

**Adopted by The Board of Directors  
June 6, 2012**

**THE L.S. STARRETT COMPANY**

**CHARTER**

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

I. Organization and Governance of the Committee. There shall be a committee of the Board of Directors (the "Board") to be known as the Compensation Committee (the "Committee"). The Committee shall be composed of at least two directors, each of whom shall satisfy the independence requirements of the New York Stock Exchange and be appointed by the Board. Members of the Committee may be removed at the Board's discretion. Each member of the Committee shall qualify as an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code and shall be a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934. The Committee shall be governed as provided for in the By-Laws of the Company. The committee shall have the authority to delegate to subcommittees of the Committee any of the responsibilities of the full Committee.

The Board will appoint a chairperson of the Committee who shall preside over the meetings of the Committee. In the absence of the chairperson of the Committee, the members of the Committee may appoint any other member to preside.

II. Statement of Purpose. The Committee shall discharge the Board's responsibilities relating to the compensation of the Company's Chief Executive Officer ("CEO") and other executive officers and prepare an annual report on executive compensation for inclusion in the Company's annual proxy statement in accordance with the proxy rules.

III. Duties and Responsibilities. The duties and responsibilities of the Committee include the following, with the understanding that these duties and responsibilities may be supplemented from time to time as appropriate.

- Assist the Board in developing and evaluating potential candidates for the executive positions (including CEO) .
- Review and approve the Company's goals and objectives relevant to the CEO and other executive officers. Evaluate the performance of the CEO and other executive officers in light of those goals and objectives, global economic climate, and long-term Company performance, and based on this evaluation, set the CEO's compensation and make recommendations to the Board for the compensation of the other executive officers.
- Make recommendations to the Board regarding employee incentive compensation plans and equity-based plans;
- Administer the Company's existing incentive compensation plans and equity-based plans;
- Review and assess the adequacy of this charter and submit any changes to the Board for approval;
- Report its actions and any recommendations to the Board on a periodic basis, and annually perform and present to the Board an evaluation of the performance of the Committee.
- Produce a compensation committee report on executive compensation for inclusion in the Company's annual proxy statement.
- Review such other matters as the Board or the Committee shall deem appropriate.

IV. Powers of the Compensation Committee. In order to fulfill its role, the Committee shall have the power to:

- Adopt, administer, amend or terminate compensation plans applicable to any class of employees of the Company and/or any subsidiary of the Company; *provided* that no adoption, amendment or termination of any compensation plan under which stock may be issued, or in which a member of the Board may be a participant shall be effective unless the same shall be approved by the Board and, to the extent required by law, by the stockholders; *provided further*, that no adoption, amendment or termination of any compensation plan may be made that violates this or any other committee charter of the Company; and
- When it is determined by the Committee that a consulting firm or other expert should assist in the assessment of the CEO or other executive officer compensation, the Committee shall have the authority to retain and terminate such firm or expert. The Committee shall have the authority to retain legal, accounting or other experts that it determines to be necessary to carry out its duties and to determine compensation for such advisors.