

# **POWER-ONE CORPORATE GOVERNANCE GUIDELINES**

## **1. Preamble:**

The business and affairs of Power-One Inc. (“the Company”) are managed under the direction of the Board of Directors. The Company’s Board believes that sound corporate governance practices provide an important framework to assist the Board in fulfilling these responsibilities. Accordingly, the Board has formally adopted corporate governance guidelines relating to its functions, structure and operations. These guidelines, which the Board reviews periodically, are set forth below.

Each Director stands in a fiduciary relationship to the Company and must perform his/her duties as a director in good faith, in a manner he/she reasonably believes to be in the best interests of the Company and with such care (including reasonable inquiry), skill and diligence as a person of reasonable prudence would use under similar circumstances.

The Board welcomes communications from stockholders, to include recommendations from stockholders for director nominees. Guidelines and instructions for such communications will be published on the Company’s website in the section dedicated to Corporate Governance matters, and in the Proxy statement submitted in connection with the Annual Meeting of Shareholders.

## **2. Board Functions**

### **2a. Approval of Major Strategies and Financial Objectives; Acquisitions and Divestitures.**

Each year the Board will review and approve the Company’s one year business goals and strategic plans and will regularly monitor performance and progress against these plans throughout the year. The primary objective of these plans will be to enhance shareholder value. In this role, the Board will strive to act as an effective advisor and counselor to senior management, focusing on strategy and direction, and avoiding the temptation to become involved in operational management.

In addition, the Board will review and approve or disapprove (i) any action that would significantly change the financial structure or control of the Company, (ii) the acquisition or disposition of any significant business, or (iii) the entry of the company into a major new line of business.

### **2b. Executive Management Development and Succession.**

The Board will devote sufficient time to become familiar with the senior leadership team of the company, and will review annually, with the Chief Executive Officer, senior management succession planning and development. Contingency plans will be available to assure the smooth transition of management functions in the event of the unexpected loss of any senior manager in the company.

### **2c. Chief Executive Officer and Chief Operating Officer Evaluation and Compensation.**

Through its Compensation Committee, the Board will set annual goals for the CEO and COO, and will evaluate each officer’s performance against these goals. The evaluation will be based on objective criteria which shall include, among other factors, corporate performance/growth in shareholder value, development of management, and the accomplishment of annual objectives and long-term strategic goals.

## 2d. Board Evaluation.

The Board and its committees will each be evaluated annually in accordance with the recommendations of the Nominating and Corporate Governance Committee (the "Governance Committee"). The purpose of these evaluations is to increase the effectiveness of the Board as a whole, as well as its committees.

The Board believes that the continuing education of its members serves an important role in keeping the board effective. Each member will work with the Chairman to agree on a personal program in this regard.

## 2e. Director Compensation.

The Board will periodically review the compensation of the Company's directors who are not employees of the Company compared with companies that are of similar size and scope to ensure that such compensation is reasonable and competitive. Director compensation shall be strictly limited to cash and equity awards which comply with the Board's policies on such matters, and the amount of which will be reported to the shareholders annually. No other form of compensation, benefits or indirect remuneration shall be permitted.

## 2f. Risk Factor Evaluation

The Board will regularly assess major risk factors relating to the Company and its performance, and will review and consider measures to address and mitigate such risks.

## **3. Board Structure**

### 3a. Number, selection, service limits, retirement and resignation of Directors.

The Board will normally consist of such number of directors as is set forth in the Company's By-Laws; currently the number of directors is six. At least 2/3 of the directors will be "independent directors" as that term is defined by NASDAQ listing standards (the "Standards").

The Governance Committee has the responsibility for nominating individuals qualified to become Board members and, in so doing, the committee's objective will be to select individuals with skills, diversity and experience which can be of assistance to management in operating the Company's business. As far as possible, the Board members' experience sets and skills should be largely complementary with one another.

New Board members are required to participate in an orientation program, developed by the Company, within 3 months of joining the Board.

The Board believes that Directors who are full-time employees of this or another company should not serve, in total, on more than four public company boards at the same time, and that Directors who are retired from active employment should not serve on more than six public company boards at the same time. Exceptions to this standard may be made by the Board if it deems such exception to be in the best interests of the Company and its stockholders

No director may stand for reelection after reaching the age of 75. A director is required to submit his or her resignation each time he or she changes his/her principal occupation. The Governance Committee will recommend to the Board the action, if any, to be taken with respect to this resignation.

### 3b. Lead Director

The independent directors will elect one of their members to serve as the Lead Director. The Lead Director's duties will include: (i) calling for and chairing executive sessions of the Board consisting of only independent directors, (ii) presiding at all meetings of the Board at which the Chairman is absent, (iii) advising the Chairman and the Committee Chairpersons with respect to meeting schedules, agendas, and other needs relevant to such meetings, (iv) whenever requested by a major shareholder or other interested party, being available to such shareholder for consultation and direct communication, subject to all applicable laws and regulations regarding disclosure of material information and (v) such other duties as the Board may delegate from time to time to assist the Board in fulfilling its duties.

The Lead Director shall be identified in the annual Proxy Statement for the Company's Annual Meeting of Stockholders and such other means as the Company provides for distribution of corporate governance information to its shareholders. The Company will make available and publicize via the Proxy Statement and other means for distribution of corporate governance information a method for interested parties to communicate with the Lead Director.

### 3c. Committees of the Board.

The Board shall have at least three subcommittees: Nominating and Governance; Audit; and Compensation. Additional committees may be formed and disbanded as required by the whole Board. In consultation with the Chief Executive Officer, the Board will determine the responsibilities and membership of its committees.

Each committee (except an Executive Committee of the Board, if one is formed) will consist solely of independent directors. Each committee shall have the right to retain independent advisors to report directly to the committee from time to time as deemed appropriate by a committee.

The committee chairman, in consultation with committee members, will determine the frequency and length of the meetings of the committee, but each committee will meet at least two times per year, except the Audit Committee, which shall meet at least four times per year. Each committee shall have a written charter, and set annual objectives for its work, all of which shall be in compliance with the applicable rules and regulations of the SEC and the Standards. These committees will support the Board as a whole, and all major decisions reached by the Board Committees will be reported to the Board at the following Board meeting.

## **4. Board Operations**

### 4a. Number of Meetings.

Regular meetings of the Board are held four times per year; however, the Board will meet as frequently as needed for directors to properly discharge their responsibilities. During at least one annual Board meeting, time will be set aside for the non-management directors to meet in executive session led by the Lead Director. The non-management directors and/or the Lead Director may call for additional executive session meetings at their discretion.

### 4b. Conduct of Meetings,

Board meetings will be conducted in a manner which encourages open communication, meaningful participation and timely resolution of issues. Each Director is required to prepare for each Board or Committee meeting so as to enable him/her to be an informed participant at each meeting. The Company will ensure that Directors receive materials concerning matters to be

acted at a meeting, sufficiently in advance of the meeting to allow him/her to adequately prepare for the meeting.

4c. Board Access to Senior Management.

Board members have complete access to Power-One senior management. Board members will use prudent judgment to be sure that contact with management is not distracting to the company's business operations and that the Chief Executive Officer is appropriately informed.

**5. Adherence to Power-One Code of Conduct.**

Power-One's Code of Conduct will guide the Board in its actions and deliberations and the overall direction of the company. Only the Board, or its Audit Committee, may waive a provision of the Code of Conduct for a Director or Executive Officer of the Company. Neither the Board, nor its Audit Committee, will waive any provision of the Code of Conduct, nor create any exceptions, except in compliance with applicable laws and rules and regulations, including those of the Standards.

**6. Director Attendance at Annual Meetings of Stockholders**

It is the policy of the Board that all directors make every reasonable effort to attend our Annual Meeting of Stockholders.