

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS
OF ELECTRO-SENSORS, INC.**

1. PURPOSE

The purpose of the Compensation Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Electro-Sensors, Inc. (the "**Company**") is to:

- a. oversee the development and implementation of the Company's compensation philosophy, policies, plans and programs, with a goal to attract, incentivize, and retain the Company's management and key employees;
- b. review and determine the compensation of the Company's executive officers and non-employee directors; and
- c. If required by Securities and Exchange Commission ("**SEC**") rules, produce an annual report on executive compensation stating whether the Committee reviewed the Compensation Discussion and Analysis prepared by management and discussed it with management, and whether, based on such review and discussions, the Committee recommended to the Board that such Compensation Discussion and Analysis be included in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC, as well as any other disclosure required in accordance with applicable laws, rules, regulations and listing standards.

The term "compensation" includes salary, long-term incentives, bonuses, perquisites, equity incentives, severance arrangements, retirement benefits and other related benefits and benefit plans.

2. COMPOSITION

The Committee will consist of at least two members of the Board of Directors. Each member of the Committee must satisfy the independence and other requirements applicable to compensation committee members set forth in the listing standards of the Nasdaq Stock Market ("**Nasdaq**") and Rule 10C-1 under the Securities Exchange Act of 1934, and such other applicable laws, rules and regulations regarding director independence as in effect from time to time. All Committee members must also be "non-employee directors" as defined by Rule 16b-3 under the Securities Exchange Act of 1934 and "outside directors" as defined by Section 162(m) of the Internal Revenue Code. The Committee has the authority to delegate its responsibilities to subcommittees as the Committee may deem appropriate, taking into account applicable laws, rules, regulations and listing standards.

The members of the Committee will be recommended by the Nominating Committee and appointed by and serve at the discretion of the Board. The Committee members will be appointed by the Board and may be removed by the Board in its discretion. Resignation or removal of a Committee member from the Board for any reason will automatically constitute resignation or removal from the Committee. Unless the Chair is elected by the full Board, the members of the Committee will elect a Chair.

3. MEETINGS AND MINUTES

The Committee will hold such meetings as its members deem necessary or appropriate, but in any event not less than once annually. The Committee may meet by means of telephonic, audio-visual or other virtual means of communication. Minutes of each meeting will be prepared and distributed to each member of the Board. The Chairman of the Committee will report to the Board from time to time as requested by the Board. Upon invitation by the Committee, other Board members, including non-independent Board members, may attend Compensation Committee meetings, as non-voting attendees.

4. AUTHORITY/ADVISORS

The Committee will have access to all Company books, records, facilities, and personnel as deemed necessary or appropriate by any member of the Committee. If the Committee concludes that it must retain legal, accounting, or other outside advisors (including compensation consultants), it may do so only after assessing the independence of such consultant in accordance with Nasdaq Listing Rule 5605(d)(3) or the requirements of any other applicable exchange. The Committee will have sole authority to oversee the work and approve the reasonable fees and the other terms and conditions of such engagement, including authority to terminate the engagement. The Committee may also pay any ordinary administrative expenses it deems appropriate in carrying out its duties. The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to legal, accounting or other outside advisors (including compensation consultants) retained by the Committee. The Committee will have authority to require that any of the Company's personnel or outside advisors attend any meeting of the Committee or meet with any member of the Committee or any of its advisors.

5. RESPONSIBILITIES

The members of the Committee are not employees of the Company and they do not perform management functions. The Committee relies on the expertise and knowledge of management and serves in an oversight capacity only.

The Committee will have the following responsibilities:

a. Compensation Strategy. The Committee will review, oversee and approve (or make recommendations to the Board for approval of) the Company's overall compensation philosophy, strategy, and policies, including:

i. reviewing, evaluating, and approving employment agreements, severance agreements, change-of-control protections, corporate and individual performance goals and objectives relating to compensation, and other compensatory arrangements with the Company's executive officers;

ii. evaluating, approving, modifying, or terminating compensation plans and programs;

iii. establishing equity compensation policies to appropriately balance the perceived value of equity compensation and the dilutive and other costs of that compensation to the Company;

iv. reviewing compensation practices and trends to assess the adequacy and competitiveness of the Company's executive compensation programs as compared to companies in the Company's industry and exercise its judgment in determining the appropriate levels and types of compensation to be paid or awarded;

v. monitoring the Company's compliance with the requirements relating to loans to officers and directors and with all other applicable laws affecting employee compensation and benefits; and

vi. evaluating the efficacy of the Company's compensation policies and strategy.

b. Compensation of Chief Executive Officer. The Committee will review and approve (or make recommendations to the Board for approval of) the compensation and other terms of employment of the Company's Chief Executive Officer (the "CEO") and evaluate the CEO's performance with respect to identified goals and objectives. The CEO may not be present during the voting or deliberations regarding the CEO's compensation. The Committee must determine, or recommend to the full Board for determination, the compensation of the CEO.

c. Compensation of Other Executive Officers. The Committee will review and approve (or make recommendations to the Board for approval of) the compensation, individual and corporate performance goals and objectives and other terms of employment of the Company's other executive officers and evaluate their individual performance, taking into account the recommendations and evaluation of the CEO to the extent the Committee deems appropriate. The CEO may be present, but may not vote, during deliberations on the compensation of all other officers. The Committee must determine, or recommend to the full Board for determination, the compensation of all other executive officers.

d. Compensation of Non-Employee (Independent) Directors. The Committee will review and approve (or make recommendations to the Board for approval of) the type and amount of compensation to be paid or awarded to non-employee (Independent) Board members.

e. Risk Management. The Committee will review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, review the relationship between risk management policies and practices and compensation, and evaluate compensation policies and practices that could mitigate any such risk.

f. Administration of Benefit Plans. The Committee will have full power and authority to adopt, amend, terminate, and administer the Company's equity plans, profit sharing plans, bonus plans, benefit plans and other similar programs. The Committee will have full power and authority to administer these plans, establish guidelines,

interpret plan documents, select participants, approve grants and awards, approve modifications to awards and exercise other power, as appropriate.

g. Organizational Oversight and Succession Planning. The Committee will review and discuss with management the Company's organizational structure, succession plans for executive officers, and programs to encourage the development of individuals to assume positions of higher responsibility.

h. Compensation Discussion and Analysis; Committee Report. The Committee will review and discuss with management any "Compensation Discussion and Analysis" and "Compensation Committee Report" required to be included in any filing with the SEC.

i. Compensation Proposals. The Committee will provide recommendations to the Board on compensation-related proposals to be considered at the Company's annual meeting of stockholders, including the frequency of advisory votes on executive compensation if required by Section 14A of the Exchange Act and the rules and regulations promulgated thereunder. The Committee will review and consider the results of any advisory vote on executive compensation.

j. Conflict of Interest Disclosure. The Committee will review and discuss with management any conflicts of interest raised by the work of a compensation consultant or advisor hired by the Committee or management and how such conflict is being addressed, and prepare any necessary disclosure in the Company's annual proxy statement in accordance with applicable law and exchange requirements.

k. Committee Charter. The Committee will annually evaluate its performance. The Committee will also review and assess the adequacy of this Charter annually and will recommend any proposed changes to the Board for its consideration and approval.

l. General Authority. The Committee will perform such other functions and have such other powers as may be necessary or appropriate in the discharge of any of the foregoing.

6. PUBLICATION

The Company will make this Charter available to stockholders on request and, provided that the Company is subject to the periodic reporting requirements of the Exchange Act, will publish it on the Company's website.