

**EATON CORPORATION plc**  
**Board of Directors Governance Policies**

Last Revised: July 24, 2018  
Last Reviewed: July 24, 2018

**I. BOARD ORGANIZATION AND COMPOSITION**

A. *Size and Structure of Board.* The size of the Board is fixed by the Board and shall be in the range of 9-18. All Directors stand for election at each Annual Shareholders Meeting.

B. *Director Independence.* A substantial majority of the Directors should be independent. A Director will be considered independent if the Director meets the criteria set forth in the independence standards of the New York Stock Exchange and the independence criteria adopted by the Company's Board of Directors.

C. *Director Tenure.* Annually, the Board of Directors, with the advice of the Governance Committee, reviews the Director's candidacy for re-election. In advising the Board, the Governance Committee considers, among other things, (i) self-evaluation by the Director, (ii) input by the Chairman and Chief Executive Officer relating to the Director's performance, (iii) input by the Chair of each Board Committee on which the Director serves and (iv) the Governance Committee's assessment of the Director's skills, talents, competencies and experience in comparison with the Company's strategy and the anticipated needs of the Board. Each independent Director retires on the date that is the later of (i) the Annual Shareholders Meeting following the Director's 72<sup>nd</sup> birthday or (ii) the end of the calendar year in which the Director reaches the age of 72. Each Director who is an employee of the Company retires from the Board when he or she retires as an employee, no later than the end of the month in which he or she reaches age 65. Directors who retire from their employment, change their employment or occupation, or otherwise make a material change in their non-Eaton responsibilities should tender their resignation from the Board of Directors. The Board, with the advice of the Governance Committee, will then decide whether to accept the resignation.

D. *Membership on Other Boards.* Each Director is responsible to notify the Chair of the Governance Committee before accepting invitations to join other Boards of Directors. Directors who are Chief Executive Officers of publicly-held companies may serve on a maximum of three public company Boards, including the Company's Board. Other Directors may serve on a maximum of five public company Boards, including the Company's Board.

E. *Director Nominations.* Director candidates will be selected on the basis of their ability to make contributions to the Board of Directors and to the Company's governance activities. Among the criteria to be considered are personal ability, integrity, intelligence, relevant business background, independence, expertise in areas of importance to the Company's objectives, and a sensitivity to the Company's corporate responsibilities. In addition, Director candidates are selected with specific qualifications to ensure that the Board as a whole has diversity in experience, international perspective, background, expertise, skills, age, gender and ethnicity. In deciding upon Director candidates to

recommend to the Board, the Governance Committee compares each candidate's skills, talents, competencies and experience to the Company's strategy and the anticipated needs of the Board. The Committee takes into account input from all Directors in the review of Director candidates and recommends candidates for possible approval by the Board of Directors.

F. *Leadership Structure.* Currently, the positions of Chairman of the Board and Chief Executive Officer are held by the same person. The Board believes that this structure is in the best interests of the Company and provides the most efficient and effective leadership model for the Company at the present time. The Board will evaluate this leadership structure periodically, including when a new Chief Executive Officer is elected.

In addition, the Board has an independent Lead Director. The Lead Director has specific responsibilities, including chairing meetings of the Board at which the Chairman is not present, including Executive Sessions of the Board, approving the agenda and schedule for Board meetings on behalf of the independent directors, approving information sent to the Board, serving as liaison between the Chairman and independent directors, and being available for consultation and direct communications with shareholders and other Company stakeholders. The Lead Director has the authority to call meetings of the independent directors, and to retain outside advisors who report directly to the Board of Directors.

## **II. COMMITTEE COMPOSITION AND LEADERSHIP**

A. *Membership of Committees.* All Board Committees are comprised entirely of independent Directors, except for the Executive Committee which is comprised of the Chairman as Committee Chair, the Lead Director, and the Chairs of the Audit, Compensation and Organization, Finance and Governance Committees.

B. *Rotation of Committee Memberships and Chairs.* In order to assure that each Director has a broad exposure to the work of the various Board Committees, and at the same time to provide for continuity in the membership of each Committee, the Board has adopted the practice of rotating each independent Director's Committee assignments approximately every four to six years, except that, for continuity, Committee Chairs normally continue on their Committees for up to ten years. The Director who will become the Chair of a Committee should be selected from among the current members of the Committee and should be designated at least one year in advance in order to permit adequate preparation time and a smooth transition.

C. *Committees.* The current Committees of the Board include: the Audit Committee, Compensation and Organization Committee, Finance Committee and Governance Committee. The responsibilities and membership of these Committees are described in their charters, which are posted on the Company's web site. In addition, the Board has an Executive Committee that acts upon matters requiring Board action during the intervals between Board meetings.

## **III. PERFORMANCE ASSESSMENT**

A. *Board and Committee Assessments.* Performance self-assessments are conducted annually by the Board and the Audit, Compensation and Organization, Finance and Governance Committees.

B. *Independent Director Performance Assessment.* A thorough performance assessment of each independent Director is conducted when the Director is considered for re-election as described in Section I (C) of these Policies.

C. *Chairman and Chief Executive Officer Performance Assessment.* The performance of the Chairman and Chief Executive Officer is thoroughly assessed annually by the Compensation and Organization Committee, taking into account input from all independent Directors. Key performance and leadership categories are established. As to each category, each independent Director answers a set of specific questions, provides written comments, suggests opportunities for improvement, and comments on individual strengths. An external third party consolidates the feedback and provides a summary report to the Chair of the Compensation and Organization Committee who, in turn, reviews it with the independent Directors. The Chair of the Committee and the Lead Director then reviews the report with the Chairman and Chief Executive Officer.

D. *Senior Management Performance Assessment.* One of the most important responsibilities of the Board is to assure that the Company's senior management is well qualified to conduct the Company's business affairs. The Board's process begins with an assessment by the Chairman and Chief Executive Officer of all officers on the senior management team. The Chairman and Chief Executive Officer reports annually to the Board, giving his or her assessment of each officer's performance.

#### **IV. SUCCESSION PLANNING AND MANAGEMENT DEVELOPMENT**

It is the policy of the Board to be prepared to deal with Chief Executive Officer succession, should the need arise, whether via emergency, resignation, retirement or termination. The Chief Executive Officer annually leads a formal discussion with the Board to review all key executives, including each executive's performance, leadership attributes and readiness to assume additional responsibility. The Board also discusses short- and long-term succession planning and emergency succession issues in connection with the annual review of all key executives. By focusing on both the short and the long term, the Board identifies specific individual development needs, that are then communicated to each executive by the Chief Executive Officer in annual performance reviews and ongoing coaching sessions. In addition to the annual review, the Board has established a formal process for each Director to meet with key executives individually so that all Directors are able to evaluate first-hand the executive's readiness and potential to assume greater responsibility within the Company or to step into the Chief Executive Officer role, if needed.

## V. OPERATION OF THE BOARD AND COMMITTEES

A. *Director Responsibilities.* The Board expects all Directors to fulfill the following basic responsibilities: (1) attend all meetings of the Board, relevant Board Committees and Annual Shareholders Meetings, (2) participate actively in meetings of the Board and relevant Board Committees after review of materials that are provided to the Directors in advance of meetings, (3) act in a manner consistent with the best interests of the Company and its shareholders (avoiding conflicts of interest that would interfere with their doing so) and (4) exercise proper diligence and business judgment in performing their duties as members of the Board and its Committees.

B. *Agendas and Background Information.* A proposed Agenda for each meeting of a Board Committee is approved by the Committee Chair and the Lead Director and sent to the Committee members in advance of the meeting, along with background information on important subjects, advance copies of presentation materials, and proposed resolutions. Similarly, a proposed Agenda for each meeting of the Board is drafted, approved by the Chairman and Chief Executive Officer and the Lead Director, and sent to all Directors in advance of the meeting, along with background information on important subjects, proposed resolutions, and advance copies of presentation materials. Any Board or Committee member may ask for additions or changes in the Agenda.

C. *Access to Management and Independent Advisors.* Directors may request from management, or any other sources they may desire, information that they consider helpful in the performance of their duties. The Board and each Board Committee may retain independent legal counsel, consultants or other advisors as the Board or such Committee deems necessary and appropriate, the cost of which is borne by the Company.

D. *Executive Sessions.* At each Board meeting, the Board holds an executive session, in which only the Directors are present. The Directors who meet the independence criteria of the Board of Directors and of the New York Stock Exchange also meet in Executive Session at each Board meeting, to discuss whatever topics they may deem appropriate. These Executive Sessions of the independent directors are chaired by the Lead Director. In addition, at each meeting of the Audit, Compensation and Organization, Finance and Governance Committees, an executive session is held, which is attended only by the Committee members, whom are independent Directors, without any members of the Company's management present, to discuss whatever topics they may deem appropriate with such other parties as they deem appropriate.

E. *Board Meetings on Strategic Planning.* The Board devotes one extended meeting per year to strategic planning, along with portions of additional meetings throughout the year. Company performance is to be measured in terms of the Company's strategic objectives and its relative performance among its peers.

F. *Minutes.* Minutes of all Committee meetings are sent to all Directors for their information in advance of the following Board meeting, together with the minutes of the prior Board meeting.

G. *Orientation for New Directors.* An orientation process has been developed for new Directors, including background briefings by the Chairman and Chief Executive Officer, other senior executives and the Secretary, and information relating to the Board Committees that the Director will join.

H. *Continuing Education for Directors.* The Governance Committee reviews the continuing education needs of the Directors relating to their roles and responsibilities as members of the Board and its Committees and encourages all Directors to participate in education programs to assist them in performing their responsibilities as Directors.

## **VI. DIRECTOR COMPENSATION**

A. *Director Compensation.* The Board of Directors with the advice of its Governance Committee determines the compensation of the independent Directors. The form and amount of Director compensation are intended to be competitive with Director compensation at peer companies, appropriate to the time and energy required of the Directors (as members of the Board and as members or Chairs of Board Committees) and consistent with the Directors' independence from the Company and its management. Compensation for the independent Directors consists of a combination of cash and equity. Each independent Director annually receives a number of restricted shares or restricted share units of the Company representing a significant portion of the total value of the Director's annual retainer. Restricted shares or units received by each independent Director vest upon retirement of the Director. The Chairman and Chief Executive Officer receives cash compensation for his role as Chairman, allocated from his base salary, in an amount equal to the annual cash retainer paid to the Lead Director.

B. *Regular Reviews of Compensation.* Regularly scheduled reviews of independent Director compensation are conducted by the Governance Committee to assure that the compensation remains competitive and appropriate.

C. *Share Ownership Guidelines.* The Board has adopted guidelines calling for each independent Director to acquire within five years a number of Company shares with a market value equal to five times the amount of the outside Directors' annual retainer.

## **VII. GENERAL**

These Policies will be reviewed by the Governance Committee annually and may be amended by the Board of Directors from time to time.