

BOARD OF DIRECTORS MANDATE

A. PURPOSE

The overall purpose of the Board of Directors is to oversee management and to assure that shareholder long-term interests are served. Through oversight, review, and counsel, the Board monitors and promotes Hammond Power Solutions Inc.'s business and organizational objectives. The Board oversees the Company's business affairs and integrity, works with management to determine the Company's mission and long-term strategy, performs the annual Chief Executive Officer evaluation, oversees CEO succession planning, monitors internal control over financial reporting, and assesses company risks and strategies for risk mitigation.

The Board recognizes that the long term interests of shareholders are best served by responsibility meeting the concerns of all stakeholders including customers, suppliers, employees, financial institutions, government and the community.

B. COMPOSITION, PROCEDURES, ORGANIZATION AND SELECTION; Independent Directors

1. **Board Size.** The Board believes 5 members is an appropriate size based on the Company's present circumstances. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable. A majority of directors shall be 'independent.'
2. **Selection of Board Members and Board Member Criteria.** The Company's shareholders elect Board members annually. The Corporate Governance Committee is responsible for recommending to the Board director candidates for nomination and election. In making its recommendations to the Board, the Corporate Governance Committee considers, among other things, the qualifications of individual director candidates in light of the Board Membership Criteria described below. The Board nominates director candidates for election by the shareholders and fills any Board vacancies that occur between shareholder elections pursuant to the Company's Bylaws.

The Corporate Governance Committee works with the Board to determine the appropriate characteristics, skills, and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experience in business, education, and public service. Characteristics expected of all directors include independence, integrity, high personal

and professional ethics, sound business judgment, and the ability and willingness to commit sufficient time to the Board. The Board evaluates each individual in the context of the Board as a whole. In determining whether to recommend a director for re-election, the Corporate Governance Committee also considers the director's past attendance at meetings, participation in and contributions to the activities of the Board, and the results of the most recent Board self-evaluation.

3. **Board Independence.** The Board will be composed of a majority of directors who are free from conflicts of interest and can exercise independent judgment in fulfilling their responsibilities. For a director to be considered independent, he or she must not have any material relationships with the corporation either directly or indirectly. The independent directors should hold regularly scheduled meetings at which members of management are not in attendance.
4. **Term Limits.** The Board does not believe it should limit the number of terms for which an individual may serve as a director as Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies, and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and nomination process described in these guidelines and will review the term limit guideline every 3 years.
5. **Orientation and Continuing Education.** The Board, working with management, will ensure that all new directors receive a comprehensive orientation of the nature and operation of the Company's business. The Board will also ensure that new Directors fully understand the role of the Board, the operating Committees' as well as the commitment and time and energy expected from its directors.
6. **Election of Directors.** As provided in Article 4.03 of the Company's Bylaws, in an uncontested election directors will be elected by the vote of the majority of the votes cast. In a contested election, the directors will be elected by the vote of a majority of the votes cast.
7. **Selection of CEO and Chair.** The Board selects the CEO and Chair in the manner that it determines to be in the best interests of the Company and its shareholders; the Board has no policy with respect to separation of the positions of Chair and CEO or with respect to whether the Chair should be a member of management or a non-management director, and believes that these are matters that should be discussed and determined by the Board from time to time.

8. **Lead Director.** The Board can appoint an independent director to act as the Lead Director with responsibility for coordinating the activities of the other independent directors and for performing such other duties as are assigned from time to time by the Board.

BOARD MEETINGS

1. **Board Meetings – Frequency.** The Board will generally hold four regularly scheduled meetings per year to review and discuss the Company's business performance and will hold additional special meetings as necessary. In addition, the Board will hold a scheduled meeting to approve the Company's Annual Business Plan. Each director is expected to attend both scheduled and special meetings, except if unusual circumstances make attendance impractical.
2. **Board Meetings – Agenda.** The Chair of the Board and Lead Director will set the agenda for each Board meeting, taking into account suggestions from other members of the Board. The agenda for each Board meeting will be distributed in advance to each director.
3. **Advance Distribution of Materials.** All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting should be distributed in writing or electronically six days in advance to all members, whenever feasible and appropriate. Each director is expected to review this information in advance of the meeting as to be fully apprised of topics to be reviewed, discussed and actions taken. In preparing this information, management should ensure that the materials distributed are as concise as possible, yet give directors sufficient information to make informed decisions. The Board recognizes that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.
4. **Access to Employees and Independent Advisors.** The Board should have complete access to all employees including Senior Management as well as legal counsel and the Company auditors to ensure they have access to all information necessary to fulfill their duties. Senior Management or advisors may be invited to a Board meeting at which their presence and expertise would help the Board have a full understanding of matters being considered. The Company will provide appropriate funding, as determined by the Board or any committee, to compensate independent outside advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

5. **Board Compensation.** Members of the Board shall receive remuneration for serving as a Company Director or a member of a Committee as determined by the Compensation Committee which shall review and recommend Board and Committee compensation to the Board annually.
6. **Executive Sessions of Independent Directors.** The independent directors of the Company will meet regularly in executive session, i.e., without management present—at least quarterly each fiscal year. Executive sessions of the independent directors will be called and chaired by the Lead Director, who is an independent director, or otherwise by the Chair of the Governance and Nominating Committee acting as Lead Independent Director. These executive session discussions may include such topics as the independent directors determine.
7. **Attendance at Annual Shareholder Meeting.** Each director is expected to attend the Company's annual meeting of shareholders.

Performance Evaluation; Succession Planning

8. **Annual CEO Evaluation.** The Compensation Committee will review the performance of the CEO at least annually. The evaluation results are reviewed and discussed with the independent directors, and the results are communicated to the CEO. The Compensation Committee establishes the evaluation process and determines the criteria on which the performance of the CEO is evaluated.
9. **Succession Planning.** As part of the CEO evaluation process, the Compensation Committee works with the CEO to plan for CEO succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence.
10. **Board and Committee Self-Evaluation.** The Corporate Governance Committee is responsible for conducting an annual evaluation of the performance of the Board and each of its members. In addition, each committee is responsible for conducting an annual performance evaluation. Evaluation results are reported to the Board. The Corporate Governance Committee's report should generally include an assessment of the Board's and Committee's compliance with the principles set forth in these guidelines, as well as identification of areas in which the Board could improve its performance.

COMMITTEES

11. **Number and Type of Committees.** The Board has three committees: an Audit Committee, a Compensation Committee, and a Corporate Governance Committee. The Board may add new committees or remove existing committees as it deems advisable in the fulfillment of its responsibilities. Each committee will appoint a chair, perform its duties as assigned by the Board in compliance with Company Bylaws will be comprised of no less than three directors. Committee duties are described briefly as follows:
- i. **Audit Committee.** The Audit Committee oversees the work of the Company's accounting and internal audit processes. The committee is directly responsible for the appointment, compensation, retention, and oversight of the Company's independent auditors.
 - ii. **Compensation Committee.** The Compensation Committee stays informed as to market levels of compensation and, based on evaluations, recommends compensation levels and systems to the Board. The Compensation Committee recommends to the Board the compensation of the Chief Executive Officer, other executive officers, Board and Board Committee remuneration and also approves the annual executive bonus schemes and payouts.
 - iii. **Corporate Governance Committee.** The Governance Committee is responsible for recommending to the Board individuals to be nominated as directors. The committee evaluates new candidates and current directors, and performs other duties as described elsewhere in these guidelines.
 - iv. The Audit and Compensation Committees consist solely of independent directors.
12. **Committee Meetings and Agenda.** The chairperson of each committee is responsible for developing the committee's agenda and objectives and for setting the specific agenda for committee meetings. The chairperson and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

GOVERNANCE REVIEW

- 13. Review of Governance Guidelines.** The policies and practices memorialized in these guidelines have developed over a period of years. The Board expects to review these guidelines at least every two years, as appropriate.