

## **CIRCOR International, Inc.**

### **Principles of Corporate Governance**

#### Purpose of the Board of Directors

The primary role of the Board of Directors is to represent the interests of the Company's shareholders in the strategic and material decisions of the Company. Among the most important responsibilities are the determination of corporate policies, the selection and evaluation of the CEO, the ongoing review of the senior management team, planning for management succession and the review of executive compensation. The Board will also provide advice and guidance to management on a broad range of high-level decisions. Its decision-making role should be limited to strategic, financial, organizational, and ethical issues that are material in the context of the entire business. The Board will consider management's conclusions regarding the materiality of any given issue but the Board shall be the final decision-maker regarding materiality.

#### Responsibilities of Key Leaders

**Chief Executive Officer** – The Chief Executive Officer (CEO) is the executive manager responsible for the overall performance of all segments of the business. The CEO is also responsible for the operational strategy and planning for the Company, with long-term growth and competitive strength being primary objectives. The CEO is responsible for the hiring, organization and evaluation of management, and recommends management compensation. It is the CEO's responsibility to ensure that the employees conduct business with high ethical standards. The CEO is also responsible for the Company's interaction with key outside parties, such as governing and regulatory bodies, industry groups, the media, rating agencies, security analysts and large shareholders.

**Chairman of the Board** – It is the Chairman's responsibility to conduct Board meetings, administer the activities of the Board and to facilitate communication between management and the Board.

#### Board Composition

**Selection of Chairman and CEO** – The Board should be free to make these choices in any way that, in its opinion, is best for the Company at a given point in time. It is the Board's policy that the positions of Chairman and CEO may but need not be held by two different individuals.

**Size of the Board** – The Bylaws authorize the directors to determine, from time to time, the optimum number of directors of the Company. At this time, it is the sense of the Board that the optimum size of the Board is seven members. The Company's Chief Financial Officer and General Counsel should generally attend Board meetings as non-voting resources.

**Mix of Directors** – The Board believes that there should be a majority of independent Directors on the Board. Of the 7 current Directors, one is the current CEO of the Company. The Board has determined that the remaining 6 have no interest or conflicts that would prevent them from exercising independent judgment in matters that come before the Board.

**Board Membership Criteria** – The Nominating and Governance Committee is responsible for reviewing with the Board from time to time the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of management experience, general business knowledge, age and specific skills or expertise, such as finance, manufacturing technology, international business, business law and marketing and should include succession planning. The Board encourages the Nominating and Governance committee to seek diverse experiences and backgrounds when considering candidates. Such assessment is to be made in the context of the perceived needs of the Board at that point in time and requirements of the New York Stock Exchange and the Securities and Exchange Commission.

Currently, the Nominating and Corporate Governance Committee does not believe it is in the best interests of the Company to establish rigid criteria for the selection of nominees to the Board. Rather, the Committee recognizes that the challenges and needs of the Company will vary over time and, accordingly, believes that the selection of director nominees should be based on skill sets most pertinent to the issues facing or likely to face the Company at the time of nomination. At the same time, the Committee believes that the Company will benefit from a diversity of background and experience on the Board and, therefore, will consider and seek nominees who, in addition to general management experience and business knowledge, possess, among other attributes, an expertise in one or more of the following areas: finance, manufacturing technology, business strategy, organizational development, international business, investment banking, business law, corporate governance, risk assessment, and investor relations. In addition, there are certain general attributes that the Committee believes all director candidates must possess including:

- A commitment to ethics and integrity;
- A commitment to personal and organizational accountability;
- A history of achievement that reflects superior standards for themselves and others; and
- A willingness to express alternate points of view while, at the same time, being respectful of the opinions of others and working collaboratively with colleagues.

As noted above, a majority of directors must be independent. The Committee, however, also believes that, absent special circumstances, all directors other than Chief Executive Officer should be independent.

**Selection of New Director Candidates** – The Board should be responsible for selecting members subject to shareholder approval. The Board delegates the screening process involved to the Nominating and Governance Committee which makes recommendations to the Board on the selection of directors. The Nominating and Corporate Governance Committee, at its discretion, may consider candidates discovered through personal introduction, recommendation of the CEO and/or other directors, and any candidates proposed by executive search firms. In addition, the Committee will consider for nomination a candidate recommended by a stockholder that submits such proposed nomination in accordance with procedures adopted by the Committee from time to time and published in the Company's proxy statement for its annual meeting.

**Directors Who Change Their Present Job Responsibility** – The Board does not believe that Directors who retire or undergo a job change should necessarily leave the Board. However, such a change can alter the ongoing skills mix that the Board would like to have and, in addition, could create a conflict of interest between the director and the Company. Therefore, there should be an opportunity for the Board, via the Nominating and Governance Committee, to review the continued appropriateness of Board membership under these circumstances. As a result, in the event of such a job change, a Director is required to send a letter to the Nominating and Corporate Governance Committee informing the Committee of the change and offering to resign from the Board if the Committee determines that such resignation is in the Company's best interest.

**Retirement** – The Board has adopted a mandatory retirement age of 75 for Board members.

**Board Compensation Review** – The Nominating and Corporate Governance committee should be responsible for periodically evaluating and recommending Director and committee compensation. Such recommendation shall be presented to the full Board for approval. As written in the Company's By-laws, any director who also is an employee of the Company, shall not receive additional compensation for serving as a director.

#### Board Meetings

**Scheduling and Selection of Agenda Items for Board Meetings** – Board meetings are held quarterly following the close of each quarter and before the Company's earnings release. In addition to those four meetings, the Board generally meets at least one other time during the year to review the proposed budget for the next fiscal year. From time to time, special meetings are held as necessary. The meetings are usually held at Company headquarters or at one of the Company's manufacturing locations. Each Director is free to suggest agenda items although the Chairman, in agreement with the Lead Director, will make the final determination of the agenda.

**Board Material Distributed in Advance** – Information and data that is important to the Board’s understanding of the business and to any material matters to be brought for a vote of the Board should be distributed in writing to the Directors before the Board meets. Board members are expected to rigorously prepare for, attend, and participate in all Board and applicable Committee meetings.

**Access to Employees and Advisors** – The Board has complete access to any Company employee. Directors are to notify the CEO of material contacts with Company employees who are not members of the Board. In addition, the Board shall have the authority to retain such independent advisors (including legal counsel) as the Board may determine is reasonably necessary or advisable.

**Non-Management Directors’ Discussion** – Meetings of non-management directors take place at least two times per year, generally immediately prior to the regularly-scheduled Board meetings. From time to time, special meetings may be held as necessary. The Chairman, if independent, or a Lead Director appointed by the independent Directors, shall preside at the meetings.

**Number and Description of Committees** – The Board currently has three committees:

- **Audit** –Members of the committee are appointed by the Board of Directors upon the recommendation of the Nominating and Corporate Governance Committee and may be removed by the Board of Directors in its discretion. Each member of the Audit Committee is “independent” as that term is defined in both the applicable listing standards of the NYSE and the rules of the SEC. Each member also meets the financial literacy requirements of the NYSE, and, in addition, at least one of the Committee’s members is considered an “audit committee financial expert” under the disclosure standards adopted by the SEC. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the firm of independent auditors that audits the Company’s financial statements and performs services related to the audit. The Audit Committee also reviews the scope and results of the audit with the independent auditors, reviews with management and the independent auditors the Company’s annual and quarterly operating results, considers the adequacy of the Company’s internal accounting procedures and controls, and considers the effect of such procedures on the auditors’ independence.
- **Compensation**– The Compensation Committee establishes the Company’s philosophy with regard to compensation of the Company’s executive officers and senior management. Within this context, the Compensation Committee determines all compensation arrangements regarding the Chief Executive Officer of the Company and reviews total compensation arrangements for all senior executives of the Company. Based on recommendations from the Chief Executive Officer, the Committee also reviews and approves the compensation arrangements for all other executive officers and senior level employees. In

addition, the Committee reviews general compensation levels for other employees as a group, determines the awards to be granted to eligible persons under the Company's stock option and incentive plan and takes such other action as may be required in connection with the Company's compensation and incentive plans. The Committee also is responsible for annually reviewing Company-wide benefit plans and approving any changes to such plans. To assist the Committee in meeting its responsibilities, the Committee has the authority, and from time to time, does retain the services of outside compensation consultants.

- **Nominating and Governance** – The Nominating and Corporate Governance Committee is responsible for establishing criteria for selection of new directors, identifying individuals qualified to become directors and recommending candidates to the Board for nomination as directors. The Committee also periodically reviews and makes recommendations to the full Board regarding the composition of the Board's committees including possible rotation of Committee chairs. In addition, the Nominating and Corporate Governance Committee is responsible for recommending to the Board a set of corporate governance principles applicable to the Company and for overseeing the evaluation of the Board and management. The Committee also monitors compliance with the Company's policies and guidelines regarding ethics and conflicts of interest.

**Assignment and Term of Service of Committee Members** – The Board is responsible for the appointment of committee members and committee chairs. In this regard, the Board takes into consideration the recommendations of the Nominating and Governance Committee.

**Frequency and Length of Committee Meetings and Committee Agenda** – The Chair of each committee shall be responsible for scheduling committee meetings following consultation with the members of that committee. The chair will also be responsible for the final agenda of each meeting. The members of the committee will report their general discussions to the full Board at the next regularly scheduled meeting.

**Formal Evaluation of Officers and Directors** – An annual review of the performance of the CEO and overall performance of the management team is conducted by the Compensation Committee and the results of this evaluation are then reported to and discussed with the entire Board. The Compensation Committee will also receive the evaluations from the CEO as to the performance of key executives and will report its views on such evaluations to the entire Board. On an annual basis, the Board and each committee conducts an evaluation of its own performance with input from the CEO and CFO.

**Mandatory Retirement** – The Company does not have a mandatory retirement age for corporate officers.

**Succession Planning and Management Development** – Management must annually report to the Board its plan for management succession as well as preparations for emergency succession. Management is also expected to report its management development efforts to the Board on an annual basis. In addition, on an annual basis, the Board should review its plans regarding CEO succession.

**Director Orientation and Continuing Education** – The Nominating and Corporate Governance Committee, with the assistance of the CEO and other senior management, shall be responsible for providing all new directors with an orientation program intended to educate the new director on the key facets of the Company's business and those key issues then facing the Company. In addition, at least once every three years, each director shall endeavor to attend at least one conference/course designed to enhance such director's skills as a director, and the Company shall reimburse each such director for the reasonable expenses incurred in attending such conference/course.

**Code of Conduct and Business Ethics** – The Company maintains a Code of Conduct and Business Ethics that is applicable to all directors, officers and employees of the Company.

**Stock Ownership Guidelines for Directors and Executive Officers** – To align the interests of directors and executive officers with those of the Company's shareholders, the Company has adopted Stock Ownership Guidelines for Directors and Executive Officers. These guidelines, which were formally adopted by the Board of Directors on February 21, 2006, establish an expectation that, within a five-year period, each director and officer shall achieve and maintain an equity interest in the Company at least equal to a specified multiple of such individual's annual base salary or director's fee. The applicable multiples are as follows:

<u>Position</u>	<u>Target</u>
Non-employee Director	3x value of annual retainer
Chief Executive Officer	5x annual base salary
Chief Operating Officer	3x annual base salary
Chief Financial Officer	3x annual base salary
Group and Corporate Vice Presidents	2x annual base salary

In calculating an individual's equity interest, credit is given for the value of actual shares of stock owned beneficially, the after-tax value of all vested stock options and restricted stock unit awards, and the after-tax value of restricted stock units which the individual has received in lieu of either bonus compensation or annual director's retainer.

**Approved February 24, 2010**