

## **ULTRALIFE CORPORATION CORPORATE GOVERNANCE PRINCIPLES**

The Board of Directors of Ultralife Corporation is committed to the adoption and implementation of the best practices of corporate governance, in all respects, in order to carry out its fiduciary duties on behalf of the Company's shareholders. It shall ensure that both Board and management maintain the highest ethical standards. To these ends, the Board of Directors of Ultralife Corporation is governed by the following general principles:

1. The Board's paramount duty is:
  - (a) to oversee the CEO and other senior management in the competent and ethical management of the Company, and
  - (b) to develop and execute its strategy and to carry out its operations on a day-to-day basis.

The selection, compensation and evaluation of a well-qualified and ethical CEO is the single most important function of the Board.

2. Neither management's nor the Board's personal interests should be placed ahead of, or in conflict with, the interests of the Company or of its shareholders.

3. Open communication between the Board and management is crucial to the Company's long-term success.

4. Management is responsible for creating, developing and implementing the strategy of the Company. The Board is responsible for reviewing the strategy and guiding its implementation in the context of the overall scope of the business and the interests of its shareholders. Management is responsible for operating the Company in an effective and ethical manner in order to produce long-term value for shareholders.

5. Management is responsible, under the oversight of the Board and its Audit and Finance Committee, for producing financial statements that fairly present the financial condition and results of operations of the Company, and for making the timely, understandable and complete disclosures that shareholders and prospective investors need to permit them to assess the financial and business soundness and risks of the Company.

6. The Company is responsible for dealing (i) with its employees, suppliers and customers in a fair and equitable manner, (ii) with the communities in which it operates with good citizenship, and (iii) with government in accordance with, and a commitment to, all applicable laws, rules and regulations.

Based on the preceding principles, the Board of Directors of Ultralife Corporation has adopted the following corporate governance policies:

## 1. The Board of Directors' Responsibilities and Duties.

In addition to its general responsibility to oversee management, the Board is also responsible for performing a number of specific functions to ensure the successful performance of the Company. It is the Board's duty to:

- 1.1 Elect the Chair of the Board of Directors.
- 1.2 Appoint the CEO and officers of the Company.
- 1.3 Recommend a slate of Directors to stand for election.
- 1.4 Review, approve and monitor business and financial strategies and major corporate actions.
- 1.5 Approve operating and capital budgets at the commencement of each financial year and monitor progress on a regular basis against budget by financial key performance indicators.
- 1.6 Through its Compensation and Management Committee, review the performance of, and set the compensation for, the CEO and senior management executives.
- 1.7 Through its Governance Committee, review the performance of the Board Chair.
- 1.8 Ensure that the Company's policies and compliance systems in place reinforce the objective that the Company, its officers and Directors act legally, ethically and responsibly.
- 1.9 Ensure that Directors participate in Board meetings, review relevant materials in advance of meetings, serve on Board committees and prepare for meetings and for discussions with the management, and further to ensure that Directors attend the Company's Annual Meeting of Shareholders each year; ensure that Directors commit to spend the time needed, and meet as frequently as necessary, to properly discharge their responsibilities.
- 1.10 Understand the Company's business, industry, primary risks and risk mitigation strategies.

## 2. Board Composition and Compensation.

- 2.1 The criteria for selection to the Board shall include character and leadership skills; general business acumen and executive experience; knowledge of strategy, finance, relations between business and government, internal business, etc.; age, subject to Board policy; number of other board seats; and willingness to commit the necessary time - all to ensure an active Board whose members work well together and possess the collective knowledge and expertise required by the Board. Selection shall be made in the context of an assessment of the perceived needs of the Board at the point in time the selection is being made.

- 2.2 The following are the criteria for remaining a Director:
- 2.2.1 All non-executive Directors are expected to review and assess their own membership on the Board from time to time and, particularly, before standing for re-election, taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and business. In addition, the Board's Governance Committee will adopt a formal process for evaluating on an annual basis the effectiveness of the Board and each of its committees. The sole purpose of this evaluation is to increase the effectiveness of the Board.
  - 2.2.2 Inside Directors shall submit a letter of resignation to resign from the Board upon the relinquishment of their position with the Company; such letter may be accepted or rejected by the Governance Committee.
  - 2.2.3 The Board will review each Director's continuation on the Board every year which will also allow each Director to confirm his/her desire to continue as a member.
- 2.3 The compensation of Directors will be structured to align their interests with the long-term interests of the Company's shareholders.

3. Committees of the Board.

- 3.1 The Board has established the following committees to assist it in discharging its responsibilities: (i) Audit and Finance; (ii) Compensation and Management; (iii) Governance; and (iv) Strategy and Corporate Development. The current charters of the Audit and Finance, Compensation and Management, Governance and Strategy and Corporate Development committees are published on the Company's website, and will be mailed to shareholders upon written request. The committee chairs report the highlights of their meetings to the full Board. The committees occasionally hold meetings in conjunction with the full Board. The Audit and Finance and Compensation and Management committees are comprised solely of independent directors in accordance with all applicable regulatory and NASDAQ requirements.
- 3.2 The Board may establish such other committees as it deems useful in the performance of its duties and obligations.

4. The Relationship of the Board to Management.

- 4.1 To enhance open communication between the Board and management, the Board's policy is to periodically invite senior executives of the Company who are not otherwise directors to attend Board meetings. The Board does not expect all senior executives to attend on a regular basis.
- 4.2 Directors will have unfettered access to the Company's management. The Board and each of its committees shall have the right to retain outside financial, legal or other advisors, as circumstances warrant.
- 4.3 The Board will meet in executive session regularly. The independent Directors will also have at least four regularly scheduled meetings a year without management present.

5. Management and Succession.

5.1 The Board will review annually with the CEO management succession planning and development.

6. Director Orientation and Continuing Education.

6.1 The Company will provide new Directors with materials and briefings to permit them to become familiar with the Company's business, industry and corporate governance practices. The Company will also provide, as appropriate, additional educational opportunities to directors on an ongoing basis to better enable them to perform their duties.

6.2 Directors are expected to attend training and/or education programs to the extent they would help them better understand the operations of the Company, the industry in which the Company operates and corporate governance "best practices." The Company will reimburse its board members for the costs associated with such training and education.

7. Committee Chair Rotation.

7.1 The Chair of each Board committee shall be elected by the full Board of Directors. If feasible, the Chair shall have had prior experience on the Committee.

7.2 The regular rotation of Board committee chairs is preferred. If feasible, a Director should serve as chair of a Board committee for no more than three consecutive terms.

8. Director Policies.

8.1 Maximum Age – No person shall be eligible to serve as a Director of the Company if they have reached the age of seventy (70) before the date of election to the Board. A Director who turns seventy (70) during his or her term shall be permitted to complete that term but will not be eligible for re-election to the Board.

8.2 Board Memberships – Directors are permitted to serve on a maximum of six (6) Boards of public companies.

8.3 Tendering of Resignations – Directors shall offer to tender their resignation from the Board of Directors in the event of a change in their primary employment. The Board shall determine whether to accept any such resignation after review and recommendation of the Governance Committee.

8.4 Ownership of Company Stock – Directors shall maintain ownership of at least two thousand (2000) shares of the Company stock. Newly elected Directors shall have two (2) years from election to the Board to achieve the stock ownership requirement.