the Board regarding executive change-in-control agreements;

5. Review and approve corporate goals and objectives relevant to the CEO's compensation and evaluate the CEO's performance in light of these goals and objectives and recommend to the Board the CEO's compensation level based on this evaluation. The Committee shall review and make recommendations to the Board regarding following elements of the CEO's compensation: (a) his annual base salary level, (b) his annual incentive opportunity level, (c) his long-term incentive opportunity level, (d) his employment agreement, severance arrangement, and change-in-control agreement/provision, in each case as, when and if appropriate, and (e) any special or supplemental benefits. In determining the long-term incentive component of CEO compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the CEO in past years;
6. Administer the Company's stock based, deferred, and incentive compensation plans;
7. Review and make recommendations to the Board concerning all executive management incentive compensation and equity based compensation plans. The Committee shall approve grants of stock options and other equity or equity-based awards in the manner, and on terms and conditions prescribed by, the Company's equity incentive plans;
8. Review and approve, subject where required to submission to shareholders, all new executive management incentive compensation plans and the performance goals for executive performance based plans, review the results and approve the payment of awards upon attainment of the goals;
9. Review and approve recommendations of the CEO for discretionary bonuses: (a) in excess of \$25,000 per year per recipient, or (b) if the annual aggregate total of such bonuses will exceed 5% of the annual aggregate total target MIP payout, or (c) for any corporate officer;
10. Periodically review the cash and stock compensation programs, benefits and perquisites offered to the Company's corporate officers and other members of senior management; initiate actions or recommend changes to the Board as appropriate;
11. Periodically review the cash and stock compensation programs, benefits and perquisites offered to the Company's non-employee directors against appropriate benchmarks and recommend changes to the Board of Directors as appropriate;
12. Periodically review the Company's stock ownership guidelines for directors and officers of the Company, and progress against such Guidelines and recommend changes to the Board of Directors as appropriate;
13. Periodically evaluate the peer group companies used for comparison under the Company's compensation plans;
14. Complete an annual performance evaluation of the Committee for submission to the Board of Directors; review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee may, in its discretion, delegate specific duties and responsibilities to a subcommittee or an individual Committee member, to the extent permitted by applicable law;

15. In consultation with appropriate executive officers of the Company, oversee regulatory compliance with respect to compensation matters, including (a) overseeing the Company's policies on structuring compensation programs to preserve tax deductibility, and, as required, establishing performance goals and determine whether performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code, and (b) adopting a claw-back policy as may be required or advisable under any law or regulation to which the Company is subject;
16. Review and approve guidelines relative to any severance or other termination payments proposed to be made to any executive officer of the Company;
17. Report to the Board concerning all actions taken by the Committee;
18. In cooperation with the Nominating and Governance Committee, consider and recommend to the Board the compensation for candidates for successor to the CEO when the need arises; and
19. Such other responsibilities as may be assigned to the Committee from time to time by resolution of the Board or as designated in plan documents.

**RETENTION OF INDEPENDENT ADVICE:** The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Committee, including the sole authority to retain and terminate such advisers. The Committee shall have appropriate resources and authority to discharge its responsibilities, including, without limitation, appropriate funding provided by the Company and in such amount as determined by the Committee, for payment of reasonable compensation to any compensation consultants, independent legal counsel or other advisers retained by the Committee. Management shall provide to the Committee such assistance as the Committee may request to assist the Committee in fulfilling its duties.

In selecting and retaining, or receiving advice from, a compensation consultant, legal counsel or other adviser (other than in-house legal counsel or any compensation consultant, legal counsel or other adviser whose role is limited to the following activities for which no disclosure would be required under Item 407(e)(3)(iii) of Regulation S-K: consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; or providing information that either is not customized for a particular company or that is customized based on parameters that are not developed by the compensation consultant, and about which the compensation consultant does not provide advice), the Committee must first take into consideration all factors relevant to that person's independence from management, including the following factors:

- (a) The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
- (b) The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total

revenue of the person that employs the compensation consultant, legal counsel or other adviser;

- (c) The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- (d) Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;
- (e) Any Company stock owned by the compensation consultant, legal counsel or other adviser; and
- (f) Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.