

# **Corporate Governance Principles and Committee Charters**



# Corporate Governance Principles and Committee Charters

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# HANOVER COMPRESSOR COMPANY

## CORPORATE GOVERNANCE PRINCIPLES

The following principles have been approved by the Board of Directors (the “Board”) and, along with the charters of the Board committees, provide the framework for the governance of Hanover Compressor Company (the “Company”). The Board recognizes the evolving nature of corporate governance principles and standards, and it will review these principles and standards and other aspects of the Company’s governance program annually or more often if deemed necessary.

### Respective Roles of Board and Management

The Company’s business is conducted by its employees, managers and officers, under the direction of the chief executive officer (“CEO”) and with oversight from the Board, as part of the overall effort to enhance the long-term value of the Company for its shareholders with the Chairman serving as the Lead Independent Director. Consistent with its oversight responsibilities, as it deems appropriate the Board relies on the completeness and accuracy of the information provided to it by management and by outside advisors to the Company.

The Board is elected by the shareholders to oversee management and to set a tone from the top that all facets of the Company’s business must be conducted with integrity and in a manner consistent with the highest standards of business ethics, and in the best interest of shareholders. The functions of Chairman of the Board and CEO are distinct, and the Board has determined that such functions at this time should be performed by separate individuals. If the Chairman is determined to be “independent” in accordance with these Principles at the time of his or her election as Chairman, the Chairman shall also be the Lead Independent Director and all references to the Lead Independent Director shall mean the Chairman. If the Chairman is not determined to be “independent” in accordance with these Principles at the time of his or her election as Chairman, the Board shall designate a different director to serve as the Lead Independent Director.

### The Board

**Size of Board** The Company’s bylaws provide that the Board shall have flexibility in determining its size from time to time. The Board currently believes that the best size for the Board is eight to twelve members, and that no more than two of such members should be employees of the Company.

**Selection Process** Directors are elected each year by the shareholders at the annual meeting of shareholders. Shareholders may propose nominees for consideration by the nominating and corporate governance committee (consisting solely of independent Directors), within the time frame published in the Company’s proxy statement, by submitting the names and supporting information

to: Secretary, Hanover Compressor Company, 12001 North Houston Rosslyn, Houston, Texas 77086. Any shareholder nominated director will be evaluated in the context of the Company's director qualification standards, the existing size and composition of the Board and board balance interests. The Board proposes, based on the recommendation of the nominating and corporate governance committee, a slate of nominees to the shareholders for election to the Board. The Board determines the number of Directors on the Board. Between annual shareholder meetings, the Board may elect to fill any vacancies on the Board to serve until the next annual meeting.

**Qualifications** Directors should possess the highest personal and professional ethics and integrity and should have outstanding judgment, skill and expertise in matters relevant to the business of the Company. The Board, as a whole, through its individual members, seeks to have competence in areas of particular importance to the Company such as finance, accounting, international business, and relevant technical expertise. Directors must be committed to enhancing the long-term interests of the shareholders as a whole and should not be biased toward the interests of any particular segment of the shareholder or employee population. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively. Directors should be prepared to travel to personally attend meetings of the Board and its Committees and should be ready to dedicate sufficient time to prepare in advance of such meetings to allow them to make an effective contribution to the meeting. Board members should ensure that they are not otherwise committed to other activities to make a commitment to Hanover's Board impractical or unadvisable. In addition, Directors are encouraged to attend Annual meetings of shareholders where at all possible, although such attendance is mandatory only for the Chairman and Lead Director. Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities, that may interfere with their ability to fulfill their duties and responsibilities to the Board.

Directors who also serve as CEOs or in equivalent positions should not serve on more than two boards of directors of public companies in addition to the Board, and other Directors should not serve on more than four other boards of directors of public companies in addition to the Board. Current positions in excess of these limits may be maintained unless the Board determines that doing so would impair the Director's service on the Board. Directors should notify the Lead Director promptly upon assuming a position on a board of directors in excess of that permitted by these Corporate Governance Principles.

**Director Orientation and Continuing Education** The Chief Financial Officer and General Counsel, under the direction of the CEO and Chairman, are responsible for director orientation and continuing education and training for directors. The Chief Financial Officer and General Counsel shall be responsible for providing an orientation for new Directors, and for periodically providing materials or briefing sessions for all Directors on subjects that would assist them in discharging their duties. Each new Director shall, within six months of election or appointment to the Board, spend a day at corporate headquarters for personal briefing by senior management on the Company's strategic plans, its financial statements, and its key policies and practices. The Board encourages all of its members to participate in director education programs.

**Retirement** Directors will not be nominated by the Company for election to the Board after their seventy-second (72<sup>nd</sup>) birthday.

**Functions of Board and Director Responsibilities** The Board shall have at least four scheduled meetings a year at which it reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as other issues facing the Company. As discussed below, the Chairman of the Board sets the agenda for, and presides over, each Board meeting. Directors are expected to attend all scheduled Board and, as applicable, committee meetings and to review materials provided to them in advance of such meetings. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

1. reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions, including those related to financing, capital management and liquidity matters;
2. assessing major risks facing the Company and reviewing options for their mitigation;
3. ensuring processes are in place for maintaining the integrity of the Company, its financial statements, and its compliance with law and ethics;
4. selecting, evaluating and compensating the CEO and overseeing CEO succession planning; and
5. providing counsel and oversight on the selection, evaluation, development and compensation of senior management.

**Compensation of Board** The nominating and corporate governance committee shall have the responsibility for recommending to the Board compensation and benefits for non-employee Directors; provided, however, that if the Chairman of the Board is a member of such committee, he shall recuse himself from all discussions and recommendations relating to his compensation as Chairman of the Board. In discharging this duty, the committee shall be guided by three goals: compensation should fairly pay Directors for work required in a company of the Company's size and scope; compensation should align Directors' interests with the long-term interests of shareholders; and the structure of the compensation should be simple, transparent and easy for shareholders to understand. At the end of each year, the nominating and corporate governance committee shall review non-employee Director compensation and benefits.

**Report of Chief Financial Officer** At each regularly scheduled Board meeting, the Company's Chief Financial Officer or his designee shall provide a report that includes year-to-date financial results and quarterly or quarter-to-date financial results that include the Company's financial condition and prospects, including but not limited to, as appropriate under the circumstances, a discussion of all reasons for material increases in expenses and liabilities, if any, and material decreases in revenues and earnings, if any, including any modification or adjustment of reserve accounts or contingencies and management plans for ameliorating or reversing such negative trends and the success or failure of any such plans presented in the past.

**Independence of Directors** A majority of the Directors will be "independent" Directors as defined under applicable law, regulation and the rules of New York Stock Exchange ("NYSE").

To be considered independent, the Board must affirmatively determine that a Director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). For the purpose of these provisions, "immediate family member" means a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-laws and anyone sharing the person's home (except domestic employees); provided that immediate family members shall not include persons who have died, are incapacitated or are divorced or legally separated from the director. The Board has established the following guidelines, all of which must be satisfied for a director to be presumptively independent, to assist the Board in determining Director independence:

1. Employment: A Director who is an employee, or whose immediate family member is an executive officer, of the Company is not "independent" until three years after the end of such employment relationship. In addition, a Director that has been employed, or whose immediate family member has been employed, as an elected officer of the Company or its subsidiaries (direct or indirect) or affiliates (defined as any individual or business entity that owns at least 12.5% of the securities of the Company having ordinary voting power) is not independent until five years after the end of such employment relationship.
2. A Director who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from the Company, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not "independent" until three years after he or she ceases to receive more than \$100,000 per year in such compensation.
3. A Director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the company is not "independent" until three years after the end of the affiliation or the employment or auditing relationship.
4. A Director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Company's present executives, or present executives of an affiliate of the Company, serve on that company's compensation committee is not "independent" until three years after the end of such service or the employment relationship.
5. Other Business Dealings. A Director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, is not "independent" until three years after falling below such threshold.

In addition, a Director is not "independent" if the Director, or an immediate family member of the Director, received, during the current calendar year or any of the three immediately preceding calendar years, remuneration, directly or indirectly, other than *de minimis* remuneration, as a result of service as, or compensation paid to an entity affiliated with the

Director that serves as, (i) an advisor, consultant, or legal counsel to the Company, an affiliate of the Company or to a member of the Company's senior management; or (ii) a significant customer or supplier of the Company or an affiliate of the Company; provided, however, that any Director who was a member of the Board on May 13, 2003 and within the last three years has retired from an entity that would otherwise fit the definition included in (i) or (ii) of this paragraph shall not be rendered non-independent by virtue of remuneration he or she received prior to joining the Board.

A Director is deemed to have received remuneration (other than remuneration as a Director, including remuneration provided to a non-executive Chairman of the Board, Committee Chairman, or Lead Director), directly or indirectly, if remuneration, other than *de minimis* remuneration, was paid by the Company, its subsidiaries (direct or indirect), or affiliates, to any entity in which the Director has a beneficial ownership interest of five percent or more, or to an entity by which the Director is employed or self-employed other than as a Director. Remuneration is deemed *de minimis* remuneration if such remuneration is \$60,000 or less in any calendar year or, if such remuneration is paid to an entity, it (i) did not for the calendar year exceed the lesser of \$5 million, or five percent (5%) of the gross revenues of the entity and (ii) did not directly result in a material increase in the compensation received by the Director from that entity.

6. A Director is not "independent" if the Director or the Director's immediate family member has any personal services contract(s) with the Company, any affiliate of the Company or any member of the Company's senior management.
7. A Director is not "independent" if the Director or the Director's immediate family member has been affiliated with a not-for-profit entity that receives significant contributions from the Company or any affiliate of the Company;
8. A Director is not "independent" if the Director or the Director's immediate family member, during the current calendar year or any of the three immediately preceding calendar years, has had any business relationship with the Company or any affiliate of the Company for which the Company or any affiliate of the Company has been required to make disclosure under Regulation S-K promulgated under the Securities Act of 1933, other than for service as a Director or for which relationship no more than *de minimis* remuneration was received in any one such year; provided, however, that the need to disclose any relationship that existed prior to a Director joining the Board shall not in and of itself render the Director non-independent.
9. A Director is not "independent" if the Director or the Director's immediate family member has been employed by a public company at which an executive officer of the Company or any affiliate of the Company serves as a director.
10. The Board will annually review all commercial, charitable and other relationships of Directors in order to assess the materiality of any such relationship both to the Company and to the other commercial or charitable organization and allow the Board to make a determination regarding each Director's independence. Any Director who fails to meet the

guidelines set forth above shall refrain from assessing the independence of the other members of the Board.

**Director Share Ownership** The Company has adopted share ownerships guidelines for its directors, which it will evaluate from time-to-time, that are designed to align the interests of the Board with those of shareholders. At least 50% of Directors' annual fees are paid in stock, provided that this amount may be reduced by any restricted stock award granted to a Director.

**Personal Loans** The Company will not make any personal loans or extensions of credit to Directors or executive officers.

**Lead Independent Director** The Board has designated (and will designate from time to time) an independent director to act in a lead capacity (the "Lead Independent Director") to coordinate the other non-management directors, as described below. The Lead Independent Director may also serve as Chairman of the Board. The Lead Independent Director is responsible for coordinating the activities of the non-management directors. In addition to the duties of all Board members (which shall not be limited or diminished by the Lead Independent Director's role), the specific responsibilities of the Lead Independent Director are to advise the Chairman of the Board (if the Lead Director is not also the Chairman of the Board) and to undertake the following:

1. determine an appropriate schedule of Board meetings, seeking to ensure that the non-management directors can perform their duties responsibly while not interfering with the flow of the Company's operations;
2. prepare agendas for the Board and committee meetings;
3. assess the quality, quantity, and timeliness of the flow of information from the Company's management that is necessary for the non-management directors to effectively and responsibly perform their duties, and although the Company's management is responsible for the preparation of materials for the Board, the Lead Independent Director may specifically request the inclusion of certain material;
4. direct the retention of consultants who report directly to the Board;
5. ensure that the governance committee oversees compliance with and implementation of the Company's governance policies and ensures that the chairman of the nominating and governance committee oversees the process to recommend revisions to the Company's corporate governance policies;
6. coordinate, develop the agenda for, and moderate executive sessions of the Board's non-management directors, and act as principal liaison between the non-management directors and the Chairman of the Board and/or CEO on sensitive issues;
7. evaluate, along with the members of the management development and compensation committee and the full Board, the CEO's performance and meet with the CEO to discuss the Board's evaluation; and

8. recommend the membership of the various Board committees, as well as to recommend the selection of the committee chairs.

The Lead Independent Director shall have the authority to retain such counsel or consultants as the Lead Independent Director deems necessary to perform his or her responsibilities whose reasonable fees and expenses shall be paid by the Company.

**Setting Board Agenda** The Lead Independent Director shall be responsible for the Board's agenda. Prior to each Board meeting, the CEO will discuss the specific agenda items for the meeting with the Lead Independent Director and jointly determine the nature and extent of information that shall be provided to the Directors before the Board meeting. Committee chairmen shall work with management to determine the nature and extent of information that shall be provided before each committee meeting. Directors are urged to make suggestions for agenda items, or additional pre-meeting materials, to the CEO, the Lead Independent Director, or appropriate committee chairman at any time.

**Board Meetings** At each regularly scheduled Board meeting, there will be a session for the non-employee Directors to meet without management present. The Directors have determined that the Lead Independent Director will preside at such meetings, and will serve as the presiding Director in performing such other functions as the Board may direct, including advising on the selection of committee chairs and advising management on the agenda for Board meetings.

## **Board Committees**

**In General** The Board has established the following committees to assist the Board in discharging its responsibilities: (i) audit; (ii) management development and compensation; (iii) nominating and corporate governance and (iv) finance. The Company also maintains a disclosure control committee, composed of officers and other specialists and managers employed by the Company. The current charters of the audit, management development and compensation, nominating and corporate governance, finance and disclosure control committees are included as exhibits hereto, are published on the Company's website, and will be mailed to shareholders at no cost on written request. The committee chairs report material matters discussed or reviewed during their meetings to the full Board (or, in the case of the disclosure control committee, to the CEO and CFO) following each meeting of the respective committees.

**Independence of Committee Members** In addition to the requirement that a majority of the Board satisfy the independence standards, all members of the audit committee, management development and compensation committee and nominating and governance committee must also satisfy the independence requirements established by law, regulation, the rules of the NYSE (including any additional requirements imposed with respect to audit committee members) and these governance principles.

## **Board's Relationship with Management**

**Access to Senior Management** Non-employee Directors have unlimited access to senior managers of the Company outside the presence of their supervisors. Directors are encouraged to contact members of senior management at any time. Various members of management will be

invited to attend Board and committee meetings from time to time, in order to expose Directors to the Company's management team.

**Annual Compensation Review of CEO and Senior Management** The management development and compensation committee shall annually recommend the goals and objectives for compensating the CEO and senior management. That committee shall evaluate the CEO's performance in light of these goals before recommending for approval by the Board the CEO's salary, bonus and other incentive and equity compensation. The committee shall also annually approve the compensation structure for the Company's officers, and shall evaluate the performance of the Company's senior executive officers (i.e., those individuals designated by the Company as its officers under section 16 of the Securities Exchange Act of 1934) before recommending their salary, bonus and other incentive and equity compensation. During its consideration of the compensation of the CEO, the committee shall meet in executive session, without the CEO.

**Succession Plan** At least annually, the CEO will present a succession plan to the Board for top management. The Board shall approve and maintain a succession plan (including succession in the event of an emergency or retirement of the CEO) for the CEO and senior executives, based upon recommendations from the management development and compensation committee.

### **Ethics and Conflicts of Interest**

The Board expects the Directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's guide to ethical business conduct and other applicable policies. It is the policy of the Board that Directors, officers and employees should avoid conflicts of interest between the individual and the Company. Waivers of conflicts of interest will only be granted in exceptional circumstances and only by the Board with appropriate disclosure to shareholders. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman (or, in the case of an actual or potential conflict involving the Chairman, the chairman of the audit committee). If a significant conflict exists and cannot be resolved, the Director should resign. All Directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving the CEO, a vice chairman, an executive vice president or a senior vice president, and the CEO shall resolve any conflict of interest issue involving any other officer or employee of the Company.

The Company shall maintain a written code of ethics that applies to Directors, officers and employees that is appropriate for the Company's business and affairs and satisfies the standards of the SEC and the NYSE. Such code of ethics shall be reviewed at least annually and senior management shall, at least annually, present the code of ethics and changes thereto (including changes adopted during the year) for the Board's review. The code of ethics will be published on the Company's website, and will be mailed to shareholders at no cost on written request.

### **Self-Evaluation**

The Board and each of the committees will perform an annual self-evaluation.

## **Reporting of Concerns**

Anyone who has a concern about the Company's conduct, or about the Company's accounting, internal accounting controls, or auditing matters, may communicate that concern by contacting the Audit Committee Chairman or in any other manner provided in the Company's guide to ethical business conduct. The audit committee shall be responsible for establishing procedures for the (i) receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and (ii) confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters. No retribution or adverse reaction to an individual reporting a concern shall be tolerated.

## **Access to Independent Advisors**

The Board and its committees shall have the right at any time to retain independent outside financial, legal or other advisors.

## **Communication with Public**

The Board believes that formal annual written communication to the shareholders and the public should be through a joint letter from the Chairman of the Board and the CEO and included in the annual report. The CEO (and other members of management at the direction of the CEO) is responsible for all other communications with the public, assisted when appropriate by the Chairman of the Board, in areas such as analyst functions. Accordingly, Board members are to refrain from making public statements regarding the Company unless specifically requested to do so by the CEO. All external inquiries received by Directors relating to the Company should be directed to the CEO.

Shareholders may communicate with the Board or any individual Director by writing to the Company, care of its General Counsel, with a request that information be conveyed or provided to the Board or Director thereof, as appropriate.

## **CEO Certification of Compliance with NYSE Listing Standards**

The CEO shall advise the Board that he has provided the required certification to the NYSE that he is not aware of any violations by the Company of the NYSE corporate governance standards, including the review conducted to make that certification, or, if applicable, why the certification cannot be made. In addition, the CEO shall promptly notify the Board of any notice provided to the NYSE of material non-compliance of the NYSE corporate governance standards.

# **HANOVER COMPRESSOR COMPANY**

## **AUDIT COMMITTEE CHARTER**

The Board of Directors (the “Board”) of Hanover Compressor Company (the “Company”) recognizes the critical need to ensure the accuracy and completeness of the financial statements, reports and public statements of the Company in preserving the integrity of the public markets for the Company’s securities. To this end, the Board seeks to empower the audit committee with sufficient authority and responsibility to achieve these goals and the other purposes set forth in this charter.

### **Composition**

The audit committee of the Board shall consist of a minimum of three Directors. Members of the committee shall be appointed by the independent members of the Board of Directors upon the recommendation of the nominating and corporate governance committee (which shall obtain a recommendation from the Lead Director) and may be removed by a majority vote of the independent members of the Board.

All members of the committee shall be “independent” as defined under applicable law, regulation, the Company’s governance principles and by the rules of the New York Stock Exchange (“NYSE”); be “financially literate” (or become financially literate within a reasonable time after appointment) and satisfy any additional standards (other than independence) which may be imposed by the NYSE or other law or regulation; and have sufficient financial experience and ability to enable them to discharge their responsibilities. In addition, at least one member shall be an “audit committee financial expert” as defined by the SEC. No member of the audit committee may simultaneously serve on the audit committees of more than two other public companies without first obtaining a determination of the Board that such member’s service on the audit committee would not be impaired by such simultaneous service.

### **Purpose**

The primary purposes of the committee are to prepare an audit committee report as required by the SEC to be included in the Company’s annual proxy statement, to perform an annual evaluation of the audit committee and to be directly responsible for the appointment, compensation, retention and oversight of the work of any independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. In addition, the committee shall assist the Board in its oversight of: the integrity of the financial statements of the Company, the Company’s compliance with legal and regulatory requirements, the independence, qualifications and performance of the independent auditor, and the performance of the Company’s internal audit function and the independent auditor. In carrying out these purposes, the committee shall provide an open avenue of communication among the independent auditor, financial and senior management, the internal auditing department and the Board.

## Authority and Responsibilities

The committee shall have the following authority and responsibilities:

1. To at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
2. To discuss the Company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
3. To discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
4. To discuss policies with respect to risk assessment and risk management.
5. To meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditor.
6. To review with the independent auditor any audit problems or difficulties and management's response. The review should also include discussion of management's cooperation with, or interference with, the audit and the responsibilities, budget and staffing of the Company's internal audit function, and any other information reported to the committee by the independent auditor.
7. To set clear hiring policies for employees or former employees of the independent auditor.
8. To report regularly to the Board.
9. To recommend, for shareholder approval, the independent auditor to examine the Company's accounts, controls and financial statements. The committee shall have the sole authority and responsibility to select, evaluate, oversee (including resolution of disagreements between management and the Company's auditor regarding financial reporting) and if necessary replace the independent auditor, which shall report directly to the audit committee. The committee shall have the sole authority to approve all audit engagement fees and terms (including proposed budgets) and the committee, or a member of the committee, must pre-approve any audit service or pre-approve or establish a pre-approval policy regarding permissible non-audit service provided to the Company by the Company's independent auditor.
10. To review the Company's financial reporting and accounting standards and principles, significant changes in such standards or principles or in their application and the key

accounting decisions affecting the Company's financial statements, including alternatives to, and the rationale for, the decisions made.

11. To review and approve the internal audit functions, including: (i) purpose, authority and organizational reporting lines; (ii) annual audit plan, budget and staffing; and (iii) concurrence in the appointment, compensation and rotation of internal audit staff managers. To the extent that the internal audit function is performed under the direction of a general auditor that is a Company employee, the committee shall ensure that the head of the internal audit department reports directly to the committee, which shall be responsible for reviewing and approving the individual's compensation. To the extent that the internal audit function is outsourced, the committee shall ensure that the engagement is managed under the direction of the committee with applicable fees and costs being approved by the committee.
12. To review with appropriate individuals the Company's plan for reviewing its internal controls, the Company's disclosure control procedures, the internal system of controls, the results of internal audits, including any material weaknesses or significant deficiencies found and management's response and corrective actions implemented and the Company's financial disclosures, particularly those related to off-balance sheet arrangements, contractual obligations and non-GAAP financial measures.
13. To monitor and review written submissions made by the independent auditor on a periodic basis to the audit committee delineating all relationships between the independent auditor and the Company and to engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and to recommend that the Board take appropriate action in response to the independent auditors' report to satisfy itself of the independent auditors' independence. In order to assess auditor independence, the committee will review at least annually all relationships between the independent auditor and the Company.
14. To prepare and publish an annual committee report in the Company's proxy statement.
15. To review all Director and officer questionnaires and all transactions or relationships between the Company and any Director, officer or stockholder owning more than 5% of the Company's stock (including any family members of the foregoing), to make recommendations to the Board as to whether any such transactions or relationships should continue, and to assure that all such transactions and relationships are appropriately disclosed in the Company's SEC filings.
16. To establish procedures for the (i) receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and (ii) confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
17. To evaluate and take appropriate action with respect to information provided by the chief executive officer and the chief financial officer in connection with their certifications under Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, by the chief executive

officer in connection with his certification under the NYSE rules regarding corporate governance, and by the Company in connection with its certification under the NYSE rules regarding audit committee independence.

18. Take appropriate steps to complete necessary audit rotation and to evaluate the independent auditor's qualifications, independence and performance based on the report described in paragraph 1, the statement described in paragraph 13, the auditor's work throughout the year and such other factors and information as the committee deems advisable. The committee shall present its conclusions with respect to the independent auditor to the Board.
19. To determine the appropriate amount of funding for payment of compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, for payment of compensation to any advisors employed by the audit committee, and for payment of ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

### **Access**

The committee shall meet periodically with management, with the internal auditors and also with the Company's independent auditors.

### **Outside Advisors**

The committee shall have authority to retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion. The committee shall have sole authority to approve related fees and retention terms.

### **Reporting and Evaluation**

The committee shall report its recommendations and conclusions, as appropriate, to the Board after each committee meeting and shall conduct and present to the Board an annual performance evaluation of the committee. The committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

# **HANOVER COMPRESSOR COMPANY**

## **MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE CHARTER**

The Board of Directors (the “Board”) of Hanover Compressor Company (the “Company”) recognizes the critical role played by the Company’s chief executive officer (“CEO”) and other senior executives and the importance to the Company and its shareholders of attracting, developing, retaining and compensating such individuals. The Board seeks to empower the Management Development And Compensation Committee in a manner that facilitates these goals.

### **Composition**

The management development and compensation committee of the Board shall consist of a minimum of three Directors. All members of the committee shall be “independent” as defined under applicable law, regulation, the Company’s Governance Principles and by the rules of the New York Stock Exchange (“NYSE”). Additionally, each member of the committee shall (i) be a “non-employee director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 and (ii) satisfy the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code.

Members of the committee shall be appointed by the full Board upon the recommendation of the nominating and corporate governance committee (which shall obtain a recommendation from the Lead Director) and may be removed by a majority vote of the independent members of the Board.

### **Purpose**

The primary purposes of the committee shall be to assist in the recruiting, development and retention of superior executive talent and to oversee the creation and implementation of a compensation philosophy and strategy that rewards officers for superior performance consistent with the Company’s values while ensuring that the interests of management are aligned with the Company’s shareholders.

### **Authority and Responsibilities**

The committee shall have the following authority and responsibilities:

1. To review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board), determine and approve the CEO’s compensation based on this evaluation.
2. Produce a compensation committee report on executive compensation as required by the SEC to be included in the Company’s annual proxy statement or annual report on Form 10-K filed with the SEC.

3. To assist the Board in recruiting, developing, evaluating and retaining potential candidates for executive positions, including the CEO, and to oversee the development of executive succession plans.
4. To review and approve on an annual basis the Company's compensation philosophy and strategy to ensure that it continues to reward superior performance consistent with the Company's values and ensuring that the interests of management are aligned with the Company's shareholders.
5. To recommend annually to the Board the corporate goals and objectives with respect to compensation for the CEO and senior management. The committee shall evaluate at least once a year the CEO's performance in light of annual and long term goals and objectives and relative shareholder return, the value of long-term incentive awards to CEOs at comparable companies, and the awards given to the CEO in past years and, based upon these evaluations and the performance of the Company measured against peer companies, shall recommend to the Board (to be voted on by the independent members thereof) the CEO's annual compensation, including salary, bonus, incentive and equity compensation. During its consideration of the compensation of the CEO, the committee shall meet in executive session without the CEO.
6. To review and approve on an annual basis the evaluation process and compensation structure for the Company's officers. The committee shall evaluate the performance of the Company's senior executive officers and shall recommend to the Board (to be voted on by the independent members thereof) the annual compensation, including salary, bonus, incentive and equity compensation, for such senior executive officers. The committee shall also provide oversight of management's decisions concerning the performance and compensation of other Company officers and employees.
7. To make recommendations to the Board with respect to non-CEO compensation, incentive-compensation plans and equity-based plans. The committee shall, to the extent permitted by law and the operative plan documents, have and shall exercise all the authority of the Board of Directors with respect to the administration, amendment, modification and approval of such plans, and shall carry out the responsibilities delegated to it under such plans.
9. When and as appropriate, to review, and recommend for approval by the Board all employment agreements, severance arrangements, and change-in-control agreements with the CEO and other members of senior management.

### **Subcommittees**

The committee shall have the authority to delegate any of its responsibilities to subcommittees as the committee may deem appropriate in its sole discretion.

## **Outside Advisors**

The committee shall have sole authority to retain such compensation consultants, outside counsel and other advisors as the committee may deem appropriate in its sole discretion. The committee shall have sole authority to approve related fees and retention terms.

## **Reporting and Evaluation**

The committee shall report its actions and any recommendations to the Board after each committee meeting and shall conduct and present to the Board an annual performance evaluation of the committee. The committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

## **Compensation Principles**

The compensation committee shall abide by the following compensation principles:

1. Compensation arrangements shall seek to emphasize pay for performance and encourage retention of those employees who enhance the Company's performance;
2. Compensation arrangements shall seek to promote ownership of the Company's stock to align the interests of management and shareholders;
3. Compensation arrangements shall seek to maintain an appropriate balance between base salary and long-term and annual incentive compensation;
4. In approving compensation, the recent compensation history of the executive, including special or unusual compensation payments, shall be taken into consideration;
5. Cash incentive compensation plans for senior executives shall seek to link pay to achievement of financial goals set in advance by the committee;

# **HANOVER COMPRESSOR COMPANY**

## **NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER**

The Board of Directors (the “Board”) of Hanover Compressor Company (the “Company”) recognizes that the business and affairs of the Company are managed under the direction of the Board. In recognition of this responsibility, the Board seeks to ensure that it identifies, attracts and retains individuals to the Board who have the requisite skill, experience and expertise to effectively serve the Company’s shareholders.

### **Composition**

The nominating and corporate governance committee of the Board shall consist of a minimum of three Directors. All members of the committee shall be “independent” as defined under applicable law, regulation, the Company’s Corporate Governance Principles and by the rules of the New York Stock Exchange (“NYSE”). Members of the committee shall be appointed based on the recommendation of the Lead Director by a majority vote of the independent members of the Board and may be removed by a majority vote of the independent members of the Board.

### **Purpose**

The principle purposes of the committee shall be to assist the Board in identifying qualified individuals to become Board members, receive and review recommendations by shareholders for Board nominations, determine whether existing Board members should be nominated for re-election, review the composition of the Board and its committees, review the compensation of the members of the Board, oversee the evaluation of the Board and management and develop, review and implement the Company’s Corporate Governance Principles.

### **Authority and Responsibilities**

The committee shall have the following authority and responsibilities:

1. To identify individuals qualified to become Board members, consistent with criteria recommended by the committee and approved by the Board, and to select, or to recommend that the Board select, the Director nominees for the next annual meeting of shareholders; recommend, as might be appropriate, Director removal; develop, review and recommend to the Board a set of corporate governance principles applicable to the corporation; and oversee the evaluation of the Board and management.
2. In consultation with the Chairman of the Board, the Lead Independent Director (if the Lead Independent Director is not also the Chairman of the Board) and the CEO, to search for and consider candidates to fill vacant Board positions. The committee may accept recommendations from other members of the Board and from shareholders. The committee shall select individuals as Director nominees who shall have demonstrated the

highest personal and professional ethics and integrity, who are known in the business, academic or other community of their choosing to have outstanding ability and judgment, who the committee believes will be effective, in conjunction with the other nominees to the Board, in collectively serving the long-term interests of the shareholders, and who will satisfy the qualification and composition requirements of the Board and its committees, as required by law or the rules of the NYSE, the Company's certificate of incorporation or bylaws and the Company's Corporate Governance Principles.

3. To select Director nominees to be presented for shareholder approval at the annual meeting. In undertaking this task the committee shall consider the performance of Directors against criteria to be established by the committee, with such criteria including attendance at Board and meetings of committees of the Board.
4. In consultation with the Lead Director, to review the Board's committee structure and to recommend to the Board for its approval Directors to serve as members and chairs of each committee of the Board. The committee shall review and recommend Board committee slates annually and shall recommend additional committee members to fill vacancies as needed.
5. To review on an annual basis non-employee Director compensation and benefits. In discharging this duty, the committee shall be guided by three goals: compensation should fairly pay Directors for work required in a company of the Company's size and scope; compensation should align Directors' interests with the long-term interests of shareholders; and the structure of the compensation should be simple, transparent and easy for shareholders to understand. The Chairman of the Board shall, if he is a member of the committee, recuse himself from all discussions and recommendations regarding his own compensation as Chairman.
6. To review on an annual basis the directors and officers insurance program, including the amount and scope of coverage, and the indemnification provided to Directors and officers to ensure that such insurance and indemnity protection is consistent with the overall goal of attracting and retaining the highest caliber Directors.
7. In consultation with the Chairman of the Board, the Lead Independent Director (if the Lead Independent Director is not also the Chairman of the Board) and the CEO, to be responsible for the periodic review (at least annually) and interpretation of the Company's governance policies and the nominating and corporate governance committee charter, as well as consideration of other corporate governance issues that may, from time to time, merit consideration by the entire Board;
8. In consultation with the Chairman of the Board, the Lead Independent Director (if the Lead Independent Director is not also the Chairman of the Board) and the CEO, to consider and make recommendations to the Board concerning the appropriate size and needs of the Board;
9. To implement and oversee a Board self-evaluation processes whereby the Board shall establish performance criteria for itself and evaluate itself and individual members on a

regular basis. Board evaluation shall include an assessment of whether the Board has the necessary diversity of skills, backgrounds, experiences, etc., to meet the Company's ongoing needs. Individual director evaluations shall include high standards for in-person attendance at Board and meetings of committees of the Board and consideration of absences;

10. To consider policies relating to the Board and directors, including committee structure and size, share ownership, and retirement and resignation;
11. To recommend to the Board for its approval and to implement Company procedures regarding the consideration of nominees to the Board received from shareholders;
12. To implement share ownership guidelines which ensure that Directors have a sufficient stake in the Company to share in the financial future of shareholders while also considering the appropriate financial planning and needs of individual Directors.

### **Subcommittees**

The committee shall have the authority to delegate any of its responsibilities to subcommittees as the committee may deem appropriate in its sole discretion.

### **Outside Advisors**

The committee shall have the sole authority to retain a search firm or firms to assist in identifying Director candidates, and to retain outside counsel and any other advisors as the committee may deem appropriate in its sole discretion. The committee shall have sole authority to approve related fees and retention terms.

### **Reporting and Evaluation**

The committee shall report its actions and recommendations to the Board after each committee meeting and shall conduct and present to the Board an annual performance evaluation of the committee. The committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

### **Access**

The committee shall consider candidates recommended by security holders who submit such recommendations in writing to the attention of the Company's general counsel at the address of the Company's corporate headquarters as indicated in its annual proxy statement.

# **HANOVER COMPRESSOR COMPANY**

## **FINANCE COMMITTEE CHARTER**

The Board of Directors (the “Board”) of Hanover Compressor Company (the “Company”) recognizes the importance of the Company’s financing, capital management, liquidity, risk management and insurance to the long-term best interests of the Company and its shareholders. To this end, the Board seeks to empower the finance committee with sufficient authority and responsibility to monitor such matters and to carry out the other purposes set forth in this charter.

### **Composition**

The finance committee of the Board shall consist of a minimum of two Directors who are found by the Board to have sufficient financial experience to enable them to discharge their responsibilities. Members of the committee shall be appointed by the independent members of the Board upon the recommendation of the nominating and corporate governance committee (which shall obtain a recommendation from the Lead Director) and may be removed by a majority vote of the independent members of the Board.

### **Purpose**

The primary purposes of the committee shall be to assist the Board in its oversight of: proposed debt and equity offerings; bank financing; dividend policy; capital management; foreign currency management and other financial risk management matters. In carrying out these purposes, the committee shall provide an open avenue of communication between senior financial managers and the Board.

### **Authority and Responsibilities**

The committee shall have the following authority and responsibilities:

1. To make recommendations to the Board regarding the issuance of debt and equity securities, including the principal terms thereof.
2. To make recommendations to the Board regarding bank credit facilities, lines of credit, commercial paper, guarantees and related matters, including the principal terms thereof.
3. To make recommendations to the Board regarding the timing and amount of dividends, if any.
4. To discuss with management the Company’s financial plans, liquidity and cash position, and make recommendations to the Board with respect thereto.
5. To review and approve policies relating to the management of foreign currencies and foreign credit.
6. To review and approve investment policies and plans.

7. To discuss with management the Company's capital expenditure plans and make recommendations to the Board with respect thereto.
8. To review and approve, at least annually, the Company's risk management policies and insurance matters (excluding directors and officers insurance, which shall be reviewed and approved by the Board's nominating and corporate governance committee).
9. To review and approve any material dispositions of property or the lending by the Company of any material amount of funds (by extension of credit or otherwise).
10. To advise the Board on the financial implications of any proposed combination, acquisition or divestiture.
11. To act with the authority of the full Board on any of the above matters pursuant to a delegation of authority by the Board.

### **Subcommittees**

The committee shall have the authority to delegate any of its responsibilities to subcommittees as the committee may deem appropriate in its sole discretion.

### **Outside Advisors**

The committee shall have authority to retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion. The committee shall have sole authority to approve related fees and retention terms.

### **Reporting and Evaluation**

The committee shall report its recommendations to the Board after each committee meeting and shall conduct and present to the Board an annual performance evaluation of the committee. The committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

# HANOVER COMPRESSOR COMPANY

## DISCLOSURE COMMITTEE CHARTER

This Disclosure Committee Charter (the “Charter”) has been adopted by the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer (the “Senior Officers”) of Hanover Compressor (the “Company”) and ratified by the Audit Committee of the Company’s Board of Directors (the “Audit Committee”).

### **Purpose**

Subject to the guidance and supervision of the Senior Officers, the Disclosure Control Committee (the “Committee”) shall:

- A. Design, establish and maintain controls and other procedures (the “Disclosure Controls and Procedures”) to ensure that:
  1. Information required to be disclosed in the reports and statements filed by the Company pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported in conformity with, and within the time periods specified by, the Exchange Act and the rules and forms of the Securities and Exchange Commission (the “SEC”);
  2. Information required to be disclosed in registration statements and prospectuses filed by the Company pursuant to the Securities Act of 1933, as amended (the “Securities Act”), is recorded, processed, summarized and disclosed in conformity with the Securities Act and the rules and forms of the SEC;
  3. Information included in the documents identified in clauses A.1 and A.2 and in private offering memoranda (collectively, “Disclosure Documents”) is recorded, processed, summarized and disclosed so that:
    - (a) Disclosure Documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading; and
    - (b) Any financial statements and other financial information included in Disclosure Documents fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented therein; and
  4. All information to be included in any Disclosure Document is communicated to the Company’s management, including, without limitation, the Senior Officers, as appropriate to allow timely decisions regarding required disclosure.
- B. Evaluate the effectiveness of the Disclosure Controls and Procedures on a regular basis, but in no event later than as of a date within 90 days prior to the filing date of any Annual Report on Form 10-K

and each Quarterly Report on Form 10-Q and, in each case, communicate to the Company's management, including, without limitation, the Senior Officers:

1. The Committee's conclusions regarding the effectiveness of the Disclosure Controls and Procedures;
  2. All significant deficiencies in the design or operation of the Disclosure Controls and Procedures that could adversely affect the Company's ability to record, process, summarize and report information identified in clauses A.1 through A.3 above;
  3. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Disclosure Controls and Procedures, including, without limitation, internal controls; and
  4. Any significant changes in the Disclosure Controls and Procedures, including, without limitation, internal controls, or in other factors that could significantly affect the Disclosure Controls and Procedures, including, without limitation, internal controls, subsequent to the date of the Committee's most recent evaluation, including, without limitation, any corrective actions with regard to significant deficiencies and material weaknesses.
- C. Design, establish and maintain a process pursuant to which the Committee shall be responsible for preparing and approving the disclosure included in the Disclosure Documents.
- D. Maintain written records of the Disclosure Controls and Procedures followed in connection with the preparation and approval of Disclosure Documents.
- E. Undertake any other responsibilities delegated to it from time to time by any Senior Officer to assist that Senior Officer in fulfilling his or her responsibility for oversight of compliance with the Disclosure Controls and Procedures.

In discharging its duties, the Committee shall have access to all Company books, records, facilities and personnel, as well as the Company's outside auditors and outside counsel.

### **Composition and Qualifications**

The Committee shall consist of officers or employees of the Company appointed from time to time by the Senior Officers; provided, however, that at least one member of the Committee shall be an attorney with expertise in SEC rules and regulations with respect to disclosure and at least one member of the Committee shall be a certified public accountant with expertise in accounting and SEC financial reporting. Notwithstanding the foregoing, the Senior Officers at their option may from time to time assume any or all of the responsibilities of the Committee set forth in this Charter or may appoint two or more members (who among themselves shall have the expertise described in the proviso in the preceding sentence) to approve Disclosure Documents when time or other circumstances do not permit the full Committee to meet, all in order to ensure compliance with the objectives stated in clause A. above.

The members of the Committee may be removed by any Senior Officer or by a majority vote of the Audit Committee or the Company's Board of Directors.

One member of the Committee shall be appointed by a Senior Officer as Chairperson. The Chairperson shall be responsible for scheduling and presiding over the Committee's meetings, preparing agendas for such meetings and supervising the work of the Committee.

The Committee shall meet regularly. As necessary, appropriate or desirable to discharge the responsibilities set forth in this Charter, designated members of the Committee shall meet with the Senior Officers and the Chairman of the Committee shall meet with the Audit Committee, The Committee may invite to its meetings any director, member of management and such other persons as it deems appropriate in order to carry out its responsibilities.

No member of the Committee shall receive compensation for serving on the Committee.

### **Annual Performance Evaluation**

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Senior Officers any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.