

CORPORATE GOVERNANCE GUIDELINES

PRIMUS GUARANTY, LTD.

Mission Statement

The objective of these corporate governance guidelines is to provide appropriate checks and balances on the Board of Directors (the “Board”) and management of Primus Guaranty, Ltd. (the “Company”) to ensure that those to whom the shareholders entrust the direction and success of the Company act in the best interests of the shareholders. The mission of the Board of the Company is to oversee the corporate governance of the Company and to facilitate the Company’s principal mission to create long-term economic value for its shareholders. In fulfilling this mission, the Board also may consider the interests of its other stakeholders and interested parties, including its employees, customers, suppliers, creditors, local communities, and the public at large.

I. Board Composition and Structure

- A. Size of Board. The Board periodically reviews its size to determine the size that is appropriate for its effective operation. In general, the Board believes that its appropriate size is 8-10 members, recognizing that retirements, resignations, and recruiting delays may result, periodically, in the Board consisting, for some transitional period, of a slightly greater or lesser number of directors than the Board may have targeted.
- B. Mix of Directors; “Independent” Directors. A substantial majority of the Board will be independent. No director will be independent unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). The following standards apply to the determination of director independence:
 1. *Per Se Exclusions.* A director will not be deemed independent until three years after the end of any of the following relationships or situations: (i) the director is employed by the Company or her/his immediate family member is an executive officer of the Company; (ii) the director or her/his immediate family member who is an executive officer of the Company receives, during any twelve-month period within such three years, more than \$120,000 in direct compensation from the Company (other than director and committee fees and pension or other forms of deferred compensation for prior service, provided such compensation is not contingent on continued service),

(iii) the director is employed by or affiliated with, or someone in the director's immediate family is employed by or affiliated with, the Company's present or former internal auditors or outside independent auditors; (iv) the director or someone in her/his immediate family is employed as an executive officer with another entity where any of the Company's then-current executives serves on that other entity's compensation committee; or (v) the director is an executive officer or an employee, or someone in her/his immediate family is an executive officer, of another company that makes payments to or receives payments from the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

2. *Categorical Standards.* The following commercial or charitable relationships will not be considered to be material relationships that would impair a director's independence (other than as a member of the Audit Committee, whose independence is subject to additional restrictions set forth in the Audit Committee Charter): credit default swap transactions between a subsidiary of the Company and the director's employer, entered into in the ordinary course of business; credit default swap portfolio engagements between Primus Asset Management, Inc. and the director's employer, entered into in the ordinary course of business; joint service by a director with employees of the Company on the board of a non-profit corporation; and, subject to the listing criteria of the New York Stock Exchange, affiliations with a significant shareholder of the Company.

C. Selection of Directors. Each year at the Company's annual general meeting of shareholders, the Board recommends a slate of nominees for election by shareholders. In addition, the Board fills vacancies on the Board when necessary or appropriate. The Board's recommendations or determinations are based on the recommendations of, and information supplied by, the Nominating and Corporate Governance Committee as to the suitability of each individual and, where applicable, the slate as a whole to serve as directors, taking into account the criteria described below and other factors, including the requirements for Board committee membership. In recommending nominees, the Committee shall consider nominees recommended by the Company's shareholders provided any such shareholder submits the following information to the Chairperson of the Nominating and Corporate Governance

Committee, c/o the Company's General Counsel, by 120 days prior to the one-year anniversary of the date of the mailing of the Company's proxy statement for its most recent annual general meeting of shareholders:

1. the name of the candidate and the information about the individual that would be required to be included in a proxy statement under the rules of the U.S. Securities and Exchange Commission;
 2. information about the relationship between the candidate and the nominating shareholder;
 3. the consent of the candidate to serve as a director; and
 4. proof of the number of shares of the Company's common stock that the nominating shareholder owns and the length of time the shares have been owned.
- D. Board Membership Criteria. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the size, function, and needs of the Board and, in doing so, takes into account that the Board as a whole will have competency in the following areas: (i) industry knowledge; (ii) capital markets; (iii) corporate credit; (iv) asset management; (v) accounting and finance; (vi) business judgment; (vii) management; (viii) leadership; (ix) international markets; (x) business strategy; (xi) crisis management; (xii) corporate governance; and (xiii) risk management. The Board also seeks members from diverse backgrounds so that the Board consists of members with a broad spectrum of experience and expertise and with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions that they can make to the Company. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board and committees of the Board on which he/she served.
- E. Lead Independent Director. The Board notes that all directors are elected by the shareholders and, therefore, have an equal voice. The Board does not believe that it is necessary or appropriate for serving the best interests of the Company's shareholders to designate a lead independent director. The Chairperson of the Board, the CEO, or the Board as a whole may call upon any one or

more directors to provide leadership in a given situation. The Board understands that leadership in certain subject areas falls to the committee chairpersons responsible for the subject matter giving rise to the need, and that the chairpersons function as the committee liaisons to the Chairperson of the Board and the rest of the Board. In circumstances in which the independent directors meet without the Chairperson of the Board, a director designated by the independent directors to lead the discussion of a particular matter will be designated to: (i) coordinate the activities of the independent directors; (ii) provide input with respect to agenda items; and (iii) consult, as appropriate, with the chairpersons of Board committees in order to avoid diluting the authority or responsibility of such committee chairpersons.

F. Term Limits; Retirement; Resignation.

1. *Term Limits.* The Board does not believe that it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they have the disadvantage of causing the loss of the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations, and therefore provide an increasing contribution to the Board as a whole.
2. *Retirement Policy.* No person will be nominated by the Board to serve as a director after he or she has passed his/her 72nd birthday, unless the Nominating and Corporate Governance Committee has waived the mandatory retirement age of such person as a director in a given case.
3. *Resignation Policy.* Non-management directors who change their primary job responsibilities that they held at the time of their most recent election to the Board will submit a letter offering to resign for Board consideration. The Board will, in its sole discretion, determine whether such change in responsibilities will impair the director's ability to effectively serve on the Board, and may waive such requirement for resignation where it has determined the ability of the director to serve is not impaired. Management directors will offer to resign from the Board upon their resignation, removal, or retirement as an officer of the Company. The Board will, in its sole discretion, determine whether or not to accept such resignation, provided that, if so approved by the Board, such director shall only continue to serve as a director after his resignation, removal, or retirement for a transition period of

up to one year after the date that he/she ceases to be an executive officer.

- G. Additional Directorships. Directors are encouraged to limit the number of other boards of directors (excluding non-profit boards of directors and boards of directors of the employer of such director and its affiliates) on which they serve, taking into account their potential meeting attendance, participation, and effectiveness on these boards of directors. It is generally advisable for members of the Audit Committee to limit the number of audit committees on which they serve to three. The Nominating and Corporate Governance Committee and the entire Board will take into account the nature of and the time involved in a director's service on other boards of directors in evaluating the suitability of individual director candidates. Every director must seek the consent of the Nominating and Corporate Governance Committee and the Chairperson of the Board to confirm the absence of any actual or potential conflict prior to accepting any invitation to serve on another corporate or, in the case of employee directors, not-for-profit board of directors or with any government or advisory group.

- H. Compensation of Non-Employee Directors. The Board should make changes in its non-employee director compensation practices only upon the recommendation of the Compensation Committee after discussion and concurrence by the entire Board. In discharging this duty, the Compensation Committee and the entire Board should be guided by the following principles: compensation should fairly pay directors for the work required; compensation should align directors' interests with the long-term interests of shareholders; and the structure of the compensation should be simple, transparent, and easy for shareholders to understand.

II. Board Meetings and Procedures

- A. Board Meetings.
 - 1. *Number of Meetings; Attendance and Preparation.* The Board holds a minimum of four regularly scheduled meetings per year. Directors are expected to attend all regularly scheduled meetings and to have, prior to the meetings, reviewed all written meeting materials distributed to them in advance. Directors are expected to be physically present at all regularly-scheduled meetings, and a director who is unable to attend a meeting is expected to notify the Chairperson of the Board in advance of such meeting. Attendance at a meeting by telephone,

videoconference, or other means of communication generally will be discouraged unless a particular Board meeting was scheduled to be so conducted.

2. *Selection of Agenda Items.* The Chairperson of the Board and CEO should establish the agenda for Board meetings; however, directors may at any time suggest that particular items be placed on the agenda and the Chairperson of the Nominating and Corporate Governance Committee should be given an opportunity to review all agendas. The Chairperson of the Board, the CEO, and the Chairperson of the Nominating and Corporate Governance Committee will annually prepare a “Master Agenda” that will set forth a general list of items to be considered at each of the Board’s regularly scheduled meetings during the year. Thereafter, the Chairperson of the Board and CEO will adjust the agenda for each specific meeting, if necessary, to include special items that had not been contemplated during the initial preparation of the Master Agenda. The Master Agenda will be provided to the entire Board.
3. *Distribution of Materials.* The Company will distribute written materials, including the agenda, for use at Board meetings sufficiently in advance of meetings to permit meaningful review. It is recognized, however, that under certain circumstances written materials may be unavailable to directors in advance of the meeting. On those occasions in which the subject matter is too sensitive to provide in writing, the Chairperson of the Board may elect to contact each director by telephone in advance of the meeting to discuss the subject and the principal issues the Board will need to consider. The Nominating and Corporate Governance Committee periodically reviews the information flow to Board members to ensure that directors receive the right kind and amount of information in sufficient time to prepare for meetings.
4. *Attendance of Non-Directors.* The Board believes that attendance of key executive officers augments the meeting process by providing certain expertise and insight into items that are open for discussion at certain meetings.
5. *Executive Sessions of Non-Employee Directors.* The non-employee directors of the Board will meet in executive session without any management directors and any other members of the Company’s management present to consider and discuss such issues that they deem important

to address and such other matters they may deem appropriate. Generally, such executive session meetings shall follow the Board's regularly scheduled quarterly meetings, but may be held at any time, with more or less frequency, as the Board considers necessary or appropriate. At least once per year such executive session meeting will be held (i) to evaluate the CEO; and (ii) to review management succession planning. The Chairperson of the Board (if a non-employee director) or the Chairperson of the Nominating and Corporate Governance Committee (if the Chairperson of the Board is a management director) will preside at the executive sessions. . Following each executive session, the results of the deliberations and any recommendations should be communicated to the entire Board.

- B. Access to Senior Management/Independent Advisors. Board members have complete and open access to senior members of management. The CEO will invite key employees to attend Board sessions at which the CEO believes they can meaningfully contribute to Board discussion. The Board, including the independent members of the Board as a group, and any committee of the Board, have the authority, in their discretion, to retain independent advisors.
- C. Access to Shareholders and Other Interested Parties. The CEO is responsible for establishing effective communications with the Company's shareholders, customers, associates, communities, suppliers, creditors, and corporate partners. In general, directors should coordinate any contact with such parties regarding the Company with management, except where such coordination would be inappropriate given the nature of the communication (in which case the communication should be reported promptly to the Chairperson of the Board).
- D. Confidentiality. The Board believes that maintaining confidentiality of information and deliberations is an imperative.

III. Board Duties and Responsibilities

- A. Oversight. To accomplish its mission to maximize long-term shareholder value, the Board must:
 - 1. Ensure that the Company operates in a legal, ethical, and socially responsible manner;

2. Select, evaluate, and offer substantive advice and counsel to the CEO and work with the CEO to develop effective measurement systems that will evaluate and determine the Company's degree of success in creating long-term economic value for its shareholders;
 3. Review, approve, and monitor fundamental financial and business strategies and major corporate actions;
 4. Oversee the Company's capital structure and financial policies and practices;
 5. Assess major risks facing the Company and review options for their mitigation; and
 6. Provide counsel and oversight on the selection, evaluation, development, and compensation of executive officers and provide critical and candid feedback on their successes and failures.
- B. Corporate Governance. The Board will review annually and, if it deems appropriate, approve changes to these corporate governance guidelines that have been recommended to the Board by the Nominating and Corporate Governance Committee.
- C. Charters. The Board will, if it deems appropriate, approve changes to the Company's Audit Committee, Nominating and Corporate Governance Committee, Compensation Committee, and Finance and Investment Committee charters that have been recommended to the Board by such committees.
- D. Education. The Company has a full educational program for new Board members that includes materials, meetings with key management, and visits to Company facilities. Additionally, all directors will periodically attend educational opportunities enabling them to better perform their duties.
- E. Assessing Board and Committee Performance. The Board will conduct an annual self-evaluation of its performance and the performance of its individual members and an evaluation of each of the Board committees' performance and the performance of individual members of such committees to determine whether it and its committees are functioning effectively. The Board's evaluation will be based, in part, on the Nominating and Corporate Governance Committee's evaluation of the Board, and the self-evaluations conducted by each of the Committees.

- F. Assessing CEO Performance. The Board believes that the CEO's performance should be evaluated annually and as a regular part of any decision with respect to CEO compensation. The Board has delegated the responsibility to the Compensation Committee to evaluate the CEO's performance in the course of approving CEO salary, bonus, and long-term incentives such as stock and stock option awards. The Committee is responsible for setting annual and long-term performance goals for the CEO and for evaluating his/her performance against such goals. The Committee meets annually with the CEO to receive his/her recommendations concerning such goals and to evaluate his performance against the prior year's goals.
- G. Succession Planning. The Board plans for the succession to the positions of CEO and other executive officers of the Company. To assist the Board, the CEO annually provides the Compensation Committee with an assessment of the executive officers and their potential to succeed him/her. The CEO also will provide the Compensation Committee with an assessment of persons considered to be potential successors to executive officer positions and a review of any development plans recommended for such potential successors. The results of these reports will be reported to and discussed with the Board.
- H. Business Conduct and Ethics. The Board believes that, in order to maintain the highest ethical, legal, and socially responsible standards of conduct, the Company should maintain appropriate codes of business conduct and ethics regarding, among other things: (i) conflicts of interest, (ii) corporate opportunities, (iii) confidentiality, (iv) fair dealing, (v) protection and proper use of Company assets, (vi) compliance with laws, rules, and regulations, and (vii) such other matters as the Board deems appropriate. Such codes also will include standards of conduct reasonably applicable to designated persons, including the CEO and the senior financial officers, designed to promote: (i) honest and ethical conduct, (ii) full, fair, accurate, timely, and understandable disclosure in the periodic reports, proxy statements, and other filings under the U.S. Securities Exchange Act of 1934 that are required to be filed by the Company, and (iii) compliance with laws and applicable governmental rules and regulations (including, as appropriate, the U.S. Investment Advisers Act of 1940 and the rules thereunder). The Board will review annually and, if it deems appropriate, approve changes to such codes of business conduct and ethics that have been recommended to the Board by the Nominating and Corporate Governance Committee.

IV. Board Committees

- A. Board Committees; Committee Charters. Except where Board committees have sole authority to act as required by applicable law or a listing standard, it is the general policy of the Company that major decisions be considered by the Board as a whole. As a consequence, the Board has determined to constitute only those committees that it believes are critical to the efficient operation of the Board or are required by applicable law or a listing standard. The Board currently has four standing Committees: the Audit Committee; the Nominating and Corporate Governance Committee; the Finance and Investment Committee; and the Compensation Committee. The Board has the authority to establish such other committees, temporary or permanent, as the Board deems advisable. Each of the Audit Committee, the Nominating and Corporate Governance Committee, and the Compensation Committee will consist of three or more directors, each of whom will satisfy the independence requirements set forth herein with respect to such Committee and any additional requirements set forth in their respective charters and any other listing or regulatory requirements. The Nominating and Corporate Governance Committee will recommend, and the Board will designate, a chairperson of each committee.

Each of the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation Committee, and the Finance and Investment Committee will have appropriate written charters. The charter of each committee will be reviewed annually by the relevant committee. These committee charters will be made available on the Company's Web site at: primusguaranty.com or primusfinancial.com.

- B. Committee Agendas. The chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop his/her committee's agenda. Each committee will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year. This forward agenda also will be shared with the Board.
- C. Rotation of Committee Members. The Board does not believe in mandating fixed rotation of committee members and/or committee chairpersons, since there may be reasons at a given point in time for maintaining continuity. Ideally, however, the Board will seek to rotate committee members and chairs, on a staggered basis within each committee, on an average of every five years. The Board seeks thereby to avoid director entrenchment, while

ensuring continuity and the availability of experience derived through longevity.

- D. Board Oversight; Committee Reports. The Board is responsible for overseeing the activities of its committees (except where such committees have sole authority to act pursuant to applicable law or listing standard) and for ensuring that the committees are fulfilling their duties and responsibilities. The Board will regularly receive reports from its committees regarding their activities and will take such actions as it deems necessary or appropriate in response to these reports.

V. **Other Principles**

- A. Confidential Voting. The Board has adopted a policy whereby shareholders' proxies are received by the Company's independent tabulators and the vote is certified by independent inspectors of election. Proxies and ballots that identify the vote of individual shareholders will be kept confidential from the Company's management and directors, except as necessary to meet legal requirements, in cases where shareholders request disclosure, or in a contested election.
- B. Disclosure and Review of Corporate Governance Principles. These corporate governance principles will be made available on the Company's Web site. The Nominating and Corporate Governance Committee will review these corporate governance principles from time to time, but not less frequently than annually, and will report the results of its review to the entire Board.
- C. Disclosure Policy. The Board believes that it is imperative that the Company promote full, fair, accurate, timely, and understandable disclosure in the periodic reports and other statements required to be filed by the Company.
- D. Share Ownership by Directors and Executive Officers. The Board believes that each director should own common shares of the Company and accordingly all non-employee directors are required to hold at least \$200,000 worth of the Company's common shares and/or deferred restricted share units (representing five times the current annual cash retainer paid to such directors), measured at time of acquisition or award, within three years of becoming a director. Such policy, however, does not apply to those directors who have waived their rights to compensation or have ceded their rights of compensation to their employers in connection with their service on the Board. The Board further believes that management directors and executive officers also should have economic

interests in the Company, and the Compensation Committee of the Board shall approve the annual compensation of such individuals only to the extent that it contains appropriate components of common share, restricted share unit (whether or not deferred), performance share or other equity-linked forms of compensation. Without limiting the foregoing, the Company's Chief Executive Officer is required to have at least \$250,000 and other members of the Company's Operating Committee are required to have at least \$100,000 (in each instance at time of acquisition or award) worth of the Company's common shares, including awards of restricted share units, within three years of being appointed to such positions.

- E. Loans. Personal loans to directors or executive officers are not permitted.

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