

## **CUNO INCORPORATED**

### **CORPORATE GOVERNANCE GUIDELINES**

#### **1) Overview**

The Board of Directors established these Corporate Governance Guidelines to serve as a framework for satisfying their oversight functions, and for assessing the need and addressing organizational changes to the Board should they occur in the future. These guidelines are not absolute rules; they can be reviewed and modified, as needed, to reflect changes in the organization or business environment.

#### **2) Selection Of Chairman, CEO, President, CFO and Secretary**

The Board will choose separate or combined Chairman of the Board and/or CEO positions, as well as President, CFO and Secretary positions, that seem best for the Company at a given point in time.

#### **3) Lead Director Concept**

The Board will choose whether or not a lead director concept is appropriate to serve the interest of the Board. At the present time it is not deemed to be appropriate.

#### **4) Number Of Committees**

The current committee structure of the Company is appropriate. There will, from time to time, be occasions in which the Board may want to form a new standing or ad hoc committee or disband a current committee depending upon the circumstances. The current Committees are Audit Committee, Compensation and Pension Committee, and Corporate Governance and Nominating Committee. Charters of the Committees are attached.

5) **Assignment Of Committee Members**

The Corporate Governance and Nominating Committee recommends to the Board the assignment of Board members and committee chairmen to various committees. The three committees will be staffed solely with independent directors.

6) **Frequency And Length Of Committee Meetings**

The Committee Chairmen, in consultation with Committee members, will determine the frequency and length of the meetings of the Committees.

7) **Committee Agendas**

The Committee Chairmen, in compliance with Committee charters policy guidelines and in consultation with the appropriate members of Management and staff, will develop the Committees' agendas.

8) **Selection Of Agenda Items For Board Meetings**

The Chairman of the Board will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda.

9) **Board Materials Distributed In Advance**

It is the sense of the Board that information and data that is important to the Board's understanding of the business be distributed in writing to the Board members before the Board meets. The Management will make every attempt to see that this material is as brief as possible while still providing the desired information. Board members must remain sensitive to the confidential nature of such data.

**10) Appointment Of Independent Auditors**

The Audit Committee is responsible for recommending the independent auditors to the shareholders for approval. The independent auditors shall be accountable to the Audit Committee and Board, and be available to meet with the Board and/or the Audit Committee.

**11) Regular Attendance Of Non-Directors At Board Meetings**

The Board encourages the attendance of Senior Management at each non-executive session of the Board. Other appropriate persons may be invited to provide information to the Board from time to time.

**12) Communication With The Chairman of the Board**

The Board encourages timely and direct communications with the Chairman of the Board when a director desires to convey information, an opinion or desires clarification or additional information.

**13) Board Access To Senior Management**

Board members have complete access to CUNO's Senior Management. It is assumed that Board members will use judgment to ensure that contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chairman of the Board.

**14) Board Compensation Review**

It is appropriate for the staff of the Company to report once a year to the Corporate Governance and Nominating Committee on the status of CUNO's Board compensation in relation to the industry and other comparable similar size U.S. companies and the extent

of burdens placed on the Board members. The Board may retain outside consultants to provide relevant information regarding compensation matters. Changes in Board compensation, if any, should come at the suggestion of the Corporate Governance and Nominating Committee, but with full discussion and concurrence by the Board.

**15) Mix Of Inside And Independent Directors**

The Board believes that there should be a majority of independent Directors on the CUNO Board.

**16) Board Definition Of What Constitutes Independence For Outside Directors**

The Board shall determine which of its Directors is eligible to be classified as an independent Director considering, among such other factors as it may in any case deem relevant, that the Director:

- is not an adviser or consultant to the corporation receiving significant fees and derives no significant financial benefit from any entity as a result of advice or consultancy provided to the Corporation by such entity
- is not an executive officer, director or significant stockholder of a significant customer or supplier of the Corporation has no material personal services contract with the Corporation
- is free of any other relationship that would interfere with the exercise of independent judgment by such.

**17) Former Chairman and Chief Executive Officer's Board Membership**

The Board believes this is a matter to be decided in each individual instance. Whether the individual continues to serve on the Board is a matter for the Board to determine.

**18) Selection Of New Director Candidates**

The Corporate Governance and Nominating Committee's responsibility includes recommending candidates for election to the Board. The Committee's screening and recruiting process includes input from Board members, stockholders and the Chairman.

**19) Board Membership Criteria**

The Corporate Governance and Nominating Committee will periodically review with the Board the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board.

**20) Assessing The Board's Performance**

The Corporate Governance and Nominating Committee is responsible for annually evaluating the effectiveness of the Board as a whole on a continuing basis and reporting to the Board any observed deficiency or suggestions for change. The Board will also review itself and its committees to consider whether it is functioning well in view of its responsibilities.

**21) Directors Who Change Their Present Job Responsibility**

It is the sense of the Board that non-employee directors, who change their primary job responsibility, including other board memberships they held when they were elected to the Board, should volunteer to resign from the Board. It is not the sense of the Board that non-employee directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board to review the continued appropriateness of Board membership under these changed circumstances.

22) **Re-election of Directors**

The Corporate Governance and Nominating Committee will develop performance and qualification criteria that may be used by each director to assess his performance and contribution as a director as well as the performance of fellow directors and the desired qualifications sought in any new director and will review the effectiveness of the Board, as a whole, as well as each director's performance and qualifications. This will also allow each director the opportunity to confirm the director's desire to continue as a member of the Board. The Board does not believe it should establish term limits.

23) **Retirement Age**

No Director shall be nominated for election to the Board after reaching 72 years of age, unless this limit is waived by the Board of Directors. The Board believes that age is only one of several factors to be taken into account when considering possible Director nominees.

24) **Evaluation Of The Chief Executive Officer**

The Compensation and Pension Committee will review the performance of the Chief Executive Officer and senior officers on an annual basis.

25) **Management Succession**

All matters of management succession, including the replacement of the Chief Executive Officer on an interim basis if appropriate, will be considered by the Compensation and Pension Committee with recommendations to the Board of Directors.

**26) Board Interaction With Institutional Investors, The Press, Customers, Etc.**

The Board believes that the Management speaks for the Company, therefore all questions from institutional investors, the press, customers, etc. should be referred to Management.

**27) Independent Professional Advice**

The Board or its Committees have the right to seek independent professional advice as required.

**28) Annual Reviews**

It is appropriate for the Board, at least once a year, to review the Company's risk management strategy, policy statements, compliance programs, major litigation, human resource practices, environmental matters and such other matters as the Board deems appropriate.