



FARO TECHNOLOGIES, INC.
BOARD OF DIRECTORS
CORPORATE GOVERNANCE GUIDELINES

The following corporate governance guidelines (these “Guidelines”) have been approved and adopted by the Board of Directors (the “Board”) of FARO Technologies, Inc. (the “Company”) to provide a framework within which the Board and management can effectively pursue the Company’s objectives for the benefit of its shareholders. These guidelines, along with the Company’s Articles of Incorporation, Bylaws, Global Ethics Policy, Senior Financial Officer Ethics Policy, Related Person Transaction Policy and the charters of the various Board committees, provide the foundation for the Company’s corporate governance.

The Board believes that the Company’s long-term success is dependent upon the maintenance of an ethical business environment that focuses on adherence to both the letter and spirit of regulatory and legal mandates, as well as the Company’s Global Ethics Policy and Senior Financial Officer Ethics Policy. The Board expects management to conduct operations in an ethical manner consistent with applicable laws, rules and regulations and the Company’s Global Ethics Policy and Senior Financial Officer Ethics Policy.

I. REGULAR BOARD FUNCTIONS

The Board, directly and through its appropriate committees, shall:

- Review and approve strategic plans;
- Review the Company’s financial and strategic performance;
- Oversee and evaluate management’s systems for internal control, financial reporting and public disclosure;
- Oversee the Company’s global risk management framework;
- Establish corporate governance standards;
- Evaluate and approve the selection and compensation of the Company’s executive officers, including the Chief Executive Officer;
- Oversee and evaluate senior management performance and compensation;
- Plan for effective succession of the Chief Executive Officer and senior management;
- Set a tone for a climate of corporate trust and confidence;
- Set standards for director qualification;
- Set standards for director orientation and continuing education; and
- Conduct a performance evaluation of the Board at least annually.

The Board, in consultation with the Lead Director, shall also retain legal, accounting and other advisors who report directly to the Board, to the extent the Board deems necessary or appropriate to carry out its responsibilities. Such advisors may be the regular advisors to the Company.

II. SELECTION OF THE BOARD

Except where the Company is legally required by contract, its Articles of Incorporation, its Bylaws, or otherwise to provide a third party with the right to nominate directors, the Board is responsible for selecting nominees for the Board and recommending them for election to the Board by the shareholders. The Governance and Nominating Committee of the Board (the “Governance and Nominating Committee”) has primary responsibility for the screening process necessary to identify qualified candidates and recommend such candidates to the Board. The Governance and Nominating Committee shall annually review the appropriate experience, skills and qualifications expected of Board members in the context of the current membership of the Board. This assessment should include, in the context of the perceived needs of the Board at that time, issues of experience, reputation, judgment, diversity and skills. If the Governance and Nominating Committee determines that adding or replacing a director is advisable, the Committee shall initiate a search for a suitable candidate, which may include working with other directors, management, and a search firm retained to assist in the search, each as the Governance and Nominating Committee deems necessary or appropriate.

The Governance and Nominating Committee shall establish a Director Nomination Process to consider nominations for directors, including those received from the Company’s shareholders, and shall consider all appropriate candidates proposed by the directors, management, or the Company’s shareholders. The Governance and Nominating Committee should evaluate the candidates based on the needs of the Board at that time, which may include current or recent experience as a senior executive officer, business expertise currently desired on the Board (with specific attention given to the requirements for membership on the Audit Committee of the Board (the “Audit Committee”)), industry experience, and general ability to enhance the overall composition of the Board, as well as the criteria established from time to time by the Governance and Nominating Committee. The Governance and Nominating Committee shall then meet to consider the selected candidate(s) and submit the approved candidate(s) to the full Board for approval as a nominee.

III. BOARD COMPOSITION

A. Size of the Board

The Company’s Articles of Incorporation and Bylaws provide that the number of directors of the Company shall be fixed from time to time by a majority of the Board, but shall never be less than three or more than 15. The Governance and Nominating Committee, in consultation with the Chairman of the Board, shall periodically examine the composition of the Board and determine whether the Board would better serve its purposes with the addition or subtraction of one or more directors. The Board shall determine, after considering the recommendations of the Governance and Nominating Committee, the number of members of the Board appropriate to provide that all of the necessary or desirable core competencies are possessed by the Board as a whole.

B. Director Independence

The Company shall have at all times a majority of independent directors, as required by the Nasdaq Stock Market (“Nasdaq”). At least once per year, the Board shall review each relationship that exists between a director and his or her related interests for the purpose of determining whether the director is independent under Nasdaq’s rules. This information shall be initially reviewed by the Governance and Nominating Committee and subsequently by the full Board.

The Board shall consider all relevant facts and circumstances when making a determination of independence. The Board shall consider the issue not merely from the standpoint of a director, but also from that of persons or organizations with which the director has a significant affiliation. An independent director should be free of any relationship with the Company or its management that is reasonably likely to impair the director’s ability to make independent judgments.

C. The Lead Director

The independent directors shall appoint an independent director to serve as the Lead Director and act as principal liaison between the independent directors and Company management. The Lead Director shall be responsible for coordinating the activities of the independent directors and facilitating the flow of information from the Company’s management that is necessary for the independent directors to effectively and responsibly perform their duties. The Lead Director shall also advise the Board and management with respect to compliance with the Company’s corporate governance policies, including these Guidelines.

D. Service on Other Boards of Directors

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively and should be committed to serving on the Board for an extended period of time. Prior to accepting an invitation to serve on another public company’s board of directors, a director should advise the Chairman of the Board and the Chairman of the Governance and Nominating Committee. In deciding whether to serve on another public company board, the Board believes that directors should consider his or her time commitments, the potential effects on his or her attendance of Board meetings, and participation and effectiveness on all boards where he or she serves. The Governance and Nominating Committee will review on a case-by-case basis whether such board membership may unduly affect the ability of the director to fulfill the director’s duties to the Company.

E. Term Limits

The Board has determined not to establish formal term limits. However, the Governance and Nominating Committee shall review each director's continued service on the Board shortly before the end of such director's term. This review shall be conducted in connection with the Governance and Nominating Committee's annual evaluation of governance and Board effectiveness, consideration of nominations to the Board for the annual meeting of shareholders at which such director's term will expire, and the Board's annual self-evaluation.

F. Mandatory Retirement Policy

The following mandatory retirement policy has been adopted by the Board to assist the Company with managing succession planning and to bring new ideas and viewpoints to the Board. A director may not stand for re-election if he or she has attained, or will attain, the age of 72 prior to the annual meeting of shareholders at which his or her term expires. A director who attains the age of 72 during his or her term shall retire from the Board immediately prior to the first annual meeting of shareholders following such director's 72nd birthday, whether or not such director's term of office is expiring at such annual meeting of shareholders. Nothing in this policy shall be construed to restrict the right of the Company's shareholders to nominate and elect any person as a director of the Company in accordance with the Company's Articles of Incorporation and Bylaws.

IV. RESIGNATION POLICY FOR DIRECTORS IN UNCONTESTED ELECTIONS

In an uncontested election of directors, if any director nominee receives a greater number of votes "withheld" from his or her election than votes "for" such election (a "Majority Withheld Vote"), then the director will promptly tender his or her resignation to the Board following certification of the shareholder vote. Any such resignation shall specify that it shall become effective upon Board acceptance of the resignation.

If a director nominee receives a Majority Withheld Vote and tenders his or her resignation, then the Governance and Nominating Committee will act to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board. The Board will act on the Governance and Nominating Committee's recommendation within 90 days of the certification of the shareholder vote. If all of the directors who are members of the Governance and Nominating Committee receive a Majority Withheld Vote in the same election, then the Board shall appoint a committee of independent directors who did not receive a Majority Withheld Vote in that election to consider such resignation and recommend to the Board whether to accept or reject it, or the Board may take up the issue directly without a previous recommendation.

The Governance and Nominating Committee and the Board may consider any factors and information they deem relevant in deciding whether to accept a director's resignation, including: (i) any reasons given by shareholders for their withhold votes from such director, (ii) any alternatives for curing the underlying cause of the withheld votes, (iii) the director's tenure, (iv) the director's qualifications, (v) the director's past and expected future contributions to the

Company, and (vi) the overall composition of the Board and the composition of its committees, including whether accepting the resignation would cause the Company to fail to meet any applicable standards of the Securities and Exchange Commission (“SEC”) or Nasdaq. If the Board does not accept the resignation, the director will continue to serve until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

Any director who tenders his or her resignation pursuant to this provision shall not participate in the Governance and Nominating Committee recommendation or Board action regarding whether to accept the resignation.

If the Board determines that the director shall remain on the Board and does not accept the director’s resignation, the Company will promptly disclose the Board’s decision in a Form 8-K or other SEC document that satisfies the Form 8-K disclosure obligations. For clarity, this resignation policy shall not apply in contested director elections, in which the number of director nominees exceeds the number of Board seats open for election.

V. BOARD MEETINGS

A. Schedule of Meetings

The Lead Director and/or the Chairman of the Board shall set an appropriate schedule of Board meetings to ensure that the directors, including the independent directors, can perform their duties responsibly without interfering with the flow of the Company’s operations.

B. Selection of Agenda Items for Board Meetings

The Chairman of the Board and the Chief Executive Officer of the Company, in consultation with the Lead Director, shall establish the agenda for each Board meeting. Each other Board member may suggest the inclusion of items on the agenda. Each director may raise, at any Board meeting, subjects that are not on the agenda for that meeting.

C. Attendance at Board Meetings and Review of Board Materials

Each director is expected to attend all meetings of the Board and committees on which the director serves and should attend the Company’s annual meeting of shareholders. In advance of each Board meeting, a proposed agenda and, to the extent feasible or appropriate, information and data that is important to an understanding of the business to be discussed, shall be distributed. Each director shall review these materials prior to the Board meeting.

D. Executive Sessions of Independent Directors

The Lead Director shall preside over and prepare or have prepared an agenda for all executive sessions of independent directors. The independent directors shall meet separately from the Chief Executive Officer at least quarterly at regularly scheduled executive sessions, which shall be on the same day as regular Board meetings, to discuss management succession and other issues. Any independent director may call, in accordance with the notice provisions of the Bylaws of the Company, an executive session of independent directors at any time.

E. Board Interaction with Shareholders and Institutional Investors.

The Board believes that management speaks for the Company. Shareholders and other interested parties who wish to communicate with the Board, a Board committee, the Lead Director, independent directors as a group, or other individual directors may do so by sending written communications to the applicable party or parties: c/o Secretary, FARO Technologies, Inc., 250 Technology Park, Lake Mary, Florida 32746. All written communications received in such manner will be forwarded promptly to the directors to whom the communication is directed or, if the communication is not directed to any particular directors(s), to the Board.

VI. BOARD COMMITTEES

A. Number, Structure and Independence of Committees

The Company shall have an Audit Committee, a Compensation Committee, and a Governance and Nominating Committee of the Board, and any such other committees as designated and approved from time to time by the Board. All members of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee shall be “independent,” as such term is defined by Nasdaq and the applicable rules of the SEC. The members of the Compensation Committee shall also be “outside directors” as defined by Section 162(m) of the Internal Revenue Code and “non-employee directors” under Rule 16b-3 of the Securities Exchange Act of 1934, as amended. The Board may also appoint such other committees as it deems appropriate from time to time.

B. Assignment of Committee Members

In consultation with the Chairman of the Board and the Lead Director, the Governance and Nominating Committee shall, with consideration of the desires of individual Board members, recommend to the full Board the assignment of directors to committees and selection of the chairperson of the committees.

C. Committee Meetings

Committee chairpersons, in consultation with committee members, will determine the frequency and length of committee meetings; *provided, however*, that each committee shall meet independently and in separate sessions from the Board’s regular or special meetings at least twice per fiscal year. Each committee shall meet as set forth in each committee’s charter, and otherwise as frequently as required to carry out its responsibilities. Committee chairpersons, in consultation with the Chairman of the Board and the Lead Director, appropriate members of senior management and staff, will develop the agenda for each committee meeting.

VII. DIRECTOR OBLIGATIONS

A. Ethics and Conflicts of Interest

Directors, as well as officers and employees, must act ethically at all times and should acknowledge their adherence to the policies described in the Company's Global Ethics Policy (and, if applicable, the Senior Financial Officer Ethics Policy) and in these Guidelines. If an actual or potential conflict of interest exists for a director, the director shall promptly inform the Audit Committee and the Chief Executive Officer. If a significant conflict exists that may impair a director's ability to act in the best interests of the Company and its subsidiaries and the conflict cannot be resolved, the director should submit his or her resignation to the Board. All directors shall recuse themselves from any discussion or decision affecting their personal or professional interests and disclose the existence of such conflict to the remaining members of the Board.

B. Reliance on Others; Liability Insurance

In discharging their obligations and responsibilities, the Company's directors are entitled to rely, in good faith, on the honesty and integrity of their fellow directors, the Company's management, independent auditors and outside advisors. Further, to promote the ability of each director to act in accordance with the director's good faith business judgment without undue concern for the substantial risk of personal liability faced by public company directors, the Company shall seek to purchase and maintain at all times directors' and officers' liability insurance in amounts deemed reasonably appropriate.

C. Directors Who Change Their Present Job Responsibility

Directors who change their occupation shall immediately notify the Chairman of the Board and the Chairman of the Governance and Nominating Committee of such change and offer to resign from the Board. The Board, through the Governance and Nominating Committee, shall review the continued appropriateness of Board membership under the changed circumstances and shall determine whether to accept or reject the offer of resignation.

VIII. DIRECTOR ORIENTATION AND EDUCATION

The Company will establish, or identify and provide access to, appropriate orientation programs, sessions or materials for newly elected directors. The program or materials will include information to acquaint new directors with the Company, including its strategy, long-range plans, financial statements, properties and operations, these Guidelines, the Global Ethics Policy and, if applicable, the Senior Financial Officer Ethics Policy. As part of the orientation, new directors will be introduced to the Company's senior management and its independent auditors.

The directors will also receive annual training concerning the Foreign Corrupt Practices Act, foreign business practices and regulations and business ethics. Additionally, from time to time, directors will receive information and updates on legal and regulatory changes that affect the Company and the directors. All directors are also encouraged to participate in continuing

education programs sponsored by universities, stock exchanges and other organizations specializing in director education. The Company will reimburse the expenses of any such continuing education programs.

IX. DIRECTOR COMPENSATION

The form and amount of director compensation will be determined by the Board. Changes in director compensation shall be recommended by the Compensation Committee to the Board, which may approve or deny such changes, in whole or in part. The Board believes that the level of director compensation generally should be competitive with that paid to directors of other corporations of similar size and complexity, and the time and effort required by the Company of its directors. The Board and the Compensation Committee understand that the independence of directors may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with or provides other direct or indirect compensation to a director or an organization with which the director is affiliated.

X. BOARD ACCESS TO SENIOR MANAGEMENT AND ADVISORS

Board members shall have unrestricted access to the Company's senior management. Furthermore, the Board encourages senior management, from time to time, to bring to Board meetings officers and managers who (a) can provide additional insight to matters before the Board because of such person's involvement in the areas being discussed, or (b) are officers and managers with potential for future advancement that senior management believes should be given exposure to the Board. As necessary and appropriate, Board members shall also have access to outside legal, accounting and other professional advisors to assist them in carrying out their duties and responsibilities as directors.

XI. ANNUAL PERFORMANCE EVALUATIONS

The Board, under the oversight of the Governance and Nominating Committee, shall conduct an annual evaluation of itself to determine whether it and its committees are functioning effectively, both individually and as a whole. The Governance and Nominating Committee shall receive and review comments from each director and members of senior management and report to the Board with an assessment of the Board's performance. This assessment should review the Board's contribution as a whole and the areas in which the Board and/or management believes a better contribution is possible. Similar annual reviews and assessments shall be undertaken by each of the Board's committees.

XII. LEADERSHIP DEVELOPMENT

A. Formal Evaluation of the Chief Executive Officer

Each year, the full Board, the Compensation Committee and the Lead Director shall evaluate the performance of the Chief Executive Officer. In evaluating the Chief Executive Officer, the full Board, Compensation Committee and the Lead Director shall take into consideration the Chief Executive Officer's performance in both qualitative and quantitative areas, such as leadership and vision, integrity, keeping the Board informed on matters affecting the Company and any affiliated subsidiaries, and the performance of the business, including the achievement of financial objectives and goals.

The evaluation will be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee and the Lead Director and considered by the Compensation Committee in the course of its deliberations when establishing the compensation of the Chief Executive Officer for the following year.

B. Succession Planning

The Chief Executive Officer shall periodically provide to the Governance and Nominating Committee a report regarding succession planning for the position of Chief Executive Officer. The Chief Executive Officer will also communicate a recommendation for his or her successor as a result of an unexpected event to the Chairman of the Governance and Nominating Committee. This recommendation should be updated by the Chief Executive Officer periodically.

XIII. PERIODIC REVIEW OF CORPORATE GOVERNANCE GUIDELINES

These Guidelines and the Company's other corporate governance policies shall be reviewed by the Governance and Nominating Committee and the Lead Director on a periodic basis, but not less than annually. Any recommended changes shall be submitted to the Board for consideration and approval.

XIV. DISCLOSURE OF CORPORATE GOVERNANCE GUIDELINES

The Company shall maintain, and update promptly, its investor relations Internet website to include these Guidelines, and its Audit, Compensation, and Governance and Nominating Committee Charters, and disclose in its annual proxy statement or annual report on Form 10-K that this information is available on the Company's website.