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TWIN DISC, INCORPORATED

GUIDELINES FOR CORPORATE GOVERNANCE

The Corporation has developed corporate governance practices to help the Board of Directors ("Board") fulfill its responsibility to the shareholders of the Corporation. These practices are memorialized in the guidelines set forth below. These guidelines are subject to future refinement or changes as the Corporation may find necessary or advisable in order to achieve its objectives. To the extent that any of these guidelines may conflict with the Corporation's Articles of Incorporation or Bylaws, the Articles and Bylaws shall control.

Board Composition and Qualification Standards

1. Board Size. The number of Directors will be determined from time to time by resolution of the Board. The Board periodically evaluates whether a larger or smaller number of Directors would be appropriate in order to accommodate changing circumstances or enhance its capabilities.

2. Selection of Directors. Directors are elected to staggered three-year terms by the Corporation's shareholders. The Board recommends a slate of Directors for election at the Corporation's annual meeting of shareholders, based on the Board's consideration of the membership criteria discussed below and of the recommendations of the Board's Nominating and Governance Committee. The Board may fill vacancies in existing or new Director positions at any time. Directors elected by the Board to fill vacancies serve only until the next election of Directors unless elected by the shareholders to a further term at that time.

3. Board Membership Criteria. The Nominating and Governance Committee works with the Board on a periodic basis to determine the appropriate characteristics, skills and experience required for Board membership. In evaluating the suitability and expected contributions of individual Directors or Board candidates, the Board takes into account many factors, including experience as a sitting chief executive, financial or operating officer, a general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in the contemporary global business environment, an understanding of manufacturing and of Twin Disc's business on a technical level, and educational and professional background. The Board also considers diversity of persons in terms of their age, gender, race, and ethnicity. The Board evaluates each individual in the context of the Board's overall needs, with the primary objective of maintaining a group of Directors that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend a Director for reelection, the Nominating and Governance Committee also considers the Director's past attendance at meetings and participation in and contributions to the activities of the Board. Removal from the Board before the end of a Director's term requires approval of a majority of the Corporation's shareholders after a showing of good cause, which could arise in the event the Board determines, for example, that a Director has exhibited conduct unbecoming his/her position or that a conflict of interest has arisen and cannot be resolved. The Nominating and Governance Committee will maintain a Policy Governing Director Nominations to address questions around Board membership criteria.

4. Orientation and Continuing Education. New Directors shall be provided with orientation materials sufficient to familiarize them with (a) the nature and business of the Corporation, (b) the operation of the Board and its standing committees, (c) the Corporation's Guidelines for Business Conduct and Ethics and other significant governance and compliance policies that relate to the Director's service on the Board, and (d) pertinent rules and requirements of the NASDAQ Stock Exchange, Securities and Exchange Commission and other administrative or regulatory bodies having jurisdiction over the Board and its operations. The Board shall confirm that opportunities for continuing Director education and development are made available, and each Director shall be responsible for taking advantage of such opportunities.

5. Board Independence. A majority of the Corporation's Directors shall be independent Directors who are not employed by the Corporation and whose other relationships with the Corporation are such that their ability to exercise independent judgment will not be impaired. In determining the independence of a Director, the Board will be guided by the definitions of "independent director" adopted by the Securities and Exchange Commission and the NASDAQ Stock Market. Directors have an affirmative duty to inform the Board promptly of any material change in their circumstances or relationships (or that of their relevant family members) that may impact their designation as independent.

6. Tenure and Retirement. The Board's Nominating and Governance Committee will consider the issue of continuing Director tenure in connection with its overall recommendations to the Board on a Director's performance and suitability for re- nomination. No outside Director or candidate shall be considered or allowed to stand for election to the Board if he/she will have reached 72 years of age at the time of such election. Notwithstanding the foregoing, if recommended by the Nominating and Governance Committee, the Board may allow a currently serving outside Director who shall have reached age 72 at the time of such election to be nominated for one additional three-year term. The Nominating and Governance Committee will maintain a Director Tenure and Retirement Policy to address these and other tenure and retirement issues, subject to periodic review by the Board.

7. Directors with Significant Job Changes. Management Directors who retire from employment or materially change their position with the Corporation should tender their resignation to the Board. However, any Director who retires from the Corporation as its Chief Executive Officer may remain on the Board until his/her current term expires and will be eligible, without regard to age, for nomination for election to one or more additional three-year term(s). The Board, and specifically the Nominating and Governance Committee, will evaluate whether the Board should accept the resignation based on a review of whether the individual continues to satisfy the Board's membership criteria in light of any new occupational status or other circumstances. Independent Directors who retire from employment or materially change their current position must notify the Chairman of the Board, who, in conjunction with the Nominating and Governance Committee (except for such Director, if he/she is a member of the committee), will review the continued appropriateness of Board membership and recommend appropriate action. The Director will be expected to act in accordance with the Committee's recommendation.

8. Selection of CEO and Chairman. The Board selects the Corporation's Chief Executive Officer and Chairman in the manner that it determines to be in the best interests of the Corporation's shareholders. The two roles may be combined if the Board believes that combining these positions

best serves the interest of the Corporation.

9. No Specific Limitation on Other Board Service. Directors are not prohibited from serving on boards and/or committees of other organizations. However, independent Directors are encouraged to limit the number of other boards (other than non-profit organizations) on which they serve, in order to minimize adverse impact on attendance, participation and effectiveness; and independent Directors should advise the Nominating and Governance Committee and the Chairman of the Board in advance of accepting an invitation to serve on another board. The Nominating and Governance Committee and the full Board will take into account the nature of and time involved in a Director's service on other boards in evaluating the suitability and expected contributions of individual Directors. Service on boards and/or committees of other organizations should be consistent with the Corporation's conflict of interest policies.

Board Meetings; Involvement of Senior Management

10. Board Meetings: Agenda. The Chairman of the Board is responsible for setting the agenda for each Board meeting, and will distribute this agenda in advance to each Director. Any Director may suggest items for inclusion on the agenda.

11. Attendance at Board and Committee Meetings. Directors are expected to devote significant time to Board activities and to enhance their knowledge of the industry in which the Corporation operates. Whenever possible, Directors are expected to attend all Board meetings as well as all meetings of the committees to which the Director is appointed.

12. Advance Distribution of Materials. All information and materials on which action is expected to be taken should be distributed to all members of the Board several days in advance of the meeting, whenever possible. In preparing this information, Management should ensure that the materials contain the information sufficient to enable Directors to make informed decisions. Advance distribution of items of a sensitive nature may not be appropriate. Each Director is expected to review distributed materials in advance of the meeting.

13. Access to Employees and Advisors. The Board should have access to senior management and other Corporation employees in order to ensure that Directors can ask all questions and glean all information necessary to fulfill their duties. Management is encouraged to invite Corporation personnel to attend any Board meeting at which their presence and expertise would help the Board to have a full understanding of matters being considered. Where necessary and appropriate, Directors should also have access to independent advisors with respect to matters brought before the Board.

14. Executive Sessions of Independent Directors. The independent Directors of the Corporation will meet regularly in executive session, with no management Directors or other Corporation management in attendance. Executive sessions of the independent Directors are generally held at the time of each Board meeting and are chaired by the non-executive Chairman of the Board. These executive session discussions may include such topics as the independent Directors determine, but actions of the Board generally should be taken separately at a Board meeting.

15. Communications with Stockholders. The Corporation will disclose on its website and in its

proxy materials a method for Stockholders to communicate directly with Directors individually or as a group (Stockholder-Board Communication Policy).

Performance Evaluation; Succession Planning

16. Annual CEO Evaluation. On at least an annual basis, the Board's Compensation and Human Capital Committee oversees a process of review of the performance of the CEO. The Compensation and Human Capital Committee establishes the evaluation process and determines the specific criteria on which the performance of the CEO is evaluated.

17. Succession Planning. As part of the annual CEO evaluation process, the Compensation and Human Capital Committee works with the CEO to plan for CEO succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.

18. Board Self-Evaluation. The Nominating and Governance Committee is responsible for conducting an annual evaluation of the performance of the full Board and reports its conclusions to the Board. The Committee's report should generally include an assessment of the Board's compliance with the principles set forth in these guidelines, the functioning and effectiveness of the Board's committees, and an identification of areas in which the Board could improve its performance. This process will be facilitated by the Chairman of the Board with oversight from the Committee.

Compensation

19. Board Compensation Review. Corporation management should report to the Compensation and Human Capital Committee on a bi-annual basis as to how the Corporation's Director compensation practices compare with those of other public corporations of comparable size. The Board should make changes in its Director compensation practices only upon the recommendation of the Compensation and Human Capital Committee, and following discussion and approval by the full Board. Only non-employee Directors will receive compensation for serving on the Board.

Committees

20. Number and Type of Committees. The Board has three standing committees: Audit Committee; Compensation and Human Capital Committee; and Nominating and Governance Committee. The Board may add new committees or remove existing committees as it deems advisable for purposes of fulfilling its primary responsibilities. The duties for each of these committees are outlined in their respective committee charters. The committees' functions may be briefly described as follows:

> **Audit Committee.** The Audit Committee reviews the Corporation's financial results and controls and meets with the Corporation's internal auditor and independent public accountants to assess their activities, reports and comments, and recommends to the Board any action which it deems appropriate. The Committee recommends to the Board the selection of auditors.

Compensation and Human Capital Committee. The Compensation and Human Capital Committee assists the Board in discharging its responsibilities in respect to the compensation of the Company's executive officers; reviews and approve management's Compensation Discussion and Analysis report for inclusion in the Company's proxy statement; leads the process of management succession and reviews the process of executive leadership development. The Committee also reviews and makes recommendations regarding Director compensation.

Nominating and Governance Committee. The Nominating and Governance Committee recommends candidates for nomination to the Board of Directors. The Committee will consider nominees recommended by shareholders in accordance with the process outlined in the Corporation's annual proxy materials. In addition, the Committee reviews proposed changes in corporate structure and governance, committee structure and function, and meeting schedules, making recommendations to the Board as appropriate.

21. Composition of Committees; Committee Chairpersons. The Audit, Compensation and Human Capital, and Nominating and Governance Committees shall consist solely of independent Directors. In addition, Director's fees are the only compensation that a member of the Audit Committee may receive from the Corporation; Audit Committee members may not receive, directly or indirectly, any fees from the Corporation for services as a professional consultant or a legal or financial advisor apart from their Board compensation. The Board is responsible for the appointment of committee members and committee chairpersons according to criteria that it determines to be in the best interest of the Corporation and its shareholders.