



## POLICY STATEMENT

<b>Subject:</b> Corporate Governance Guidelines	<b>Date Issued:</b> November 6, 2009 <b>Date Amended:</b> August 16, 2011, August 26, 2015
<b>Approved by:</b> STR Board of Directors <b>Date:</b> August 26, 2015	<b>Distribution:</b>

### CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines of STR Holdings, Inc. (“STR” or the “Company”) include principles, policies and practices that are reflective of STR’s features of ownership and control as well as principles, policies and practices in respect of requirements of the corporate governance listing standards adopted by the New York Stock Exchange (“NYSE”) and rules adopted by the U.S. Securities and Exchange Commission (“SEC”).

#### **I. Philosophy and Role of the Board of Directors**

The primary mission of the Board of Directors of the Company (the “Board”) is to represent and protect the interests of the Company’s and its stockholders. In so doing, the Board has the legal responsibility for overseeing the affairs of the Company as provided by Delaware law. The Board’s oversight function is exercised through, among other things, the election and appointment of competent officers. The Board nevertheless remains responsible for oversight and thus has an obligation to keep itself reasonably informed in order to assist management in formulating and developing plans; it also sets necessary criteria and serves as a body to review and advise management on the operations of the Company. These duties, and the specific duties described below, are discharged by the full Board, the Board’s committees, or the independent members of the Board, as appropriate in the circumstances.

#### **II. The Board of Directors**

A. Composition. Under our Certificate of Incorporation, the Board shall consist of not less than three (3) nor more than fifteen (15) persons, the exact number of which is fixed by the Board from time to time.

B. Board Independence. The Board believes that as a matter of policy, a majority of the Board should consist of independent Directors. A Director will generally be considered “independent” if he or she is not a current employee of the Company or a subsidiary, does not receive remuneration from the Company other than by virtue of his or her service as a Director, does not have any other material relationship with the Company and otherwise meets the independence qualifications of the NYSE listing rules. The Board annually evaluates the independence of its members, in accordance with applicable rules and regulations.

C. Board Operations. The Board operates on a collegial basis. Each year, a schedule is set for the following year of Board and committee meetings. Information relevant to matters for discussion at Board and committee meetings is sent to Directors in time to permit review of such materials before each meeting. Directors have unfettered access to management and, as necessary and appropriate, access to the Company’s independent auditors, legal counsel and other advisers. Directors are expected to attend all meetings of the Board and the committees on which they serve, and to review in advance all materials sent to them for discussion at such meetings.

D. Board Responsibilities. Directors exercise their business judgment in good faith and act in what they reasonably believe to be in the best interests of STR's stockholders. Specific responsibilities include:

- selecting the Chief Executive Officer (“CEO”); evaluating performance of and establishing compensation for the CEO; approving the selection of senior management; evaluating the performance of senior management; establishing compensation of senior management; periodic review of plans for management succession; and assessment of the soundness of the organizational structure;
- encouraging the long-term success of the Company by exercising sound and independent business judgment with respect to significant strategic and operational issues, including major capital expenditures, diversifications, acquisitions, divestitures and new ventures;
- safeguarding corporate assets by periodically reviewing the Company's financial affairs and policies and overseeing its financial reporting process and internal controls;
- setting expectations about the tone and ethical culture of the Company;
- providing oversight of the internal and external audit process, financial reporting, and disclosure controls and procedures;
- ensuring the Company's compliance with applicable laws and regulations;
- providing oversight of risk assessment and monitoring processes;
- being sensitive to the public and political environment, taking into account the responsibility of the Company to its stockholders, employees, customers, and the community;
- designing governance structures and practices to position the Board to fulfill its duties effectively and evaluating the effectiveness of the Board as a body;
- reviewing and recommending the structure, composition, and responsibilities of the committees of the Board; and
- meeting in executive session regularly to allow full and candid discussion among Board members on matters of importance to the Company.

The Board has delegated the determination of the compensation for the CEO and the other members of senior management to the Compensation Committee.

E. Selection of Chairman and CEO. The Board selects the Chairman and CEO. The Board determines whether the positions of Chairman and CEO should be held by the same or different persons based on what it reasonably determines to be in the Company's best interests at a given point in time. Therefore, the Board does not have a policy on whether or not the roles of the CEO and Chairman should be separate and, if they are separate, whether the Chairman should be selected from the non-employee Directors or be an employee.

F. Lead Director. When the position of Chairman is not held by a person who qualifies as an independent director, the Board appoints annually from among its independent members an individual to serve as Lead Director. The Lead Director shall perform the following roles and functions:

- serve as a member of the Nominating and Corporate Governance Committee;
- chair, convene and determine the agenda of the Board's executive sessions of independent directors;
- chair, convene and determine the agenda of the Board's meetings at which the Chairman is not in attendance;
- serve as a liaison between the Chairman and the independent Directors, which includes facilitating communications and assisting in the resolution of conflicts, if any, between the independent Directors and the Company's management;
- oversee the Board's annual self evaluation;
- consult with each Committee with respect to their annual evaluations;

- provide counsel to the Chairman and CEO, including provision of appropriate feedback regarding effectiveness of Board meetings, and otherwise as needed or requested; and
- such other responsibilities as the Board may delegate from time to time.

G. Executive Sessions of Independent Directors. The independent Directors of the Board will hold at least two regularly scheduled executive sessions each year without non-independent Directors present, with the Lead Director presiding as chairman. After each of these meetings, the Lead Director will discuss any relevant items with the Chairman and CEO.

H. Director Qualification Standards.

- 1) The Board is responsible for selecting its own members and in recommending them for election by the stockholders. Stockholders may also nominate directors in accordance with the Company's Bylaws. The Nominating and Governance Committee considers recommendations for Board candidates submitted by stockholders using the same criteria it applies to recommendations from the committee, directors or members of management. Stockholders may submit recommendations by providing the person's name and appropriate background and biographical information in writing to Corporate Secretary of STR at below address:

10 Water Street, Enfield, Connecticut 06082.

- 2) The Board delegates the screening process to the Nominating and Corporate Governance Committee which considers candidates to fill newly created directorships or vacancies on the Board, and then consults with the Chairman after which it provides recommendations to the full Board. These recommendations are reviewed and approved by the full Board before an invitation is extended to the candidate.
- 3) The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate criteria that directors are required to fulfill, including the specific experience, qualifications, attributes and skills in light of the Company's business and structure. The Board seeks directors with diverse business and relevant professional backgrounds, relevant technical skills, industry knowledge and experience, financial expertise, local or community ties and minimum individual qualifications, including strength of character, mature judgment, familiarity with the Company's business and industry, independence of thought and an ability to work collegially, and such other skills and experience as will enhance the Board's ability to serve the best interests of STR and its stockholders. The Nominating and Corporate Governance Committee also may consider the extent to which the candidate would fill a present need on the Board. The invitation to join the Board is extended by the Board via the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee.
- 4) The Board has not established term or age limits for Directors.

I. Other Commitments; Change of Director's Status. Directors must notify the Board and the Nominating and Governance Committee upon retirement or substantial change in principal occupation, position or responsibility. It is not the sense of the Board that in every instance Directors who retire or change from the occupation, position or responsibility they held when they joined the Board should necessarily leave the Board upon such retirement or change. There should, however, be an opportunity for the Board, via the Nominating and Corporate Governance Committee to review the continued appropriateness of Board membership under these circumstances. The Board may request that a director submit an offer to resign if it determines that it would appropriate to do so. The Board believes

this is a matter to be decided in each individual instance. Directors should also inform the Chairman of the Nominating and Corporate Governance Committee of other events that would reasonably be perceived to be relevant to considerations about ongoing independence. If the CEO resigns from that position, the Board may request his/her resignation from the Board at the same time. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new CEO and the Board.

J. Director Elections. In accordance with the Company's Bylaws, if none of our stockholders provides the Company notice of an intention to nominate one or more candidates to compete with the Board's nominees in an election for directors, or if our stockholders have withdrawn all such nominations not later than the day before the Company mails its notice of meeting to our stockholders, a director election is not "contested" and a majority voting standard applies, whereby a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or reelected to the Board. For purposes of these Guidelines, the term "votes cast" includes votes to withhold authority and excludes abstentions with respect to that Director's election. The policies of the Company with respect to a failure to receive the required vote in an uncontested election are as follows:

- 1) The Board shall nominate for election or re-election as Director only candidates who agree to tender, promptly following the meeting at which they are elected or re-elected as Director, irrevocable resignations that will be effective upon (i) the failure to receive the required vote at the next meeting at which they face re-election and (ii) Board acceptance of such resignation.
- 2) In addition, the Board shall fill Director vacancies and new Directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other Directors described above.
- 3) If an incumbent Director fails to receive the required vote for re-election, the Nominating and Corporate Governance Committee will act on an expedited basis to determine whether to accept the Director's resignation and will submit such recommendation for prompt consideration by the Board. The Director whose resignation is under consideration shall abstain from participating in any decision regarding that resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a Director's resignation, including the Director's qualifications, the Director's past and expected future contributions to the Company, the overall composition of the Board and whether accepting the tendered resignation would cause the Company to fail to meet any applicable rule or regulation (including securities exchange listing requirements and federal securities laws). The Board will act on the tendered resignation, and publicly disclose its decision and rationale, within 90 days following certification of the stockholder vote, in a press release and through the filing of a Form 8-K with the SEC.
- 4) If no Directors receive the requisite vote in an uncontested election, the incumbent Board will nominate a new slate of Director candidates and hold a special meeting for the purpose of electing those nominees within 180 days after the certification of the stockholder vote unless the incumbent Directors determine that holding such election is not in the best interests of the Company and its stockholders. If such a special meeting is held in accordance with the preceding sentence, the incumbent Directors shall resign with their resignations to be effective at the time that new Directors are elected and qualified.

Directors shall be elected by a plurality of the votes to be cast at any meeting of stockholders for which the election of the directors is "contested" by one or more stockholders, as specified in our Bylaw.

The foregoing policies are subject to change if the Board determines changes to the policy are in the best interests of the Company and its stockholders. The foregoing Director election policies are summarized and disclosed in the Company's proxy statement related to each annual meeting of stockholders.

K. Communications with Directors. Interested persons may communicate directly with any Director, the non-management Directors as a group or the Board as a whole by sending such communication by fax, telephone or regular mail to the Company, attention: Company Secretary, who will forward the communication to the intended recipient. Communications may also be sent via electronic mail to the following email address: [STR.Board@strus.com](mailto:STR.Board@strus.com), which will be accessible via a link at the Company's corporate website. Such communications may also be forwarded to them by mail in a sealed envelope addressed to an individual Director, the non-management Directors or the Board c/o the Company's Secretary. The Secretary will deliver the envelope unopened (1) if addressed to a Director, to the Director, (2) if addressed to the Board, to the Chairman of the Board who will report thereon to the Board, or (3) if addressed to the non-employee Directors, to the Chair of the Audit Committee who will report thereon to the non-employee Directors.

L. Board Interaction with Third Parties. The Board believes that management speaks for the Company. Individual Board members may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

M. Board Access to Management and Independent Advisers.

- 1) The Board welcomes the regular attendance at each Board meeting of senior management as recommended by the CEO. Board members have complete access to the Company's management. Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chairman and CEO. Furthermore, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) represent managers with future potential that the senior management believes should be given exposure to the Board.
- 2) The Board and its committees are authorized to retain independent advisers to assist them in carrying out their activities and the Company shall provide adequate resources to compensate such advisers.

N. Annual Performance Evaluation. The Board will conduct an annual evaluation of its own performance, under the supervision of the Lead Director.

O. Director Attendance at the Annual Meeting of Stockholders. Absent unusual circumstances, Directors are expected to attend the Annual Meetings of the stockholders of the Company. (The Company discloses director attendance at the Annual Meeting in the Company's proxy statement or on the Company's website.)

### **III. Committees of the Board**

The current committee structure of the Board consists of an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Special Committee of Continuing Directors. The Nominating and Corporate Governance Committee shall be responsible, after consultation with the Chairman and with consideration of the desires of individual Board members, for the assignment of Board members to various Committees and of committee chairs; provided, however,

only a Continuing Director, as that term is defined in that certain Stock Purchase Agreement, dated as of August 11, 2014, by and between the Company and Zhen Fa New Energy (U.S.) Co., Ltd. (“Zhenfa”), may serve as a member of the Special Committee of Continuing Directors. From time to time, the Board may form a new Committee or dissolve a current Committee, as it deems appropriate.

Each independent Director shall have the opportunity to serve on two Committees. Consideration (exclusive of service on the Special Committee of Continuing Directors) should be given to rotating certain Committee members periodically at about a three to five year interval. The Board does not feel that such a rotation should be mandated as a policy, since there may be reasons at a given point in time to maintain an individual Director’s Committee membership for a longer period.

In all cases, the Board follows legal and regulatory requirements for the definition of “independence” relative to Board Committee service and each Committee charter shall so reflect. Audit Committee members must be independent as determined by the Board consistent with requirements of these Corporate Governance Guidelines, the NYSE listing standards and rules of the Securities Exchange Act of 1934, and are required to be financially literate, in accordance with the NYSE listing standards and one member shall qualify as a “financial expert” in accordance with the rules of the SEC. No member of the Audit Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. The Compensation and Nominating and Corporate Governance Committees each shall consist solely of independent directors as defined under the NYSE listing standards.

Each standing Committee shall have a written charter that addresses the Committee’s purpose and responsibilities. Each Committee shall review its charter on a periodic basis. Each Committee shall, in consultation with the Lead Director, evaluate its performance, the qualifications of its members and the adequacy of its charter on an annual basis, and report its findings thereon to the Board. Committee chairs, in consultation with Committee members, shall schedule meetings of their respective Committees. Committee chairs, in consultation with management, shall develop the agenda for the Committee meetings. Each Committee shall regularly report to the Board with respect to its activities.

#### **IV. Director Compensation**

It is STR’s policy to set the compensation of Directors for their service on the Board and its Committees (which may include equity awards under the Company’s 2009 Equity Incentive Plan (or such other applicable plan that may be in existence from time to time)) in a manner that is designed to attract, retain and motivate highly qualified candidates for Director, and to be broadly comparable with those companies which STR considers to be its peers in the industries in which it operates. Directors who are also employees of STR (or of Zhenfa or any of its affiliates for so long as Zhenfa remains a controlling stockholder), shall not receive any compensation for their service as Directors of STR. Director compensation, including compensation for committee service, is reviewed annually by the Compensation Committee, which makes such recommendations to the Board with respect thereto as it deems appropriate.

#### **V. Director Orientation and Continuing Education**

It is STR’s policy to provide its Directors with such information and materials, and to furnish such access to management, professional consultants and advisors, as the Board or management deems advisable to keep the Directors up to date on developments in those areas that are relevant to the conduct of the business of the Company and to its compliance with applicable laws and regulations. STR will reimburse Directors for the reasonable cost of attending director education programs or seminars that the Director and STR believe will be beneficial to such Director’s service on the Board and its Committee.

## **VI. Leadership Development**

A. Evaluation of the Chief Executive Officer. The Board believes the evaluation of the CEO should be a process based on both qualitative and quantitative factors, including performance of the business, accomplishments of long-term objectives, positioning of the Company for the future development of management and leadership in the industry, and other factors that the Board and the Compensation Committee agree are appropriate in assessing the CEO's performance.

B. Succession Planning and Management Development. The CEO provides the Board with an annual review on succession planning and the Company's program for management development. The CEO makes available his or her recommendation as to a successor in the event of his or her resignation, retirement or disability. The Board periodically reviews management development and succession plans with respect to senior management positions, and engages the CEO in such discussions and considers, from time to time as appropriate, potential successors to the CEO in the event of his or her resignation, retirement or disability.

## **VII. Confidentiality**

Each director has an obligation to keep confidential all non-public information that relates to the Company's business and not to use such information for his or her own personal benefit or the benefit of persons or entities outside the Company. Confidential information includes, but is not limited to, information regarding the strategy, business, finances and operations of the Company (or any of the Company's suppliers, customers or other constituents), minutes, reports and materials of the Board and its committees, and other documents identified as confidential by the Company. The proceedings and deliberations of the Board and its committees are also confidential non-public information.

## **VIII. Corporate Governance Guidelines**

The Nominating and Corporate Governance Committee reviews these Guidelines periodically and recommends amendments to the Board as necessary.

These Guidelines are posted on the Company's website for communication to the Company's stockholders.

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**Adopted by the Board of Directors of STR Holdings, Inc. on August 26, 2015.**