

# American Shared Hospital Services

## Corporate Governance Guidelines

Adopted September 7, 2017

### **1. Size and Composition of the Board and Board Membership Criteria; Director Qualifications**

The Nominating and Corporate Governance Committee of American Shared Hospital Services (the “Company”) shall recommend to the Board of Directors (the “Board”) criteria for Board membership, which shall include the criteria set forth in these Corporate Governance Guidelines, and shall recommend individuals for membership on the Company’s Board of Directors. In making its recommendations, the Nominating and Corporate Governance Committee shall:

- review candidates’ qualifications for membership on the Board (including making a specific determination as to the independence of the candidate) based on the criteria approved by the Board (and taking into account the enhanced independence, financial literacy and financial expertise standards that may be required under law or New York Stock Exchange rules for audit committee and compensation committee membership purposes);
- evaluate current directors for re-nomination to the Board; and
- periodically review the composition of the Board in light of the current challenges and needs of the Board and the Company, and determine whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience.

The Nominating and Corporate Governance Committee considers not only an individual’s qualities, performance and professional responsibilities, but also the then composition of the Board and the challenges and needs of the Board at that time. The Nominating and Corporate Governance Committee also considers the impact of any change in the principal occupation of existing directors. The Committee reports to the full Board its conclusions and recommendations for nominations to the Board.

#### Board Size

The Board intends to have five to nine members, consistent with the Company’s by-laws. Although the Board considers its present size to be appropriate, it may consider expanding its size to accommodate its needs or reducing its size if the Board determines that a smaller Board would be more efficient. The Nominating and Corporate Governance Committee shall periodically review the size of the Board and recommend any proposed changes to the Board.

### Independence

A majority of the Board shall be comprised of directors meeting the independence requirements of the New York Stock Exchange at a minimum. The Board shall make an affirmative determination at least annually as to the independence of each director.

### Term Limits

It is the policy of the Board to avoid term limits which have the disadvantage of discontinuing the availability and contributions of directors who have developed experience with, and insight into, the Company and its needs over a period of time.

### Retirement Age

It is the policy of the Board to avoid a mandatory retirement age for directors, which would have the disadvantage of discontinuing the availability and contributions of directors who are otherwise capable and valuable members of the Board.

### Simultaneous Service on Other Public Company Boards

A director must notify the Chairman of the Nominating and Corporate Governance Committee prior to accepting any invitation to serve on another public company board.

### Stock Ownership

The Board believes that directors should hold meaningful equity ownership positions in the Company.

## **2. Director Responsibilities**

The Board acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling this role, each director must act in what he or she reasonably believes to be in the best interests of the Company and must exercise his or her business judgment.

### Participation at and Preparation for Board Meetings

The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company. Directors are generally expected to attend all Board meetings and the meetings of the committees on which they serve and to prepare themselves for these meetings. Directors may participate in any meeting through use of conference telephone or similar communications equipment so long as all Directors participating in the meeting can hear one another. Directors are also encouraged to attend the Company's annual meeting with shareholders.

The Board also conducts an annual meeting to review and approve the Company's long-term strategy, and assess its strategic, competitive and financial performance.

### **3. Board Agenda**

The Chairman and CEO, in conjunction with the Lead Director, establishes on an annual basis an agenda of topics for consideration and review by the Board to be addressed during the following year. This annual schedule of topics is then provided to the full Board for review and comment and is adjusted, as appropriate, during the year. The Chairman and CEO, in conjunction with the Lead Director, shall determine the frequency and length of Board meetings and shall set the agenda for each Board meeting. Board members are encouraged to suggest the inclusion of additional items on an agenda, and any director may request that an item be placed on an agenda.

### **4. Chairman of the Board and CEO**

The Board believes it is important to retain its flexibility to allocate the responsibilities of the offices of the Chairman and CEO in any way that is in the best interests of the Company at a given point in time. The Board may make a determination as to the appropriateness of its current policies in connection with the recruitment and succession of the Chairman of the Board and/or the CEO.

### **5. Lead Director**

If the CEO also serves as the Chairman of the Board, then the Nominating and Corporate Governance Committee shall oversee the process for selecting the Lead Director.

The Lead Director shall assume the following responsibilities:

- preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- serve as liaison between the Chairman and the independent directors;
- approve information sent to the Board;
- approve meeting agendas for the Board;
- approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; and
- have the authority to call meetings of the independent directors.

### **6. Meetings of Non-Management Directors.**

The Company's non-management directors shall regularly schedule executive sessions in which management does not participate. If this group includes directors who are not considered independent, the independent directors must also meet in executive session at least once a year.

The Lead Director shall preside at each executive session. The Company's annual proxy statement will identify the Lead Director and the method for interested parties to communicate directly with the Company's Lead Director or non-management directors as a group.

## **7. Board Committees**

The Board shall have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Subject to any changes that the Board may make from time to time:

- the Audit Committee shall generally be responsible for overseeing the integrity of the Company's financial statements, its independent auditor, its internal audit function and compliance by the Company with legal and regulatory requirements;
- the Compensation Committee shall generally be responsible for overseeing the Company's executive compensation and benefits policies, evaluating Chief Executive Officer performance and compensation and reviewing the Company's management succession plan; and
- the Nominating and Corporate Governance Committee shall generally be responsible for identifying qualified Board candidates, recommending director nominees and appointments to Board committees, evaluating Board performance, overseeing director compensation and overseeing the Company's Corporate Governance Guidelines.

Each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall operate pursuant to its own written charter. These charters shall, among other things, set forth the purpose, goals and responsibilities of the particular committee, the procedures for committee member appointment and removal and committee structure and operations, as well as reporting to the Board. The charters shall also provide for an annual evaluation of each committee's performance.

Only independent directors meeting the independence requirements of the New York Stock Exchange and, for audit committee members, Rule 10A-3 of the Securities Exchange Act of 1934 and any related rules promulgated by the Securities and Exchange Commission, may serve on these three committees. Committee members shall be appointed by the Board based upon the recommendation of the Nominating and Corporate Governance Committee, except for the Nominating and Corporate Governance Committee, which is directly appointed by the Board. The Board may, from time to time, establish or maintain additional committees as it deems appropriate and in the best interests of the Company.

## **8. Board Member Access to Management and Independent Advisors**

Board members shall have access to the management and employees of the Company and to its internal and outside counsel and auditors. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer.

Executive officers and other members of senior management are expected to be present at Board meetings at the invitation of the Board. The Board encourages senior management to

make presentations and to invite to Board meetings managers and other employees who can provide additional insight into the items being discussed.

The Board and each of its committees in accordance with its charter is authorized to hire independent legal, financial or other advisors as they may consider necessary, without conferring with or obtaining the approval of management or, in the case of committees, the full Board in accordance with its charter, for which the Company shall pay the fees and expenses.

## **9. Director Compensation**

The Board shall approve compensation (including equity-based compensation) for the Company's directors. In so reviewing and recommending director compensation, the Board shall, among other things:

- identify corporate goals and objectives relevant to director compensation;
- evaluate the performance of the Board in light of such goals and objectives and set director compensation, including any long-term incentive component, based on such evaluation and such other factors as the Board deems appropriate and in the best interests of the Company (including the cost to the Company of such compensation).

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

All new members of the Board are required to participate in the Company's orientation program for directors.

All directors will be offered the opportunity, and are encouraged, to participate in continuing education programs with any associated expenses to be reimbursed by the Company.

## **12. Management Evaluation and Management Succession**

The Compensation Committee shall evaluate the performance of the senior management of the Company and shall present its findings to the full Board. The Board shall review the Compensation Committee's report in order to ensure that management's performance is satisfactory and that management is providing the best leadership for the Company in the long and short-term.

The Compensation Committee shall review and report to the Board on the Company's succession planning, including succession planning in the case of the incapacitation, retirement or removal of the CEO. The CEO shall periodically provide to the Compensation Committee his or her recommendations and evaluation of potential successors, along with a review of any development plans recommended for such individuals. The CEO shall also provide to the Board, on an ongoing basis, his or her recommendation as to a successor in the event of an unexpected emergency.

### **13. Annual Performance Evaluation**

The Board, led by the Nominating and Corporate Governance Committee, shall establish and conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The collective evaluation shall be presented by the Chairman of the Nominating and Corporate Governance Committee to the full Board for discussion. This process shall also include annual self-assessments by each Board committee, relying on a review process similar to that used by the Board.