

# **Kaydon Corporation**

## **Corporate Governance Guidelines**

### **1. Director Responsibilities**

- 1.1. The business of the Company shall be managed under the direction of the Board of Directors. The basic responsibility of the Board of Directors is to exercise its business judgment to act in what the Board members reasonably believe to be in the best interest of the Company and its stockholders.
- 1.2. In discharging their obligations to stockholders, Directors are entitled to rely on the honesty and integrity of the Company's senior management and its outside advisors and auditors. The Directors will also be entitled to (a) Company-purchased directors' and officers' liability insurance, (b) Company-provided indemnification to the fullest extent permitted by law and the Company's certificate of incorporation, by-laws and any indemnification agreements, and (c) legal protection from personal liability to the Company and its stockholders, as provided by state law and the Company's certificate of incorporation.
- 1.3. Directors are expected to attend Board meetings and meetings of Committees on which they serve, to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities. Written materials that are important to the Board's understanding of the business to be conducted at a Board or Committee meeting should be distributed to the Directors sufficiently in advance of the meeting to allow the Directors to prepare for discussion of the business at the meeting. Directors are expected to review these materials in advance of the meeting.
- 1.4. The Board has no policy with respect to the separation of the offices of the Chairman and the Chief Executive Officer. The Board believes that it is in the best interest of the Company for the Board to make an ongoing determination as to whether or not the offices should be separate.
- 1.5. The Chairman of the Board will set the agenda for Board meetings with the understanding that certain items necessary for appropriate Board oversight will be brought to the Board periodically for review and/or decision. Any Director may request that an item be included on any meeting agenda.
- 1.6. To supplement the written materials distributed in advance of Board and Committee meetings, meetings will include presentations by management and, when appropriate, outside advisors or consultants, as well as ample time for a full and open discussion of the agenda items.
- 1.7. The non-management Directors will meet in regular executive sessions. A non-management Director will be designated to preside at such sessions by the non-management Directors.
- 1.8. Directors are expected to adhere to the conflict of interest policies and the code of conduct maintained by the Board.

## **2. Director Qualifications**

- 2.1. The Board will have a majority of Directors who meet the criteria for independence required by the New York Stock Exchange, including the absence of any material relationship with the Company (either as a partner, shareholder or officer of any organization that has a relationship with the Company). The Company has adopted categorical standards to assist in its determination of independence. Under these standards, no Director will be considered not independent solely as the result of either of the following relationships:
  - If the director is a partner, shareholder or otherwise is an equity-holder of an entity with which the Company does business, so long as purchases or sales of goods and services from or to the Company do not exceed 1% of the annual revenues of the company or of the other entity; or
  - If the director serves as an officer or director of a charitable organization to which the Company makes a donation, so long as the aggregate annual donations by the Company do not exceed 1% of that organization's annual charitable receipts.
- 2.2 The Corporate Governance and Nominating Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Directors, as well as the composition of the Board as a whole. This assessment will include consideration of Directors' independence, diversity, character, judgment and business experience. The Corporate Governance and Nominating Committee will consider and make recommendations to the Board concerning candidates to fill new positions created by expansion and vacancies that occur by resignation, by retirement or for any other reason. Final approval of a candidate is determined by the full Board.
- 2.3. The Company's by-laws provide that the number of directors shall be not less than 3 nor more than 12, which number may be changed by resolution of the Board of Directors but in no event less than one.
- 2.4. Non-management Directors are encouraged to limit the number of other public company boards on which they serve, taking into account the potential time commitment of serving on these boards. Non-management Directors should also advise the Chairman of the Board in advance of accepting an invitation to serve on another public company board.
- 2.5. The Company's charter provides that all members of the Board are elected annually, and that voting is not cumulative. No Director will stand for election or re-election to the Board after his or her 72<sup>nd</sup> birth date.

## **3. Director Access to Officers and Employees**

- 3.1. Directors have full and free access to officers and employees of the Company.

#### **4. Director Compensation, Independence and Stock Ownership**

- 4.1. The Compensation Committee will annually review the compensation of Directors and may, from time to time, make recommendations to the Board for changes. The Corporate Governance and Nominating Committee will consider that Directors' independence may be jeopardized if Director compensation (both direct and indirect) and perquisites exceed customary levels.
- 4.2. From time to time, management will report to the Compensation Committee on the status of Board compensation in relation to other leading U.S. corporations.
- 4.3. All Directors are expected to own stock in the Company.

#### **5. Director Orientation**

- 5.1. The Company and the Board shall have an orientation program for all new non-management Directors to include meeting with senior management and extensive written materials on each of the Company's different business units. The senior management meetings will cover a corporate overview, the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, and its business conduct policies. All other Directors will also be invited to attend each orientation program.
- 5.2. Non-management directors are encouraged to attend and participate in various corporate governance forums and educational opportunities. The Company shall reimburse non-management directors for the costs of their attendance at such events.

#### **6. CEO Evaluation and Management Succession**

- 6.1. In consultation with all non-management Directors, the Compensation Committee will conduct an annual review of the Chief Executive Officer's performance, as further set forth in its charter.
- 6.2. The Corporate Governance and Nominating Committee will work with the Chief Executive Officer to ensure that effective plans are in place for both short-term and long-term management succession. As part of this process, the Chief Executive Officer will make periodic reports to the Corporate Governance and Nominating Committee on succession planning. The Corporate Governance and Nominating Committee will evaluate potential successors to the Chief Executive Officer.

#### **7. Annual Performance Evaluation**

- 7.1. The Board will conduct an annual self-evaluation to facilitate an examination and discussion of how it and its Committees function as groups and with senior management of the Company, what the Board contributes to the Company, and specific areas in which the Board or management believes that the Board could improve.
- 7.2. The Corporate Governance and Nominating Committee will propose the format for each annual evaluation.

## **8. Board Committees**

- 8.1. Currently the Board's Committees are the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. The Board may, from time to time, establish or maintain additional committees or eliminate such additional committees, all as it deems necessary or appropriate.
- 8.2. All of the members of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee will be independent directors under the criteria established by the New York Stock Exchange.
- 8.3. Director's fees (which include all fees, stock options, restricted stock awards and other consideration given to directors in their capacity as directors) are the only compensation the members of the Audit Committee may receive from the Company.
- 8.4. No member of the Audit Committee may serve on the audit committee of more than two other public companies, unless the full Board determines that such simultaneous service would not impair the ability of such Director to effectively serve on the Company's Audit Committee and such determination is disclosed in the Company's annual proxy statement.
- 8.5. Committee members and Chairs will be appointed annually by the Board upon recommendation of the Corporate Governance and Nominating Committee with consideration of the desires of individual Directors.
- 8.6. Each Committee will have its own charter. The Board will adopt, and may amend from time to time, such charters. The charters will set forth the purposes and responsibilities of the Committees, as well as qualifications for Committee membership, procedures for Committee member appointment and removal, Committee structure and operations and Committee reporting to the Board. The charters will also provide that each Committee will annually evaluate its performance.
- 8.7. The Chair of each Committee, in consultation with the other Committee members, will determine the frequency and length of the Committee meetings consistent with any requirements set forth in the Committee's charter. The Chair of each Committee, in consultation with the appropriate members of the Committee, will develop the agenda for each Committee meeting.
- 8.8. Each Committee shall hold such separate executive sessions from time to time, as required or as requested by any member.
- 8.9. The Board and each Committee have the authority to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance, but each Committee shall notify the Chairman of any such action. The expenses of such advisors shall be borne by the Company.

## **9. Periodic Review**

- 9.1. These principles will be reviewed and may be amended by the Board from time to time.