

TRANSACT TECHNOLOGIES INCORPORATED

COMPENSATION COMMITTEE CHARTER

INTRODUCTION

The Board of Directors (the “Board”) of TransAct Technologies Incorporated (the “Company”) has adopted this charter for its Compensation Committee (the “Committee”). The Committee shall conduct its business in accordance with this charter, the Company’s Certificate of Incorporation and By-Laws and any direction by the Board.

COMMITTEE COMPOSITION

Number and Qualifications

The Committee shall be comprised of three or more directors. Each member of the Committee must be affirmatively determined by the Board to be independent in accordance with the rules of The Nasdaq Stock Market and the Company’s By-Laws and Corporate Governance Principles, except as may be permitted by the rules of The Nasdaq Stock Market under exceptional and limited circumstances. In addition, at least two members of the Committee must qualify as “non-employee directors” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, to the extent applicable, must qualify as “outside directors” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Appointment and Removal

The members of the Committee shall be appointed by the Board annually upon the recommendation of the Nominating and Corporate Governance Committee, and shall serve until the earlier to occur of (i) such member’s resignation, removal or death, or (ii) the election and qualification of such member’s successor. A majority of the Board may remove any member of the Committee at any time with or without cause, provided that the Board must, at all times, assure that the Committee will have a Chair and sufficient members to satisfy the requirements set forth above relating to the number and qualifications of Committee members. Vacancies on the Committee shall be filled by the Board upon the recommendation of the Nominating and Corporate Governance Committee.

Committee Chair

Unless a Chair of the Committee is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. A Chair elected by the Committee may be removed and replaced as Chair by the Committee or the full Board at any time with or without cause. To assure familiarity with the issues facing the Committee, a member of the Committee generally should have served at least one year on the Committee prior to becoming its Chair. The Committee Chair may be rotated periodically if and at such time as determined by the Board or the Committee.

PURPOSE AND RESPONSIBILITIES

The purpose of the Committee is to carry out the responsibilities delegated by the Board relating to the review and determination of executive compensation and succession planning. The Committee, in fulfilling this purpose, shall have the following authority and responsibilities:

Executive Compensation

- **General Policy.** The Committee shall be responsible for setting the Company's general policy regarding executive compensation and for overseeing the Company's overall compensation structure and benefit plans.
- **CEO Compensation.** The Committee shall be responsible for, no less than annually, reviewing and approving the corporate goals and objectives applicable to the compensation of the Company's Chief Executive Officer (the "CEO"), evaluating CEO performance in light of these goals and objectives, and determining and approving CEO compensation based on this evaluation.
- **Non-CEO Executive Officer Compensation.** The Committee shall be responsible for reviewing and approving the compensation of all other executive officers of the Company.
- **Process for Determining Executive Compensation.** In determining compensation for the CEO and such other senior executives, the Committee shall consider, among other factors, the Company's overall performance, stockholder return, the achievement of specific performance objectives that the Committee shall establish on an annual basis, compensation previously provided to the executives, and the value of compensation provided to individuals in similar positions at comparable companies (*i.e.*, one or more "peer groups" for each executive, which shall be reviewed by the Committee). In evaluating and determining the CEO's compensation, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation (the "Say on Pay Vote") required by Section 14A of the Exchange Act. The CEO may not be present during any voting or deliberations by the Committee on the CEO's compensation. The Committee may also consult with such other members of the Board as it sees fit.
- **Compensation Disclosure.** The Committee shall review and discuss with management the Company's Compensation Discussion and Analysis (the "CD&A"), if any, and the related executive compensation information, recommend that the CD&A and related executive compensation information be included in the Company's annual report on Form 10-K and proxy statement, and produce the Committee report on executive compensation, if any, to be included in the Company's proxy statement or annual report on Form 10-K.

- **Employment Agreements.** The Committee shall be responsible for reviewing and approving, and when appropriate, recommending to the Board for approval, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans. In connection with reviewing proposed employment agreements for such officers, the Committee shall receive information regarding, among other things, the terms of the agreement, competitive practices, and the potential financial implications of the employment agreement.
- **Say on Pay Vote.** The Committee shall review and recommend to the Board for approval the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent stockholder advisory vote on frequency of Say on Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's proxy statement.

Other Compensation and Benefit Matters

- **Employee Benefit Plans.** The Committee shall oversee, review and make recommendations to the Board regarding all employee benefit plans for the Company, which includes the ability to adopt, amend and terminate such plans.
- **Incentive Compensation.** The Committee shall administer the Company's executive bonus and equity-based incentive plans to the extent delegated by the Board. In connection with this administration, the Committee shall also review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk.
- **Compensation Consultant Conflicts.** The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407 of Regulation S-K. Any compensation consultant retained by the Committee to assist with its responsibilities relating to executive compensation or to director compensation shall not be retained by the Company for any compensation or other human resources matters.

CEO Performance and Succession

- **CEO Performance.** The Committee is responsible for reviewing the CEO's performance in connection with both his or her compensation and the decision as to whether to continue to employ the individual.
- **CEO Succession.** The Committee is responsible for overseeing the CEO succession planning process, including developing an emergency succession plan in the event of the death or disability of the CEO. The Committee is also responsible for evaluating

potential candidates for CEO and recommending to the Board any changes to, and any candidates for succession under, the succession plan. The Board is responsible for selecting the CEO.

Director Compensation

The Committee is responsible for reviewing, at least once a year, all director compensation and benefits for service on the Board and Board committees, and recommending any changes to the Board, as necessary or appropriate. As part of its review, the Committee will receive and review information on compensation provided to non-employee directors at a peer group of companies.

Compensation Committee Evaluation

The Committee shall conduct an annual evaluation of the performance of its duties under this charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in accordance with the framework established by the Nominating and Corporate Governance Committee of the Board. As part of this evaluation, the Committee shall review this charter and recommend any proposed changes to the Board for approval.

Other Responsibilities

- **Regulatory Oversight.** The Committee is responsible for overseeing developments in law and practice relating to executive compensation and the Company's response thereto.

COMMITTEE OPERATIONS

Structure and Operations

The Committee shall approve its schedule of meetings and shall meet at least twice a year on such date and at such time as it deems necessary to fulfill its responsibilities. The Committee may also hold additional meetings at the direction of the Chairman of the Board or at the request of any Committee member. The Committee shall be governed by the same rules regarding meetings (including meetings in person or by telephone or other forms of electronic communication), action without meetings (including action by written consent), notice, waiver of notice and quorum and voting requirements as are applicable to the Board.

Agenda and Materials

The Committee Chair shall approve the agenda for the meetings and any member may suggest items for the Committee's consideration. Briefing materials shall be provided to the Committee as far in advance of a meeting as practicable.

Participation in Meetings

The Committee, in the discretion of its Chair, may invite members of management to attend the Committee's meetings. All independent directors who are not Committee members shall be invited to attend Committee meetings, provided that (i) the Committee shall meet

without such other directors during executive sessions, (ii) the Committee Chair may ask non-Committee members to leave the meeting at any time, and (iii) that such non-Committee members may not vote on any actions considered by the Committee.

Executive Sessions

The Committee, at its determination, may hold an executive session at each regularly scheduled meeting. During at least some portion of each executive session, no member of management shall be present. The Committee, at its determination, may exclude any or all non-Committee members from all or any portion of an executive session.

Delegation

Except as otherwise prohibited by law, regulation, the rules of the Nasdaq Stock Market or the Company's Certificate of Incorporation or By-Laws, the Committee may delegate its responsibilities to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

Reporting to the Board

At the Board meeting following each Committee meeting, the Committee Chair (or the Chair's designee) shall report to the full Board regarding its actions and make recommendations to the Board, if and to the extent appropriate.

COMMITTEE RESOURCES

The Committee shall have the authority, in its sole determination, to select, retain and obtain the advice of outside counsel, compensation consultants, executive search firms and such other advisors as it deems necessary to fulfill its duties and responsibilities under this charter. The compensation consultant(s), outside counsel, executive search firm(s) and any other advisors retained by, or providing advice to, the Committee shall be independent as determined in the discretion of the Committee after considering the factors specified in Nasdaq rules. The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors, that is generally available to all salaried employees, and about which the consultant or advisor does not provide advice.

The Committee shall determine the compensation and oversee the work of all such advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its consultants, outside counsel and any other advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisors, and the authority granted in this charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this charter. Each Committee member shall also have full access to any member of management.