

# **ELECTRO SCIENTIFIC INDUSTRIES, INC.**

## **COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

### **CHARTER**

*Approved May 11, 2017*

#### **I. PURPOSES**

The Compensation Committee (the “Committee”) of Electro Scientific Industries, Inc. (the “Company”) is appointed by the Board of Directors (the “Board”) to discharge the Board’s responsibilities relating to the compensation of the Company’s Chief Executive Officer (the “CEO”) and the Company’s other executive officers in accordance with this Charter and the Company’s Corporate Governance Guidelines.

#### **II. COMPOSITION**

The Committee will be comprised of at least three members of the Board, each of whom will be an independent director under the standards for independence set forth in the Company’s Corporate Governance Guidelines, and applicable laws and the rules of the NASDAQ Stock Market (“Nasdaq”). At least two members of the Committee also must qualify as “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and as “non-employee directors” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

The members of the Committee will be appointed by the Board at the annual organizational meeting of the Board on the recommendation of the Nominating and Governance Committee. Unless a Chair is designated by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. Members may be removed by the Board at any time.

#### **III. AUTHORITY AND RESPONSIBILITY**

1. The Committee will meet at least semi-annually and periodically as the Committee deems necessary to fulfill its responsibilities. The Committee will meet periodically in executive session without members of management present. The Committee will record and maintain minutes of each of its meetings and make regular reports to the Board.

2. The Committee will annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of those goals and objectives, and set the CEO’s compensation levels based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee should 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 Company’s CEO in past years. The CEO will not attend the portion of any Committee meeting when the CEO’s compensation is determined.

3. The Committee will annually review, set and approve the base salaries and annual incentive opportunities for all executive officers.

4. The Committee will, periodically and as and when appropriate, review and approve the following as they affect the executive officers: (a) all other incentive awards and opportunities, including both cash-based and equity-based awards and opportunities, and other compensation programs; (b) any employment agreements and severance arrangements; (c) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and (d) any special or supplemental compensation and benefits for the executive officers and individuals who formerly served as executive officers, including supplemental retirement benefits.

5. The Committee will review and evaluate the long-term employee compensation philosophy developed by senior management and the types of stock and other compensation programs used by the Company.

6. The Committee will periodically evaluate with management whether risks arising from the Company's compensation programs for all employees are reasonably likely to have a material adverse effect on the Company.

7. The Committee, in consultation with management, will oversee the Company's policies on structuring compensation programs to preserve tax deductibility where appropriate, and, as and when required to preserve tax deductibility, establish performance goals and certify that performance goals have been attained.

8. The Committee will periodically review and discuss with the CEO and report to the Board regarding development and succession plans for executive officers.

9. Consistent with the Corporate Governance Guidelines, the Committee will annually review and recommend to the Board the compensation for all directors and committee members.

10. The Committee will determine executive officer and director stock ownership guidelines and monitor compliance with such guidelines.

11. The Committee has the authority to (a) establish, implement and administer all incentive compensation plans, equity-based plans and employee benefit plans for directors, officers and employees of the Company, provided that Board approval of such plans, and amendments thereto, will be obtained if required by the terms of such plans, (b) determine the individuals eligible for participation consistent with the eligibility provisions of the respective programs and set performance milestones under each of those programs, (c) make grants and awards of all types permitted under the Company's equity-based plans to eligible individuals in accordance with the plans approved by shareholders of the Company, and (d) make grants and awards of all types permitted under the Company's equity-based plans to eligible individuals which are inducement grants made outside of shareholder approved plans.

12. The Committee will monitor the Company's compliance with applicable laws, regulations and rules relating to compensation arrangements for executive officers and directors, including the Company's compliance with Securities and Exchange Commission rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, the requirement under Nasdaq rules that, with limited exceptions, shareholders approve equity compensation plans, and the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers.

13. The Committee will have sole authority and discretion to retain, obtain the advice of and terminate the service of compensation consultants and legal, accounting and other advisers (each, an "Adviser") to assist it in performing its responsibilities. The Committee will be directly responsible for the appointment, compensation and oversight of the work of any Adviser. The Company shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any Adviser retained by the Committee. Prior to selecting, or receiving advice from, any Adviser, the Committee shall take into consideration the following factors:

- (a) the provision of other services to the Company by the person that employs the Adviser;
- (b) the amount of fees received from the Company by the person that employs the Adviser, as a percentage of the total revenue of the person that employs the Adviser;
- (c) the policies and procedures of the person that employs the Adviser that are designed to prevent conflicts of interest;
- (d) any business or personal relationship of the Adviser with a member of the Committee;
- (e) any stock of the Company owned by the Adviser; and
- (f) any business or personal relationship of the Adviser or the person employing the Adviser with an executive officer of the Company.

If the Committee determines that the work performed by a compensation consultant retained by the Committee has raised any conflict of interest, the Committee will disclose to the Board the nature of such conflict of interest and how it is being addressed. In determining whether a conflict of interest exists, the Committee will consider the factors described above and other applicable laws.

14. The Committee is authorized to form and delegate authority to subcommittees as appropriate.

15. The Committee will annually review its own performance and this Charter and recommend to the Board any proposed changes to this Charter or to the Committee.

16. The Committee will produce the annual Compensation Committee Report on executive compensation for inclusion in the Company's annual proxy statement, in accordance with applicable laws, rules and regulations.

17. The Committee will review and discuss with management the Compensation Discussion and Analysis disclosure required by Item 402(b) of Regulation S-K (the "CD&A") and, based on the review and discussion, determine whether to recommend to the Board that the CD&A be included in the Company's annual report on Form 10-K or proxy statement.

18. The Committee will be responsible for any other compensation matters as from time to time may be directed by the Board.