



MTS Systems Corporation Corporate Governance Guidelines

Part I Board Composition

1. Board Membership Criteria

All directors must possess personal and professional integrity, intelligence, the time to devote to board demands, absence from conflict of interest, broad perspective, an inquiring mind, experience at a strategy/policy setting level, ability to be candid and work effectively with others and demonstrated ability to understand and respect the oversight responsibility of the Board of Directors (the “Board”). The Governance and Nominating Committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. Recognizing that the contribution of the Board will depend not only on the character and capacities of the Directors taken individually, but also on their collective strengths, the Board should be composed of:

- a. Directors chosen with a view to bringing to the Board diverse experiences and backgrounds;
- b. Directors who will form a central core of business executives with financial expertise;
- c. Directors who have substantial experience outside the business community – in the public, academic or scientific communities, for example;
- d. Directors who will represent the balanced, best interests of the shareholders as a whole rather than special interest groups or constituencies;
- e. At least one Director who has the requisite experience and expertise to be designated as an “audit committee financial expert” as defined by applicable rules of the Securities and Exchange Commission; and
- f. A majority of Directors who are independent.

The Governance and Nominating Committee and the full Board believe the following minimum qualifications must be met by a Director nominee to be recommended by the Governance and Nominating Committee to the full Board:

- a. each Director should be chosen without regard to sex, gender, sexual orientation, race, religion or national origin;
- b. each Director should be an individual of the highest character and integrity and have an inquiring mind, vision and the ability to work well with others;

- c. each Director should be free of any relationship or conflict of interest which would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;
- d. each Director should possess substantial and significant experience which would be of particular importance to the Company in the performance of the duties of a director;
- e. each Director should have sufficient time available to devote to the affairs of the Company in order to carry out the responsibilities of a director; and
- f. each Director should have the capacity and desire to represent the balanced, best interests of the shareholders as a whole and not primarily a special interest group or constituency and be committed to enhancing long-term shareholder value.

2. Retirement Age and Term Limits

There is no mandatory retirement age or term limit for directors. However, the Board will annually assess the performance of the Board and its members in order to ensure that each director continues to have the time, capability and capacity to fulfill his or her responsibilities as a director.

3. Board Selection

The Board is responsible for nominating directors to be elected by the shareholders. The Governance and Nominating Committee recommends the criteria for Board members as well as prospective directors for nomination. Shareholders may nominate potential directors, in accordance with applicable law and the Company's bylaws. Vacancies between Annual Meetings of Shareholders may be filled through nomination by the Governance and Nominating Committee and a majority vote of the Board. Directors elected by shareholders or appointed by the Board serve until their successors are elected at the next succeeding Annual Meeting of Shareholders following their election or appointment.

4. Size of Board

The Articles of Incorporation and Bylaws of the Company permit the Board to have between three and ten members. The Board will establish the number of its members within that range.

5. Director Independence

At least a majority of directors must be independent, as defined by applicable rules of the Nasdaq Stock Market. This policy promotes unbiased oversight of the Company's officers and management.

6. Board Leadership Structure

The Board selects both the Chairman and the CEO. The Board can select the same person for both positions. In the event that the same person serves as Chairman and CEO, the Board will also select an independent director to serve as Lead Director.

The Board will periodically evaluate its leadership structure to determine whether such structure is appropriate given the characteristics and circumstances of the Company at the time.

7. Director Job Change

A non-employee director who changes or terminates his or her primary employment will automatically tender his or her resignation in writing to the Chairman or the Lead Director, as applicable, and to the Chair of the Governance and Nominating Committee. The Governance and Nominating Committee will review the impact of the change of employment on the director's time and capability to fulfill his or her responsibilities as a director of the Company, and make a recommendation to the Board whether or not to accept the director's resignation. The directors will vote to either accept or decline that tender of resignation, which vote shall occur no later than the Board's next regularly scheduled meeting. The director will continue to serve his or her term until a majority of directors vote to accept the resignation.

8. Director Resignation and Decision to Not Seek Re-election to the Board

A director may voluntarily resign from the Board at any time. A resigning director shall tender his or her resignation in writing to the Chair, Lead Director, if applicable, and Secretary of the Company. The resignation also shall automatically result in the resignation of such director from all Committees. A director who decides not to seek re-election to the Board shall provide written notice of such decision to the Chair, Lead Director, if applicable, and Secretary of the Company.

9. Other Board Memberships

A director must advise the CEO, the independent Chair of the Board or Lead Director, as applicable, the Chair of the Governance and Nominating Committee and the General Counsel in advance of accepting an invitation to serve on the board of another public or private company or the audit committee of another board. The General Counsel will undertake a review of the relationship between the Company and the other entity to determine whether the proposed board membership would trigger related party status under the Company's Corporate Governance Guidelines, and will report the findings to the other notified parties. The Governance and Nominating Committee will review the proposed board position for any potential conflicts of interest, or other matters that may affect the director's independence or ability to serve as a director of the Company. If a director desires to accept a position on the board or audit committee of another entity, that director must confirm to the Board of the Company that he or she has the time and capability, notwithstanding the new position, to fulfill his or her responsibilities as a director of the Company.

Part II Board Meetings

1. Attendance

Each member of the Board is expected to attend as many meetings of the Board and any committee or committees on which he or she serves as possible in person or by telephone, but not less than 75% of such meetings.

2. Meetings of Independent Directors

The independent members of the Board regularly meet without the CEO present to discuss matters of interest. Such meetings are led by the Chairman of the Board or Lead Director, as applicable.

3. Meetings and Agenda

The Board meets a minimum of four times per fiscal year. Additional meetings, including telephonic meetings, are held from time to time as appropriate. The Chairman of the Board or the Lead Director, as applicable, in conjunction with the CEO, establishes the agenda for each meeting, although Board members are free to suggest items for inclusion at future Board meetings. It is Company practice to ensure the Board receives all Board materials at least five days in advance of any Board or committee meeting, and directors are expected to have reviewed such materials before attending the meeting.

Part III Board Responsibilities

1. Responsibilities

The primary responsibility of the Board is to oversee the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. In addition to its general oversight of management, the Board (either directly or through its committees) also performs a number of specific functions, including:

- a. Representing the interests of the Company's shareholders in maintaining and enhancing the success of the Company's business, including optimizing long-term returns to increase shareholder value;
- b. Selecting, evaluating and compensating a well-qualified Chief Executive Officer of high integrity, and overseeing CEO succession planning;
- c. Providing counsel and oversight on the selection, evaluation, development and compensation of senior management;
- d. Reviewing, approving and interacting with senior management with respect to the Company's fundamental financial and business strategies and major corporate actions, including strategic planning, management development and succession, operating performance and shareholder returns;
- e. Assessing major risks facing the Company and reviewing options for their mitigation;
- f. Overseeing the designation of senior management who will be responsible for business resiliency and periodically reviewing management's plans to address this issue, including

such items as business continuity, physical and cyber security, and emergency communications;

- g. Ensuring processes are in place for maintaining the integrity of the Company's business practices, its financial statements, its compliance with law and ethics, and its relationships with customers, suppliers and other stakeholders; and
- h. Providing general advice and counsel to the Chairman of the Board, Chief Executive Officer and other senior management personnel.

2. Performance Reviews

The Board annually evaluates its performance to determine whether it, its committees, and its individual members are functioning effectively. The Governance and Nominating Committee is responsible for facilitating the annual review process as well as for reviewing with the Board the results of the evaluations.

3. CEO Evaluation and Succession Plan

The independent directors of the Board will review and approve performance objectives for, and review the performance of, the CEO on an annual basis. The Chair of the Board or the Lead Director, as applicable, will coordinate the annual review and approval by the independent directors of a CEO succession plan.

4. Director Orientation and Education

Under the leadership of the Governance and Nominating Committee, the Board provides new directors with a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, executive management team, significant financial, accounting and risk management issues, compliance programs, and code of business conduct. Director education can be achieved through a variety of experiences, programs and methods and should be tailored for each director, taking into account their unique education, background, experience and Board responsibilities, in accordance with the Company's Director Orientation and Education Policy. Reasonable expenses for Director continuing education will be reimbursed by the Company and should be forwarded to the Chair of the Governance and Nominating Committee for review and approval.

Part IV Board Compensation and Stock Ownership

1. Director Stock Ownership

Each director is encouraged to have a financial stake in the Company through stock ownership. Non-employee directors establish stock-ownership guidelines for such directors, and the Compensation Committee establishes stock-ownership guidelines for executives of the Company, including those executives also serving as directors.

2. Director Compensation

The Governance and Nominating Committee is responsible for developing and recommending director compensation policies and practices for approval by the full Board. A review of director compensation in relation to similarly situated companies is conducted annually to ensure that director compensation is consistent with market practices.

Part V Committees

1. Selection

The Board has a standing Audit Committee, Governance and Nominating Committee, and Compensation Committee. Members of the standing committees consist entirely of independent directors. The standing committees each operate under a written charter and report regularly to the Board. The Board has the power to create or discharge any additional committees and can fill vacancies and change the membership of any committee.

2. Audit Committee

The Audit Committee is responsible for managing the Company's relationship with outside auditors. It also reviews financial statements and internal controls with management and the independent auditors, oversees the Company's internal audit function, significant financial matters and oversees the Company's compliance function and program. All members of the Audit Committee must be financially literate at the time of appointment, and at least one member of the Audit Committee must have accounting, finance, or related financial management experience.

3. Governance and Nominating Committee

The Governance and Nominating Committee is responsible for governance policies and practices, including the evaluation of the Board and its committees and individual members. The Committee is also responsible for recommending to the Board criteria for prospective directors, recommending the annual slate of directors to be elected by shareholders, and recommending candidates to fill Board vacancies and leading the process to fill the Chairman and the CEO positions.

4. Compensation Committee

The Compensation Committee is responsible for establishing the compensation of executive officers, overseeing the Company's stock and retirement programs, and establishing the process for the Board's evaluation of the CEO.

Part VI Other Governance Policies

1. Board Advisors

The Board and each committee are authorized to retain and consult with independent advisors, as is necessary and appropriate, without consulting management.

2. Board Access to Management

The Board of Directors has full access to the management of the Company and may contact managers from time to time in order to fully perform its duties. The interaction between Board members and management is expected to not interfere with the operation of the Company.

3. Stock Option Re-pricing

It is the policy of the Company to not re-price any stock options.

4. Annual Shareholder Meeting Attendance

It is the policy of the Company that all directors attend the Annual Meeting of Shareholders.

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Nothing in these Corporate Governance Guidelines is intended to expand the fiduciary duty or other legal obligations of Board members or officers of the Company beyond those provided for under applicable law or regulation.