

TWIN DISC, INCORPORATED

GUIDELINES FOR CORPORATE GOVERNANCE

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

Board Composition and Qualification Standards

1. Board Size. The Board currently has 8 members, which is perceived to be an appropriate size under the Company's present circumstances. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable, and may be willing to expand in size in order to accommodate changing circumstances or the availability of an outstanding candidate who may enhance the capabilities of the Board.

2. Selection of Board Members. Board members are elected to staggered three-year terms by the Company's shareholders. The Board recommends a slate of directors for election by shareholders at the Company's annual meeting, 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. Such directors elected by the Board 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 as a whole on an annual basis to determine the appropriate characteristics, skills and experience for the Board. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today's business environment, understanding of Twin Disc's business on a technical level, and educational and professional background. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group 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.

4. Orientation and Continuing Education. New appointees to the Board shall be provided with orientation materials sufficient to familiarize the new director with the nature and business of the Company; the operation of the Board and its standing

committees; the Company's Guidelines for Business Conduct and Ethics and other significant Company policies as they may relate to the director's service on the Board; and 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 education in each of these areas, and each director shall be responsible for taking advantage of such opportunities.

5. Board Independence. A majority of the Company's directors shall be independent directors who are not employed by the Company and whose other relationships with the Company 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 New York Stock Exchange. 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. Term Limits. Rather than arbitrarily limit the number of terms for which an individual may serve as a director, 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.

7. Retirement Policy. No outside director shall be nominated for election or reappointment to the Board after reaching 71 years of age, unless this limit is waived by the Board of Directors.

8. Directors with Significant Job Changes. Management directors who retire from employment or who materially change their position with the Company should tender resignation to the Board. The Board, and specifically the Nominating and Governance Committee, will then 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. For outside directors who retire or change the position held at the time of initial appointment of the Board, the Nominating and Governance Committee will review the continued appropriateness of Board membership, and the director will be expected to act in accordance with the Committee's recommendation.

9. Selection of CEO and Chairman. The Board selects the Company's CEO and Chairman in the manner that it determines to be in the best interests of the Company's shareholders.

10. 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 board 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 of individual directors and making recommendations to Company shareholders. Service on boards and/or committees of other organizations should be consistent with the Company's conflict of interest policies.

Board Meetings; Involvement of Senior Management

11. 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.

12. 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 Company 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.

13. 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.

14. Access to Employees and Advisors. The Board should have access to senior management and other Company 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 Company personnel to 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.

15. Executive Sessions of Independent Directors. The independent directors of the Company will meet regularly in executive session, with no management directors or other Company management in attendance. Executive sessions of the independent directors are generally held at the time of each Board meeting. The chair is rotated among the independent directors. 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. The Company will disclose on its website and in

its proxy materials a method for interested parties to communicate directly with the non-management directors individually or as a group.

Performance Evaluation; Succession Planning

16. Annual CEO Evaluation. On at least an annual basis, the Board should oversee a process of review of the performance of the CEO. The independent directors establish the evaluation process and determine the specific criteria on which the performance of the CEO is evaluated.

17. Succession Planning. As part of the annual CEO evaluation process, the independent directors work 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.

Compensation

19. Board Compensation Review. Company management should report to the Board on an annual basis as to how the Company's director compensation practices compare with those of other public corporations in similar industries. The Board should make changes in its director compensation practices only upon the recommendation of the Compensation Committee, and following discussion and unanimous concurrence 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 five standing committees: Audit Committee; Compensation Committee; Finance Committee; Nominating and Governance Committee; and a Pension 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 Company's financial results and controls and meets with the Company'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 Committee. The Compensation Committee reviews nominees for Company offices and related compensation levels, making recommendations to the Board as considered necessary.

Finance Committee. The Finance Committee considers management's proposed financial policies and actions, and makes appropriate recommendations to the Board regarding debt and capital structure, acquisitions, capital budgets, dividend policy and other financial matters.

Nominating and Governance Committee. The Nominating and Governance Committee recommends nominees for the Board to the Board of Directors. The Committee will consider nominees recommended by shareholders in writing to the Secretary. 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.

Pension Committee. The Pension Committee reviews and recommends to the Board for approval the pension funds' professional advisors and auditors. The Committee annually reviews actuarial assumptions, actuarial valuations, investment performance, funding policies and investment policies.

21. Composition of Committees; Committee Chairpersons. The Audit, Compensation, 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 Company; Audit Committee members may not receive, directly or indirectly, any fees from the Company 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 Company and its shareholders.