

THE L.S. STARRETT COMPANY
CORPORATE GOVERNANCE POLICIES

I. SELECTION AND COMPOSITION OF THE BOARD OF DIRECTORS

Size of the Board. The charter and by-laws of The L.S. Starrett Company (the “Company”) provide that the Board of Directors (the “Board”) consist of not less than three nor more than eleven directors with the exact number determined from time to time by resolution of the Board. We believe a Board should neither be too small to maintain the needed expertise and independence nor too large to be efficiently functional. Our general expectation is that our Board will consist of approximately seven directors, although we periodically review the appropriate size and mix of the Board in light of our stated objectives below.

Selection of New Directors. The Board should be responsible for selecting its own members for election by the stockholders. The Board, however, delegates the process for identifying and reviewing candidates for director positions to the Corporate Governance and Nominating Committee (the “Governance and Nominating Committee”) with direct input from the Chief Executive Officer (the “CEO”).

Board Membership Criteria. The Governance and Nominating Committee is responsible for reviewing with the entire Board periodically the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. It is the policy of our Board that directors should possess the highest personal and professional integrity and be committed to representing the long-term interests of the stockowners. We also believe that the composition of the Board reflect a range of talents, ages, skills, character, diversity, and expertise, particularly in the areas of accounting and finance, management, domestic and international markets, leadership and corporate governance, and the industrial manufacturing industry sufficient to provide sound and prudent guidance with respect to the operations and interests of the Company. We also require that our Board members be able to dedicate the time and resources sufficient to ensure the diligent performance of his or her duties on our behalf, including attending all Board and applicable committee meetings. In this respect, absent unusual circumstances, we believe that directors with full-time jobs should not serve on more than two other significant boards of directors.

Director Independence. The Board believes that as a matter of policy at least a majority of the members of our Board should be independent. It is also our policy that the composition of the Board at all times be consistent with the standards of independence promulgated by the New York Stock Exchange (“NYSE”) and the Securities and Exchange Commission.

Non Independent Directors. The Board is willing to have members of senior management, in addition to the CEO, and other individuals who may not be independent, as directors. In addition, the Board believes that it may be beneficial to the discharge of their duties as directors for senior executive officers that do not serve on the Board to nonetheless attend board meetings on a regular basis.

Directors Who Accept Other Directorships. The Board believes that each outside director should advise the Governance and Nominating Committee in advance of accepting an invitation to serve as a member on another for-profit board of directors.

Director Term Limits. The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who over time have developed increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole. The Governance and Nominating Committee, in consultation with the CEO, will review each director’s

continuation on the Board every time his or her term expires. This will also allow each director the opportunity to conveniently confirm his/her desire to continue as a Board member.

II. BOARD COMPENSATION AND PERFORMANCE

Board Compensation Policy. The Governance and Nominating Committee shall have the responsibility for recommending to the Board the compensation and benefits for non-employee directors. It is appropriate for this Committee to report periodically to the entire Board on the status of director compensation in relation to other public small cap companies and other companies operating in comparable industries. An officer of the Company serving as a member of the Board will not receive additional compensation for his or her service as director. In addition, the members of the Audit Committee may not receive, directly or indirectly, any fees from the Company other than those which are paid to all of the independent directors. Proposed changes in director compensation, if any, should come at the suggestion of the Governance and Nominating and Committee, but with full discussion and concurrence by the entire Board.

Evaluation of Board Performance. The Governance and Nominating Committee is responsible for presenting periodically to the Board an evaluation of the overall performance of the Board. If the Governance and Nominating Committee so desires, it may be assisted by an outside professional in making its assessment of the overall performance of the Board. The report should be discussed with the full board at the same time, if applicable, as board membership criteria is discussed. The report will include an evaluation of, among other things, (i) composition and independence of the Board, (ii) access to and review of information from management, (iii) responsiveness of the Board to stockholder concerns and (iv) maintenance and implementation of these corporate governance guidelines.

The evaluation to be provided by the Governance and Nominating Committee should be of the contribution of the Board as a whole and should specifically review areas in which the Board and/or management believes a better contribution could be made. The purpose of the evaluation is to increase the effectiveness of the Board, not to target individual directors.

Orientation and Continuing Education. The Board has an orientation and education process for directors consisting of background material on the Company, meetings with and presentations by senior management, tours of the Company's primary domestic manufacturing facilities and training on their fiduciary responsibilities and liabilities.

Interaction with Various Constituencies. The Board believes that management speaks for the Company. Our individual non-management Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that these members would do this with the knowledge of management and, in most instances, at the request of management.

III. MEETINGS OF THE BOARD OF DIRECTORS

Scheduling and Selection of Agenda Items for Board Meetings. The Chairman of the Board (if any) (the "Chairman"), or in the absence of a Chairman, the CEO, in consultation with other members of the Board, will determine the frequency and length of Board meetings. It is the sense of the Board that regular meetings at appropriate intervals are in general desirable for the performance of their responsibilities. In addition, additional unscheduled meetings may be called upon appropriate notice at any time to address any special needs. The Chairman (or the CEO, if there is no Chairman) will establish the agenda for the meeting. Each director is free to suggest the inclusion of items on the agenda, to raise at any Board meeting subjects that are not on the agenda for that meeting or to request the presence of or a report by any member of management. If the CEO is also the Chairman, or in the absence of a Chairman, a contact director should be specified for directors wishing to discuss issues or add agenda items that are not appropriately or best forwarded to the CEO.

Board Material and Presentations. As a general rule, materials on specific subjects should be sent to the Board members sufficiently in advance so directors will be prepared to discuss questions that they may have about the material. The Board encourages management to schedule officers of the Company to be present at board meetings who (i) can provide additional insight into the specific matters being discussed because of personal involvement in these areas or (ii) have future potential that management believes should be given exposure to the Board.

Participation in Board Meetings. We expect our Board members to prepare for and participate in all Board and applicable committee meetings. It is the sense of the Board that, absent compelling and stated reasons, directors who attend fewer than 75% of Board and committee meetings for two consecutive years should not be re-nominated. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with their service as a director.

Access to Management, Employees and Advisors. Each director is encouraged to keep himself informed of the affairs of the Company between Board meetings through direct contact with employees, members of senior management and outside advisors and each director will have complete access to these individuals. It is expected that any such contact will be coordinated through the CEO and that each director will use judgment to assure that such access is not distracting to the operation of the Company.

Meetings of the Non-Management Directors. It is the policy of the Board of Directors to have a separate meeting session for the non-management directors (as required under the NYSE rules) during regularly scheduled Board meetings or otherwise to review matters concerning the relationship of the Board with the management directors and other members of senior management and such other matters as it deems appropriate. The non-management directors shall not take any formal actions at these meetings, although they may subsequently recommend matters for full consideration by the Board. The Board has not formally selected a director to preside at all meetings of non-management directors. Instead, at meetings of the non-management directors, the non-management directors will designate a chair for each meeting. In order to allow interested parties the opportunity to make their concerns known to these non-management directors, the Board has established a procedure for these parties to communicate directly with the non-management directors.

IV. COMMITTEES OF THE BOARD OF DIRECTORS

Number of Committees. Our Board will establish committees from time to time to facilitate and assist in the execution of its responsibilities. These committees shall generally address issues that, because of their complexity and technical nature, level of detail and time requirements or because of proper corporate governance principles cannot be adequately addressed at larger Board meetings.

We currently have four committees, which include the Executive Committee, Compensation Committee, Audit Committee, and the Governance and Nominating Committee. There will, from time to time, be occasions on which the Board may want to form a new committee or disband a current committee depending upon the circumstances. The Company complies with all NYSE requirements relating to the constitution of key committees, including requirements relating to the independence of committee members. Accordingly, only independent directors serve on the Compensation, Audit and Governance and Nominating Committee. The Executive Committee will include the CEO and may include one or more non-independent directors, provided that at least one of its members is an independent director.

Each committee (other than the Executive Committee) shall have a written charter of responsibilities and authorities, which the Board will periodically review. The charters for the Compensation, Audit and Corporate Governance and Nominating Committees will be made available on the Company's web site.

Assignment and Term of Service of Committee Members. The Board is responsible for the appointment of committee members taking into account the desires of individual members. The Board will

consider the rotation of committee membership, although the board does not believe that rotation should be mandated as a policy.

Frequency and Length of Committee Meetings and Committee Agenda. The committee chair, in consultation with the other committee members, will determine the frequency and length of committee meetings and, in consultation with the CEO and the Chairman (if any) develop the agenda for committee meetings. The agendas and meeting minutes of the committees will be available for the full Board. Any director that is not a member of a particular committee may attend any committee meetings with the concurrence of the committee chair.

V. LEADERSHIP DEVELOPMENT

Formal Evaluation of Chief Executive Officer. The independent directors should make this evaluation annually, and the evaluation should be communicated to the CEO by the chair of the Governance and Nominating Committee. The evaluation should be based on clearly articulated criteria, including performance of the business, accomplishment of long-term strategic objectives, and the development of senior management. The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the CEO.

Succession Planning and Management Development. The CEO reviews succession planning and management development with the Board and the appropriate committee. This succession planning includes the development of policies and principles for selection of the CEO, including succession in the event of an emergency.