

**ZAP**  
**CORPORATE GOVERNANCE POLICIES**

**I. BOARD COMPOSITION**

- A. Size of the Board.** The Company's Bylaws provide that the Board will not be less than 5 nor more than 9 directors. The Board will periodically review the appropriate size of the Board.
- B. Majority of Independent Directors.** It is the policy of the Board that a majority of the directors will not be current employees of the Company and will otherwise meet appropriate standards of independence. In determining independence, the Board will consider the definition of "independent director" in the listing standards of NYSE Arca (Rule 5.3(k)) as well as other factors that will contribute to effective oversight and decision making by the Board.
- C. Management Directors.** The Board anticipates that the Company's Chief Executive Officer ("CEO") will be nominated annually to serve on the Board. The Board may also appoint or nominate other members of the Company's management whose experience and role at the Company are expected to help the Board fulfill its responsibilities.
- D. Chair; Lead Independent Director.** The Board will periodically appoint a Chair. Both independent and management directors, including the CEO, are eligible for appointment as the Chair. The Chair, or if the Chair is not an independent director, one of the independent directors, may be designated by the Board to be the "lead independent director." The lead independent director may periodically schedule or conduct separate meetings of the independent directors, and perform various other duties.
- E. Selection of Board Nominees.** The Board will be responsible for the selection of nominees for election or appointment to the Board. The Corporate Governance and Nominating Committee shall recommend candidates for election to the Board. The Corporate Governance and Nominating Committee considers nominees recommended by directors, officers, employees, shareholders and others using the same criteria to evaluate all candidates. The Corporate Governance and Nominating Committee reviews each candidate's qualifications, including whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Upon selection of a qualified candidate, the Corporate Governance and Nominating Committee would recommend the candidate for consideration by the full Board. The Corporate Governance and Nominating Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees. To recommend a prospective nominee for the Corporate Governance and Nominating Committee's consideration, submit the candidate's name and qualifications to ZAP's Secretary in writing to the following address: ZAP, Attn: Secretary, 501 Fourth Street, Santa Rosa, California 95401. When submitting candidates for nomination to be elected at the Company's annual meeting of shareholders, shareholders must follow the notice procedures and provide the information required by the Company's Bylaws.

- F. Board Membership Criteria.** Nominees for the Board should be committed to enhancing long-term shareholder value and must possess a high level of personal and professional ethics, sound business judgment and integrity. The Board's policy is to encourage selection of directors who will contribute to the Company's overall corporate goals: responsibility to its shareholders, technology leadership, effective execution, high customer satisfaction and superior employee working environment. The Corporate Governance and Nominating Committee may from time to time review the appropriate skills and characteristics required of Board members, including such factors as business experience, diversity, and personal skills in technology, finance, marketing, financial reporting and other areas that are expected to contribute to an effective Board. In evaluating potential candidates for the Board, the Corporate Governance and Nominating Committee considers these factors in the light of the specific needs of the Board at that time. Board members are expected to prepare for, attend and participate in meetings of the Board and committees on which they serve, and are strongly encouraged to attend the Company's annual meetings of shareholders.
- G. Board Compensation.** The Board, through the Corporate Governance and Nominating Committee, will review, with the assistance of management or outside consultants if desired, appropriate compensation policies for the directors serving on the Board and its committees. This review may consider board compensation practices of other similarly-situated public companies, contributions to Board functions, service as committee chairs, and other appropriate factors.
- H. Directors Who Change Job Responsibility; Term and Age Limits.** The Board does not believe directors who retire or change their principal occupation or business association should necessarily leave the Board. However, promptly following any such event, the director shall offer his/her resignation to the Corporate Governance and Nominating Committee, so that there is an opportunity for the Board, through the Corporate Governance and Nominating Committee, to review the continued appropriateness of Board membership under the new circumstances. Although the Board does not believe that term and age limits for directors are appropriate, the Board will periodically review this position.
- I. Other Board Memberships.** The Board recognizes that individuals should limit the number of boards on which they serve so that they can give proper attention to each board responsibility. However, the philosophy of the Board is not to set an invariant limit on the number of boards on which a director may serve. In the event that a director wishes to join the board of another company, it is expected that the director will advise the Chair of the Board of his or her intention. The Chair of the Board will then consult with the Corporate Governance and Nominating Committee regarding whether the new commitment will allow the director to continue to fulfill his or her obligations to the Company. It is expected that a director will refrain from serving as a director, officer, employee or consultant with any competitive business during service with the Company and for three years or for a reasonable period of time, as determined by the Board of Directors, after service with the Company ends.
- J. Board Evaluations.** The Board shall conduct a self-evaluation at least annually.

## II. BOARD MEETINGS AND MATERIALS

- A. **Scheduling of Full Board Meetings.** Board meetings will be scheduled in advance, ordinarily at least once each fiscal quarter, at the Company's principal executive office.
- B. **Agenda and Materials.** The CEO will have primary responsibility for preparing the agenda for each meeting and arranging for it to be sent in advance of the meeting to the directors along with appropriate written information and background materials so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the materials. Each Board committee, and each individual director, is encouraged to suggest items for inclusion on the agenda. The Board reserves authority to meet in executive sessions to discuss sensitive matters without distribution of written materials.
- C. **Independent Directors Discussions.** It is the policy of the Board that the independent members of the Board meet separately without management directors at least twice per year to discuss such matters as the independent directors consider appropriate. The Company's independent auditors, finance staff and other employees may be invited to attend these meetings.
- D. **Board Presentations and Access to Information.** The Board encourages the presentation at meetings by managers who can provide additional insight into matters being discussed or who have potential that the CEO believes should be given exposure to the Board. The Company's executive management will afford each Board member with access to the Company's employees and the independent auditors. The Board encourages management to arrange presentations at Board meetings by the Company's managers and provide other reports that will enhance the flow of meaningful financial and business information to the Board.
- E. **Director Orientation and Continuing Education.** Upon appointment, the Corporate Secretary shall provide new board members with director orientation materials, including presentations from senior executives and Company policies. Each director is expected to participate in continuing education programs in order to maintain the necessary level of expertise to perform his or her responsibilities. The Corporate Secretary shall work with the Chair of the Corporate Governance and Nominating Committee as necessary to periodically provide materials that would assist directors with their continuing education.

## III. BOARD COMMITTEES

- A. **Committees.** The current three standing committees of the Board are the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee. From time to time the Board may establish a new committee or disband a current committee depending upon the circumstances.
- B. **Committee Member Selection.** The Board will designate the members and Chair of each committee, endeavoring to match the committee's function and needs for expertise with individual skills and experience of the appointees to the committee. The membership of the Audit, Compensation and Corporate Governance and Nominating

Committees shall consist solely of independent directors, which directors shall also meet applicable criteria for independence under NYSE Arca, SEC and/or tax rules applicable to such committees.

- C. Committee Functions.** The number and content of committee meetings and other matters of committee governance will be determined by each committee in light of the authority delegated by the full Board to the committee, the committee's charter (if any) and applicable regulations or principles. The Company will provide to each committee access to employees and other resources to enable committee members to carry out their responsibilities. The full authority and responsibilities of each committee is fixed by resolution of the full Board and the committee's charter, if any. Committee charters are available on the Company's website at [www.zapworld.com](http://www.zapworld.com) and a brief description of committee functions is available in the Company's most recent annual proxy statement.

#### **IV. MANAGEMENT RESPONSIBILITIES**

- A. Management Succession and Development Planning.** The CEO will review with the Board succession and development plans for senior executive officers. The Board may from time to time ask the Compensation Committee to undertake specific reviews concerning management succession planning.
- B. Financial Reporting, Legal Compliance and Ethical Conduct.** The Board's governance and oversight functions do not relieve the Company's executive management of the primary responsibility for preparing financial statements which accurately and fairly present the Company's financial results and condition. Executive management shall maintain systems, procedures and a corporate culture that promote compliance with legal and regulatory requirements and the ethical conduct of the Company's business.
- C. Corporate Communications.** The Board believes that executive management has the primary responsibility to communicate with investors, the press, employees and other constituencies that are involved with the Company, and to set policies for those communications.