

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

PURPOSE:

The Nominating Committee will be responsible for matters relating to the governance of Electro-Sensors, Inc. (the “Company”), including selection of candidates for the Company’s Board of Directors (the “Board”).

MEMBERSHIP:

The Nominating Committee will be composed only of independent directors appointed by the Board, with the term independent director defined by applicable laws and regulations, including Nasdaq Stock Market LLC (“Nasdaq”) rules so long as the Company’s stock is listed on Nasdaq, or the Company’s corporate governance policies, if any.

Nominating Committee members may be removed from the Nominating Committee by the Board at any time. Any vacancies on the Nominating Committee will be filled by the Board.

The Chair of the Nominating Committee will be appointed by the Board or, if not appointed by the Board elected by the majority of the members of the Committee. The Chair of the Nominating Committee will conduct the Committee meetings as well as represent the Committee at meetings of the Company’s Board.

RESPONSIBILITIES:

- Developing, reviewing and revising as appropriate, for adoption by the Board, the Principles of Corporate Governance by which the Company and the Board will be governed.
- Developing, reviewing and revising as appropriate, for adoption by the Board, the codes of ethical conduct and legal compliance by which the Company and its directors, officers, employees and agents will be governed.
- Developing and recommending to the Board policies and processes designed to provide for effective and efficient governance, including but not limited to: policies for evaluation of the Board and the chairperson; nomination, election and reelection of Board members; and succession planning for the Company’s senior executive officers, Board Chair and other Board leaders.
- Annually reviewing the composition of the Board and director independence, focusing on the governance and business needs and requirements of the Company, and reporting to the Board regarding suggested changes in Board composition that will guide the Committee in the selection, recruitment and recommendation of directors.
- Overseeing organization, membership and evaluation of Board committees and committee members.

- Developing procedures for shareholders and other interested parties to communicate with the Board.
- Reviewing and making recommendations regarding shareholder proposals that related to corporate governance.
- Establishing Board member selection criteria and meeting as necessary to consider the nomination and screening of Board member candidates and to evaluate the performance of the Board and its members.
- Periodically appraising the framework for assessment of Board performance and the Board self-evaluation discussion.
- Evaluating the performance of Board members eligible for reelection; addressing performance issues as needed; and recommending the reelection of Board members who are performing effectively and continue to provide a competency needed on the Board.
- Annually reviewing the composition of the Board against a matrix of skills and characteristics focused on the governance and business needs and requirements of the Company, and reporting to the Board regarding suggested changes in Board composition that will guide the Committee in the selection, recruitment and recommendation of directors.
- Reviewing director nominees proposed by shareholders and recommend the director nominees for the annual meeting of shareholders.
- Reporting regularly to the Board on actions taken and significant matters reviewed by the Nominating Committee.
- On an annual basis, reviewing and reassessing the adequacy of this Charter and recommending any proposed changes to the Board for approval.
- On an annual basis reviewing its own performance.
- Overseeing policies and practices relating to governance and other public policy matters relevant to the Company.

Members of management of the Company are requested to cooperate with the Nominating Committee, and to render assistance to it in carrying out its functions.

MEETINGS:

The Nominating Committee will establish its own schedule or meetings and provide a copy of it to the Board and will maintain written minutes of its meetings. These minutes will be promptly made available to the members of the Board of Directors and filed with the minutes of the meetings of the Board of Directors.

AUTHORITY:

The Nominating Committee will have the authority, as and when it determines to be necessary or appropriate to the functions of the Nominating Committee, to

- (i) at the expense of the Company, employ counsel or one or more recruiting firms to assist in the identification and recruitment of director candidates and other advisors to assist it in connection with its functions;
- (ii) form and delegate authority to subcommittees when appropriate; and
- (iii) request from the Chief Executive Officer, the Chief Financial Officer, and such other members of the Company's management as the Committee deems appropriate, advice and information, orally or in writing, concerning the Company's business operations and financial condition relevant to the functions of the Committee.