

# AMERICAN POWER CONVERSION CORPORATION

## Corporate Governance Guidelines

The Board of Directors (“Board”) of American Power Conversion Corporation (“Corporation”) has adopted the following guidelines in furtherance of its continuing efforts to enhance its corporate governance. The Board will review and amend these guidelines as it deems necessary and appropriate.

### **1. Board Mission and Director Responsibilities.**

The Board is elected by the stockholders to oversee the stockholders interest in the long-term financial strength and overall success of the business. The Board serves as the ultimate decision-making body of the Corporation, except for those matters reserved to or shared with the stockholders, or delegated to certain committees by the Board or by rules promulgated by the Securities and Exchange Commission, the National Association of Securities Dealers, or other governing or regulatory bodies (the “Regulatory Bodies”). The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Corporation.

The core responsibility of the Board is to exercise its business judgment to act in what it reasonably believes to be in the best interests of the Corporation and its stockholders. Directors must fulfill their responsibilities consistent with their fiduciary duty to the stockholders, in compliance with all applicable laws and regulations. Directors will also, as appropriate, take into consideration the interests of other stakeholders, including employees and the members of communities in which the Corporation operates.

The Board provides advice and counsel to the Chief Executive Officer and other senior officers of the Corporation. The Board ensures that the assets of the Corporation are properly safeguarded, that appropriate financial and other controls are maintained, and that the Corporation’s business is conducted wisely and in compliance with applicable laws and regulations.

In discharging its duties, Directors may rely on the Corporation’s senior executives and outside advisors and auditors. Accordingly, skill and integrity will be important factors in selection of the Corporation’s senior executives and other advisors. The Board has the authority to hire independent legal, financial or other advisors as it may deem necessary.

Directors are expected to attend all meetings of the Board and of the committees on which each Director serves. Directors should devote the time and effort necessary to fulfill their responsibilities. Information important to Directors’ understanding of issues to come before the Board or a committee will be provided sufficiently in advance of the meeting to permit Directors to make informed decisions. Directors are expected to review these materials before the meeting.

The Board will hold regularly scheduled meetings at least four times a year. The Chairman of the Board will set the agenda for Board meetings. Any Director may suggest items for inclusion on the agenda. Any Director may raise a subject that is not on the agenda at any meeting. Certain items pertinent to the oversight and monitoring function of the Board will be brought to the Board regularly. The Board will review the Corporation's long-term strategic plans and the most significant financial, accounting and risk management issues facing the Corporation in at least one Board meeting each year.

The independent Directors of the Board must have regularly scheduled meetings at which only independent Directors are present. Normally, such meetings will occur during regularly scheduled Board meetings. The Chair of the Corporate Governance and Nominating Committee may preside at the regular meetings of the non-management Directors.

The Board believes that having the same person occupy the offices of Chairman of the Board and Chief Executive Officer has served the Corporation well. However, the Board may reevaluate this structure if and when it deems necessary.

## **2. Director Qualifications.**

The Board of Directors will nominate candidates for the Board of Directors such that, if elected, a majority of Directors would be independent directors as defined in the next paragraph, and, if sufficient independent directors are elected, will appoint only independent directors to serve on the committees of the Board of Directors.

For purposes of this policy, "independent director" will mean a director who (i) is not or has not within the prior five years been an employee of the Corporation or of any of its subsidiaries, (ii) has not, nor has a Family Member (as defined below), accepted from the Corporation or any of its subsidiaries more than \$60,000 during the current or previous three fiscal years, other than the following: compensation for board or board committee service; payments arising solely from investments in the Corporation's securities; compensation paid to a Family Member who is a non-executive employee of the Corporation or any of its subsidiaries; benefits under a tax-qualified retirement plan, or non-discretionary compensation; or loans permitted under Section 13(k) of the Securities Exchange Act of 1934, (iii) is not a Family Member of an individual who is or was at any time during the past three years, employed by the Corporation or by any subsidiary as an executive officer, (iv) is not, nor has a Family Member that is, a partner, controlling shareholder or executive officer of any business organization to which the Corporation made, or from which the Corporation received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following (x) payments arising solely from investments in the Corporation's securities or (y) payments under non-discretionary charitable contribution matching programs, (v) is not, nor has a Family Member who has been, employed as an executive officer of another entity where at any time during the past three years any of the Corporation's executive officers serve on the compensation committee of such other entity or (vi) is not, nor has a Family Member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at time during the past three years. For purposes of these

independence requirements, “Family Member” shall mean a person’s spouse, parents, children and siblings, whether by blood, marriage, or adoption, or anyone residing in such person’s home.

In addition to the aforementioned criteria, the Board must determine that a Director has no relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. The Board will observe all additional criteria for independence promulgated by the Securities and Exchange Commission, the National Association of Securities Dealers, any exchange upon which the securities of the Corporation are traded, and any other governing or regulatory body, as applicable.

Director nominees may either be selected, or recommended for the Board’s selection by, the Corporate Governance and Nominating Committee as disclosed in its charter and any policies governing Director nominations adopted by the Board. The Corporate Governance and Nominating Committee will review all nominees for the Board in accordance with its charter and any policies governing Director nominations adopted by the Board. The assessment will include a review of the nominee’s judgment, experience, independence, understanding of the Corporation’s or other related industries, and such other factors as the Committee concludes are pertinent in light of the current needs of the Board. The Board believes that its membership should reflect a diversity of experience, gender, race, ethnicity and age. The Committee will select qualified nominees and review its recommendations with the Board, which will decide whether to invite the nominee to join the Board. The Chairman of the Board should extend the Board’s invitation to join the Board.

In accordance with the By-Laws, Directors are elected for a term of one year. The Board does not believe that it should establish limits on the number of terms a Director may serve. Term limits may cause the loss of experience and expertise important to the optimal operation of the Board. However, to ensure that the Board remains composed of high functioning members able to keep their commitments to Board service, the Corporate Governance and Nominating Committee will evaluate the qualifications and performance of each incumbent Director before recommending the nomination of that Director for an additional term.

The Board expects that when the Chairman or Chief Executive Officer resigns from that position, he or she will also simultaneously submit his or her resignation from the Board. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new Chairman or Chief Executive Officer and the Board.

It is the sense of the Board that individual Directors who change the responsibility they held when elected to the Board should submit a letter of resignation to the Board. Whether the individual continues to serve on the Board is a matter for discussion at that time with the Corporate Governance and Nominating Committee and the full Board. The Corporation expects that a Director’s existing and future commitments will not materially interfere with such Director’s obligations to the Corporation. The Corporation recognizes that Directors should limit the number of boards on which they serve so that they can give proper attention to each board responsibility. However, the philosophy of the Corporation is not to set an invariant limit on the number of boards on which a Director may serve. In the event a Director wishes to join the board of another company, it is expected that the Director will advise the Board of his or her

intention. The Board will then determine whether the new commitment will allow the Director to continue to fulfill his or her obligations to the Company.

### **3. Committees of the Board.**

The Board has three standing committees: Audit, Compensation and Stock Option, and Corporate Governance and Nominating. The Board may establish additional committees as necessary or appropriate.

In accordance with the Corporation's Board independence policy outlined above, only independent Directors should serve on the standing committees of the Board. Each of the standing committees will have its own charter. The charter will set forth the responsibilities of each committee, the qualifications and procedures of the committee and how the committee will report to the Board.

The Chair of each committee will determine the frequency of committee meetings, consistent with the committee's charter and the Corporation's needs.

### **4. Director Access to Officers, Employees and Information.**

Directors have full and free access to officers, employees and the books and records of the Corporation. Any meetings or contact that a Director wishes to initiate may be arranged through the Chief Executive Officer or the Clerk or directly by the Director. The Directors should use their judgment to ensure that any such contact is not disruptive to the business operations of the Corporation.

The Board welcomes the regular attendance at Board meetings of non-Board members who are in the most senior management positions in the Corporation. The Chairman of the Board shall extend such invitations.

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

All new Directors must participate in the Corporation's orientation program, which should be conducted within two months after a new Director is elected. This orientation will include presentations by senior management to familiarize new Directors with the Corporation's business and strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Ethics and Business Conduct, its principal officers, and its internal and independent auditors. Any sitting Directors may attend the orientation program.

### **6. Annual Chief Executive Officer Performance Evaluation.**

To ensure that the Chief Executive Officer is providing the best leadership for the Corporation, the Board will annually evaluate the Chief Executive Officer's performance. The Board of Directors will discuss the Chief Executive Officer's performance in an executive session of non-management Directors. The Board's evaluation of the Chief Executive Officer's performance will be a significant factor in the Compensation and Stock Option Committee's annual review of

the Chief Executive Officer's compensation. The Board shall annually review and ratify corporate goals and objectives relevant to the Chief Executive Officer's compensation. These duties may be delegated to a committee of the Board.

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

The Board of Directors will conduct an annual self-evaluation to determine whether the Board and its committees are functioning effectively and have the necessary resources. The Corporate Governance and Nominating Committee will receive comments from all Directors and report annually to the Board with an assessment of the Board's performance, which will be discussed with the full Board. The assessment will focus on the Board's contribution to the Corporation and specifically focus on areas in which the Board or management believes that the Board or any of its committees could improve.

#### **8. Officer Compensation.**

Compensation of the Chief Executive Officer must be determined, or recommended to the Board for determination, by the Compensation and Stock Option Committee. The Chief Executive Officer may not be present during voting or deliberation.

Compensation for all other executive officers must be determined, or recommended to the Board for determination, by the Compensation and Stock Option Committee.

#### **9. Director Compensation.**

The form and amount of Director compensation shall be determined by the Compensation and Stock Option Committee and then recommended to the full Board for action in accordance with its committee charter.

Director compensation is a combination of cash and stock in the Corporation. The stock component should be a significant portion of the total compensation.

#### **10. Board Interaction with Outside Interested Parties.**

The Board believes that management speaks for the Corporation. From time to time, at the request of management, individual Board members may meet or otherwise communicate with various constituencies that are involved with the Corporation. Where comments from the Board are appropriate, they will normally come from the Chairman.

#### **11. Stockholder-Board Communications.**

The Board provides to every stockholder the ability to communicate with the Board, as a whole, and with individual Directors on the Board through a process established for security holder communication (as that term is defined by the rules of the SEC) ("Stockholder Communication") as follows:

a. For Stockholder Communications directed to the Board as a whole, stockholders may send such communication to the attention of the Chairman of the Board via the method listed below:

U.S. Mail (or courier or expedited delivery service):

American Power Conversion Corporation  
132 Fairgrounds Road  
West Kingston, Rhode Island 02892  
Attn: Chairman of the Board of Directors

b. For Stockholder Communications directed to an individual Director in his or her capacity as a member of the Board, stockholders may send such communication to the attention of the individual Director via the method listed below:

U.S. Mail (or courier or expedited delivery service):

American Power Conversion Corporation  
132 Fairgrounds Road  
West Kingston, Rhode Island 02892  
Attn: [Name of individual Director]  
c/o General Counsel

The Corporation will forward any such Stockholder Communication to each Director via U.S. Mail to an address specified by each such Director. Each Director, including the Chairman, to receive such Stockholder Communication will report the information contained therein to the Board at the next scheduled meeting of the Directors.

Communications from an officer or Director of the Corporation and proposals submitted by stockholders pursuant to Rule 14a-8 of the Exchange Act of 1934 (and related communications) will not be viewed as a Stockholder Communication. Communications from an employee or agent of the Corporation will be viewed as Stockholder Communication only if such communications are made solely in such employee's or agent's capacity as a stockholder.