

KEITHLEY INSTRUMENTS, INC.

**CHARTER OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE
OF THE BOARD OF DIRECTORS**

ADOPTED December 4, 2003

1. Purposes of the Committee

The purposes of the Compensation and Human Resources Committee (the "Committee") of the Board of Directors (the "Board") of Keithley Instruments, Inc. (the "Company") are to (i) discharge the responsibilities relating to the compensation of the Company's executives set forth in this Charter, (ii) oversee the Company's compensation and employee benefit plans and practices, and (iii) produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with all applicable rules and regulations.

2. Composition of the Committee

The Committee shall consist of no fewer than three directors, each of whom shall qualify as an independent director ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE"). Members of the Committee shall also qualify as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall satisfy any other necessary standards of independence under the federal securities and tax laws.

The members of the Committee shall be appointed and serve at the pleasure of the Board. Vacancies on the Committee may be filled by the Board, and members of the Committee may be removed only by the Board.

3. Meetings and Procedures of the Committee

The Committee shall meet at least three times annually or more frequently as circumstances require. The Board shall designate one member of the Committee as its Chairperson. The Chairperson will, in conjunction with appropriate members of the Committee and management, establish the meeting calendar and set the agenda for each meeting. The Chairperson of the Committee or a majority of the members of the Committee may call special meetings of the Committee. The Committee may form subcommittees of not fewer than two members for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such information as the Committee requests.

The Committee may meet in executive session outside the presence of the Company's executive officers.

Following each of its meetings, the Committee shall report on the meeting to the Board, including a description of all actions taken by the Committee at the meeting. The Committee shall keep written minutes of its meetings.

4. Committee Responsibilities

The Committee shall have the following responsibilities:

(a) To review and approve periodically the goals and objectives relevant to the compensation of the Chief Executive Officer, the Company's other executive officers and other employees who report to the Company's Chief Executive Officer ("Senior Managers"), and to amend these goals and objectives if the Committee deems it appropriate.

(b) To review at least annually the Company's executive and employee compensation plans in light of the Company's goals and objectives with respect to such plans, and, if the Committee deems it appropriate, recommend to the Board the adoption of new or the amendment of existing executive compensation plans. The Committee shall be responsible for the design and implementation of all plans and programs regarding compensation and benefits, including retirement benefits, to executive officers and Senior Managers, except that the Committee's responsibility regarding stock option and other equity-based plans shall, subject to paragraph (k) below, be to make recommendations to the full Board regarding the adoption of or amendments to such plans.

(c) To evaluate annually the performance of the Chief Executive Officer in light of the goals and objectives of the Company's executive compensation plans, and set his or her compensation level based on this evaluation. In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee shall consider all relevant factors, including the Company's performance and relative shareholder return, the value of similar awards to chief executive officers of comparable companies, and the awards given to the Chief Executive Officer of the Company in past years.

(d) To review and approve salary and incentive payments to executive officers and Senior Managers.

(e) To review and approve grants and awards to executive officers, Senior Managers and other participants under the Company's equity-based compensation plans.

(f) To evaluate management of the Company under the oversight of the Nominating and Corporate Governance Committee.

(g) To evaluate periodically compensation for members of the Board and its committees and to review and approve changes in such compensation and plans relating to director compensation.

(h) To review and approve any employment agreement to be made with any existing or prospective executive officer or Senior Manager of the Company and any severance or termination agreements or arrangements with any executive officer or Senior Manager that provide benefits greater than those provided by applicable Company policies.

(i) To perform such duties and responsibilities as may be assigned to the Committee under the terms of any executive or employee compensation or benefit plan, including incentive and equity-based plans.

(j) To issue an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.

(k) To review all equity compensation plans that are not subject to shareholder approval under the listing standards of the NYSE and to approve such plans in its sole discretion.

(l) To review with the Chief Executive Officer, at least annually, the Chief Executive Officer's management succession plan. It is expected that all directors will be invited to attend Committee meetings at which management succession is reviewed. The Committee shall review, monitor and report to the Board, at least annually, on management development efforts to assure development of a pool of candidates for adequate and orderly management succession.

(m) To review other human resources programs for broad-based employees as deemed appropriate by the Chief Executive Officer or requested by the Board.

5. Evaluation of the Committee

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner. The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

6. Investigations and Studies; Outside Advisers

The Committee may conduct or authorize investigations into or studies of matters within the Committee's responsibilities, and may retain, at the Company's expense, such independent counsel or other advisers as it deems necessary. The Committee shall have the sole authority to retain or terminate a compensation consultant to assist the Committee in carrying out its responsibilities, including sole authority to approve the consultant's fees and other retention terms, such fees to be borne by the Company.