



## **Corporate governance guidelines**

### **Board Composition and Director Qualifications**

#### **1. Size of Board**

It is the sense of the Board that constituting the Board at between seven and thirteen members is about the right size. This range provides diversity of thought and experience without hindering effective discussion or individual accountability. However, the Board may be willing to go to a somewhat larger size in order to accommodate the availability of one or possibly more outstanding candidates.

#### **2. Director Tenure and Retirement Age**

It is the sense of the Board that term limits should not be established and it is the policy of the Board that no Director should stand for reelection, unless otherwise approved by the Nominating and Corporate Governance Committee and the Board.

#### **3. Directors Who Change Their Present Job Responsibility**

Management Directors are expected to submit a letter of resignation at the time of retirement from active employment with the Company, or when transferring from a senior management position in the Company, other than as a result of promotion.

Subject to the following paragraph, Non-Management Directors ( *i.e.*, Directors who are not Company officers whether or not they would also qualify as “independent” Directors) are expected to submit a proposed letter of resignation under the following circumstances:

- i. when a Director retires from his or her principal business organization or other activity with which he or she was identified at the time of election to the Board;
- ii. whenever a Director's affiliation or position of principal employment changes after election to the Board; and
- iii. whenever the health or physical condition of a Director would prevent him or her from satisfactorily fulfilling the responsibilities of the position.

It is the sense of the Board that a Non-management Director who retires or experiences a change in the position he or she held when most recently elected to the Board should not necessarily leave the Board. There should, however, be an opportunity for the Nominating and Corporate Governance Committee to review, and to make a recommendation to the Board with respect to, the continued appropriateness of such Non-management Director's Board membership under these circumstances.

#### **4. Independence of Directors**

It is the policy of the Board that a majority of the members of the Board, and all of the members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, will be “independent” Directors in accordance with the requirements of the New York Stock Exchange and other applicable laws, rules and regulations. A Director will not be qualified as an “independent” Director unless the Board has affirmatively determined pursuant to applicable legal and regulatory requirements that such 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 Board may adopt general standards to assist it in making such independence determinations. The Board will disclose the basis for its determination of Director independence in the Company's annual proxy statement, or, if the Company does not file an annual proxy statement, in the Company's annual report on Form 10-K, filed with the SEC, in accordance with applicable legal and regulatory requirements. Compliance with the definition of “independent” Director will be reviewed annually by the Nominating and Corporate Governance Committee.

#### **5. Number of Directorships**

It is the sense of the Board that Directors should not be limited from simultaneously serving on other public company boards.

However, before accepting an invitation to serve on the board of another public company, each Director should consider whether such acceptance would interfere with his or her responsibilities as a Director of the Company and should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee of any planned acceptance. Based on this notification, the Nominating and Corporate Governance Committee will consider and either approve or deny permission for such Director to accept the invitation to serve on the Board of Directors of a public company.

## **6. Board Membership Criteria**

The Nominating and Corporate Governance Committee is responsible for evaluating, and for periodically reviewing with the Board, the appropriate mix of skills and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time and shall periodically review and update the criteria as deemed necessary.

The following criteria will be considered in selecting candidates for the Board:

- independence;
- wisdom;
- integrity;
- understanding and general acceptance of the Company's corporate philosophy;
- valid business or professional knowledge and experience that can bear on the Company's and the Board's challenges and deliberations;
- proven record of accomplishment with excellent organizations;
- inquiring mind;
- willingness to speak one's mind;
- ability to challenge and stimulate management;
- future orientation;
- willingness to commit time and energy; and
- diversity.

Consistent with past practices, the Board is committed to a strong and diverse membership and to a thorough process to identify those individuals who can best contribute to the Company's continued success. As part of this process, the Nominating and Corporate Governance Committee will continue to take all reasonable steps to identify and consider for Board membership all candidates, including women and minorities, who satisfy the business needs of the Company at the time of appointment.

## **7. Selection of Directors**

The Board is responsible for selecting Director nominees for election to the Board and for filling vacancies on the Board and newly created Directorships that may occur between annual meetings of shareholders. The Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to serve on the Board and recommending that the Board of Directors select Director nominees for election to the Board and to fill vacancies and newly created Directorships. The Nominating and Corporate Governance Committee will also consider proposals for nominees for Director from shareholders which are made in writing to the Secretary of the Company in compliance with the By-laws of the Company, state corporation law and the rules of the Securities and Exchange Commission.

## **8. Chairman of the Board**

The Board has no policy respecting the need to separate or combine the offices of Chairman of the Board and Chief Executive Officer of the Company. It is the sense of the Board that it should be free to make this choice any way that seems best for the Company at a given point in time.

# **Board and Director Responsibilities; Procedures for Meetings**

## **1. Board and Director Responsibilities**

The Board recognizes that the principal responsibility of the Board and each Director is to the shareholders, and that the interests of the Company's employees, customers, suppliers and the communities in which it operates are relevant as a derivative of that responsibility. The Board will regularly monitor the effectiveness of management in order to evaluate whether the Company is being properly managed. It is the sense of the Board, however, that it should not involve itself in the day-to-day management decisions of the Company. The Board expects each Director, as well as the Company's officers and employees, to be familiar with and comply with the Company's Code of Business Conduct and Ethics.

## **2. Frequency and Length of Meetings**

The annual schedule for regular meetings of the Board will be submitted and approved by the Board in advance. Board

meetings will be for such length of time as may be required to cover the subjects on the scheduled agenda. Special meetings of the Board may be called by the Chairman of the Board and will be called by the Secretary on the written request of five Directors. Directors are expected to attend Board meetings and the meetings of committees on which they serve, and to spend the time required and meet as frequently as necessary to properly discharge their responsibilities.

### **3. Selection of Agenda for Board Meetings**

The Chairman of the Board, the Chief Executive Officer and the Chief Operating Officer will establish the agenda for each Board meeting. At the beginning of the Board year (from annual shareholders meeting to annual meeting), the Chairman of the Board will establish a schedule of agenda subjects to be discussed during the year (to the extent these can be foreseen). The agenda for each meeting will be distributed to Directors in advance. Board members may suggest items for inclusion on the agenda and may raise for discussion at any Board meeting subjects not on the agenda.

### **4. Board Materials Distributed in Advance**

Information and data that are important to the Board's understanding of the Company's business will be distributed in writing to Directors the week before the scheduled Board meeting and as far in advance as is practicable before special Board meetings.

Directors have a responsibility to review these materials in advance of such scheduled meetings. The Company's officers will strive to make the information clear and concise yet comprehensive, and will make an ongoing effort to solicit suggestions from Non-Management Directors on how to best meet their information needs. Directors will also receive and are expected to review the monthly financial statements, earnings reports, significant press releases, certain analyst reports and other information designed to keep them informed of material aspects of the Company's business, performance and prospects.

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

To promote open and unfettered discussion among Non-Management Directors, such Directors will meet at regularly scheduled executive sessions without management. The Non-Management Directors shall either select a Non-management Director to preside at each executive session or shall establish a procedure by which the presiding Director for each executive session shall be selected. If a Director is chosen to preside at these executive sessions, his or her name must be disclosed in the Company's annual proxy statement, or, if the Company does not file an annual proxy statement, in the Company's annual report on Form 10-K filed with the SEC.

## **Board Committees**

### **1. Number and Structure**

The Board will at all times have an Audit Committee, a Compensation Committee a Risk/Finance Committee and a Nominating and Corporate Governance Committee. These Committees and all of the members of these Committees will satisfy and comply with the independence requirements of the New York Stock Exchange and all other applicable laws, rules and regulations. Committee members will be recommended by the Nominating and Corporate Governance Committee and approved by the Board and may be removed by the Board in its discretion. The Board may also form additional committees. A Non-Management Director may attend any Committee meeting *ex officio* with the concurrence of the chairman of such committee.

### **2. Committee Agenda**

The Chairman of each Committee, in consultation with appropriate members of the applicable Committee and management, will develop the Committee's agenda. At the beginning of the Board year, each Committee will establish a schedule of agenda subjects to be discussed during the year (to the extent these can be foreseen).

### **3. Committee Charter; Annual Self-Evaluation**

Each of the Audit Committee, the Compensation Committee the Risk/Finance Committee and the Nominating and Corporate Governance Committee will develop, maintain and comply with a charter describing, among other things, its duties and responsibilities in accordance with applicable legal and regulatory requirements, including those of the New York Stock Exchange. Additional Committees formed or maintained by the Board may, under the leadership of their respective Chairmen, develop and maintain charters describing their respective duties and responsibilities. Charters developed or amended will be reviewed by the Committee and approved by the full Board. Each Committee shall, on an annual basis, review and reassess the adequacy of its charter, conduct an evaluation of its performance during such past year, and report these findings to the full Board as appropriate.

### **4. Disclosure of Committee Activities**

The Chairman of each Committee will report to the full Board, no later than the next regularly scheduled meeting of the Board following a Committee meeting, on all significant matters discussed, actions taken and recommendations made by the Committee. The Chairman and other Committee members will have an opportunity to comment on Committee activities at each Board meeting. Copies of the final minutes of all Committee meetings will be distributed to all Committee members.

## **5. Number of Audit Committee Directorships**

Members of the Audit Committee shall not simultaneously serve on the audit committee of more than three public company boards (including the Company's).

## **Board Access to Management and Independent and Outside Advisors**

### **1. Board Access to Management and Counsel**

Directors will have open access to the Company's management team and counsel. Directors may contact members of the management team without permission of the Chief Executive Officer. However, they should use judgment to insure that this contact is not distracting to business operations. Other than correspondence relating to the activities of a Committee which is sent by the Chairman of such Committee to the officer designated as the coordinator for such Committee, and other than routine or immaterial communications, correspondence from a Board member to a member of the management team should be copied to the Chief Executive Officer and Chairman of the Board.

Furthermore, the Board encourages the management team to, from time to time, bring managers into Board meetings who (i) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (ii) are managers with future potential that the senior management believes should be given exposure to the Board.

### **2. Board Access to Independent and Outside Advisors**

The Board and each Committee shall have the authority to engage independent or outside counsel, accountants or other advisors, in each case of its choice and as it determines to be necessary or appropriate. All related fees and costs of such advisors shall be paid promptly by the Company in accordance with its normal business practices.

## **Executive Chairman and Chief Executive Officer Evaluation and Management Succession**

### **1. Performance Evaluations.**

The Compensation Committee will meet in an executive session chaired by the Chair of the Compensation Committee to evaluate the performance of the Executive Chairman, the Chief Executive Officer and the Chief Operating Officer at least once a year. The following factors will be considered in evaluating the performance of these individuals:

- i. leadership and vision;
- ii. integrity;
- iii. keeping the Board informed on matters affecting the Company and its operating units;
- iv. performance of the business;
- v. development and implementation of initiatives to provide long-term economic benefit to the Company;
- vi. accomplishment of strategic objectives; and
- vii. succession planning and development of management.

The evaluation will be communicated to and reviewed with the Non-Management Directors by the Chairman of the Compensation Committee at a regularly scheduled executive session of the Non-Management Directors. The Chairman of the Compensation Committee will also communicate the evaluation to the Executive Chairman, the Chief Executive Officer and the Chief Operating Officer.

### **2. Management Succession**

The Board will work in cooperation with the Compensation Committee to develop policies and principles with respect to the search for and evaluation of potential successors to the Executive Chairman, the Chief Executive Officer and other members of senior management. The Executive Chairman and the Chief Executive Officer should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals in the event that he or she should unexpectedly retire or be otherwise unable or unwilling to perform his or her respective duties. At least annually, and more frequently if appropriate, the Executive Chairman and the Chief Executive Officer should present his or her recommendations to the Board of Directors in an executive session. Following such presentation, the Non-Management Directors should discuss the recommendations in an executive session chaired by the Chairman of the

## **Board Orientation, Compensation and Self-Evaluation**

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

All new Directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable following the annual meetings at which new Directors are elected or following the appointment of a new Director by the Board of Directors in order to fill an existing or newly created vacancy on the Board of Directors. This orientation will include presentations by senior management to familiarize new Directors with the Company's strategic plans, significant financial, accounting and risk management issues, compliance programs, the Company's Code of Business Conduct and Ethics, principal officers, the internal audit department and the independent auditor.

The Board encourages, but does not require, Directors periodically to pursue continuing education opportunities in the form of programs, sessions or materials with respect to the responsibilities of Directors of public companies and will reimburse Directors for reasonable expenses incurred in connection with such continuing education opportunities

### **2. Director Compensation**

The Compensation Committee will recommend to the Board the form and amount of Director compensation, taking into consideration whether Directors are being rewarded in a manner consistent with the compensation strategy of the Company, competitive market practices and applicable legal and regulatory requirements.

### **3. Board and Director Self-Evaluation**

The Board will conduct a self-evaluation annually to determine whether it and its Committees are functioning effectively. This review will be overseen by the Nominating and Corporate Governance Committee as specified in its charter. The objective of the self-evaluation is to increase the effectiveness of the Board, and thereby its value to the Company, through the consideration of, among other things, improved and alternative Board structures, organization or processes.

## **General**

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

All new Directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable following the annual meetings at which new Directors are elected or following the appointment of a new Director by the Board of Directors in order to fill an existing or newly created vacancy on the Board of Directors. This orientation will include presentations by senior management to familiarize new Directors with the Company's strategic plans, significant financial, accounting and risk management issues, compliance programs, the Company's Code of Business Conduct and Ethics, principal officers, the internal audit department and the independent auditor.

The Board encourages, but does not require, Directors periodically to pursue continuing education opportunities in the form of programs, sessions or materials with respect to the responsibilities of Directors of public companies and will reimburse Directors for reasonable expenses incurred in connection with such continuing education opportunities

### **2. Director Compensation**

The Compensation Committee will recommend to the Board the form and amount of Director compensation, taking into consideration whether Directors are being rewarded in a manner consistent with the compensation strategy of the Company, competitive market practices and applicable legal and regulatory requirements.

### **3. Board and Director Self-Evaluation**

The Board will conduct a self-evaluation annually to determine whether it and its Committees are functioning effectively. This review will be overseen by the Nominating and Corporate Governance Committee as specified in its charter. The objective of the self-evaluation is to increase the effectiveness of the Board, and thereby its value to the Company, through the consideration of, among other things, improved and alternative Board structures, organization or processes.