

**CHARTER FOR THE
COMPENSATION COMMITTEE
OF
SCM MICROSYSTEMS, INC.**

PURPOSE:

The purpose of the Compensation Committee of the Board of Directors (the “Board”) of SCM Microsystems, Inc. (the “Company”) shall be to discharge the Board’s responsibilities relating to compensation of the Company’s executive officers. The Committee has overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company.

The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company’s proxy statement.

COMMITTEE MEMBERSHIP AND ORGANIZATION:

The Compensation Committee will be appointed by and will serve at the discretion of the Board. The Compensation Committee shall consist of no fewer than two members. The members of the Compensation Committee shall meet the (i) independence requirements of NASDAQ Rule 4200, (ii) non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities and Exchange Act of 1934, as amended, and (iii) the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended.

COMMITTEE RESPONSIBILITIES AND AUTHORITY

- The Compensation Committee shall annually review and approve for the CEO and the executive officers of the Company (a) the annual base salary, (b) the annual incentive bonus, including the specific goals and amount, (c) equity compensation, (d) employment agreements, severance arrangements, and change in control agreements/provisions, and (e) any other benefits, compensation or arrangements.
- The Compensation Committee will annually review and approve the equity compensation policy for all staff. Thereafter the Management of the Company may execute within this policy without further reference. Any exceptions must be submitted to the Compensation Committee for approval.
- The Compensation Committee may make recommendations to the Board with respect to incentive compensation plans.
- The Compensation Committee will annually recommend the Non-Executive Directors’ remuneration.

- The Compensation Committee may form and delegate authority to subcommittees when appropriate.
- In making its decisions the Compensation Committee will consider where appropriate the recommendation of the Management, benchmarking data and the current financial position of the Company.
- The Compensation Committee shall make regular reports to the Board.
- The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- The Compensation Committee shall annually review its own performance.
- The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used by the Company to assist in the evaluation of CEO or executive officer compensation and shall have sole authority to approve the consultant's fees and other retention fees. The Compensation Committee shall also have authority to obtain advice and assistance from internal and external legal, accounting or other advisors.