

## CARAUSTAR INDUSTRIES, INC. CORPORATE GOVERNANCE GUIDELINES

The Board has developed corporate governance practices to help fulfill its responsibilities in overseeing management's conduct of the business and otherwise serving the long-term interests of shareholders. The guidelines are subject to future changes as the Board deems needed to achieve these objectives.

### **Board Composition and Selection; Independent Directors**

1. Board Size. The Board believes the current number of 9 members and the current permitted range of 9 to 15 directors appropriate under the present circumstances. The Board periodically evaluates whether a larger or smaller number of directors would be preferable.
2. Selection of Board Members. Board members from one of three specified classes of directors are elected annually by the Company's shareholders, except for Board action to fill vacancies. The Nominating and Governance Committee has primary responsibility for recommending to the Board candidates for nomination and election. The Nominating and Governance Committee annually reviews with the Board the applicable skills and characteristics required of Board nominees in the context of current Board composition and Company circumstances. In making its recommendations to the Board, the Nominating and Governance Committee considers, among other things, the qualifications of individual director candidates in light of the Board Membership Criteria described below.

The Nominating and Governance Committee will consider candidates recommended by shareholders. Shareholders wishing to suggest director candidates should submit their suggestions in writing to the attention of the Secretary of the Company in accordance with procedures specified in Article III, Section 3 of the Company's Bylaws.

3. Board Membership Criteria. The Nominating and Governance Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members, with the objective of having a Board with diverse backgrounds and experience. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance and other disciplines relevant to the success of a publicly traded company in today's business environment; understanding of the Company's business; educational and professional background; and personal accomplishment. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending candidates to constitute a group that can best perpetuate the success of the Company's business and represent shareholder interests through the exercise of sound judgment, using its diversity of experience. In determining whether to recommend a director for re-election, the Nominating and Governance Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.
4. Board Composition – Mix of Management and Independent Directors. The Board intends that a majority of its directors will be independent. In determining the independence of a director, the Board will apply the definition of "independent director" in the listing standards of the Nasdaq Stock Market or other primary securities market on which the Company's common stock is then listed or traded, and applicable laws and regulations.
5. Term Limits. The Board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and nomination process described in these guidelines.
6. Retirement Policy. The Board believes that 72 is an appropriate retirement age for outside directors. Directors generally will not be nominated for re-election at any annual shareholders meeting following their

7. Directors with Significant Job Changes. The Board requires that any director who retires from his or her present employment, or who materially changes his or her position, shall tender resignation to the Board. The Board, and specifically the Nominating and Governance Committee, will then evaluate whether to accept the resignation based on a review of whether the individual continues to satisfy the Board's membership criteria in light of his or her new occupational status.

8. Selection of CEO and Chairman; Lead Independent Director. The Board does not have a standing policy as to whether the Chairman should be a non-management director or a member of management. Instead, the Board selects the Company's CEO and Chairman in the manner that it determines to be in the best interests of the Company's shareholders. If the Chairman is a member of Company management, the Chairman of the Nominating and Governance Committee, who shall be an independent director, shall also act ex officio as the Lead Independent Director of the Board, with responsibility for coordinating the activities of the other independent directors and for performing the duties specified in these guidelines and such other duties as are assigned from time to time by the Board.

9. Other Boards and Committees. Without specific approval from the Board, no director may serve on more than four public company boards (including the Company's Board), and no member of the Audit Committee may serve on more than three public company audit committees (including the Company's Audit Committee). In addition, a director who is employed as CEO or in an equivalent position with another public company generally should not serve on more than three public company boards, including the Company's Board, in addition to such employer's board. In calculating service on a public company board or audit committee, service on a board or audit committee of a parent and its substantially owned subsidiary counts as service on a single board or audit committee. Any Audit Committee member's service on more than three public company audit committees will be subject to the Board's determination that the member is able to effectively serve on the Company's Audit Committee and the disclosure of that determination in the Company's annual proxy statement. The Nominating and Governance Committee and the Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making recommendations to Company shareholders. Service on boards and committees of other organizations should be consistent with the Company's conflict of interest policies.

### **Board Meetings; Involvement of Senior Management and Independent Advisors**

10. Board Meetings — Frequency. The Board will generally have at least four regularly scheduled meetings per year and hold additional special meetings as necessary. Each director is expected to attend both scheduled and special meetings, unless unusual circumstances make attendance impractical.

11. Board Meetings – Agenda. The Chairman of the Board, if the Chairman is a non-management director, or otherwise the Chairman of the Nominating and Governance Committee acting as Lead Independent Director, taking into account suggestions from other members of the Board, and the CEO will set the agenda for each Board meeting, and will distribute this agenda in advance to each director.

12. Advance Distribution of Materials. All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting should be distributed in writing or electronically to all members in advance, whenever feasible and appropriate. Each director is expected to review this information in advance of the meeting to facilitate the efficient use of meeting time. In preparing this information, management should ensure that the materials distributed are as concise as possible, yet give directors sufficient information to make informed decisions. The Board acknowledges that certain items to be discussed at Board meetings may be of an unusually sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.

13. Access to Employees. The Board should have access to Company employees in order to ensure that directors can ask all questions and obtain all information necessary to fulfill their duties. The Board may specify a protocol for making such inquiries. Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board have a full understanding of matters

being considered.

14. Access to Independent Advisors. The Board and its committees have the right at any time to retain independent outside auditors and financial, legal or other advisors, and the Company will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

15. Executive Sessions of Non-Management Directors. The non-management directors of the Company will meet regularly in executive session, i.e., with no management directors or management present, at least three times each year. Executive sessions of the independent directors will be called and chaired by the Chairman of the Board, if the Chairman is a non-management director, or otherwise by the Chairman of the Nominating and Governance Committee acting as Lead Independent Director. These executive session discussions may include such topics as the independent directors determine.

### **Communications with Shareholders**

16. Shareholder Communications to the Board. Shareholders may contact an individual director, the Board as a group or a specified Board committee or group, including the independent directors as a group, by the following means:

Mail: Caraustar Industries, Inc., Board of Director Communications, c/o Internal Auditor, Jonathan W. Corley, 5000 Austell-Powder Springs Road, Suite 300, Austell, Georgia 30106.

Each communication should specify the applicable addressee or addressees to be contacted, as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them to the addressee. The Company generally will not forward to the directors a shareholder communication that it determines to be primarily commercial in nature or relate to an improper or irrelevant topic, or that requests general information about the Company.

Concerns about questionable accounting or auditing matters or possible violations of the Company's Standards of Business Conduct should be reported pursuant to the procedures outlined in the Standards of Business Conduct, which are available on the Company's web site.

17. Attendance at Annual Meeting. Each director is encouraged to attend the Company's annual meeting of shareholders.

### **Performance Evaluation; Succession Planning**

18. Annual CEO Evaluation. The Nominating and Governance Committee will conduct a review at least annually of the performance of the CEO and will communicate the results of the review to the independent directors and to the CEO. The Nominating and Governance Committee is also responsible for establishing the evaluation process and determining the specific criteria on which the performance of the CEO is evaluated.

19. Succession Planning. As part of the annual officer evaluation process, the Nominating and Governance Committee works with the CEO to plan for CEO succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.

20. Board Self-Evaluation. The Nominating and Governance Committee is responsible for conducting an annual evaluation of the performance of the Board and reporting its conclusions to the Board. The Nominating and Governance Committee's report should generally include an assessment of the Board's compliance with the principles set forth in these guidelines, as well as identification of areas in which the Board could improve its performance.

## Compensation

21. Board Compensation Review. Generally, the Board believes that the level of director compensation should be based on time spent carrying out Board and Committee responsibilities and be competitive with comparable companies. In addition, the Board believes that a significant portion of director compensation should align director interests with the long-term interests of shareholders. Company management should report to the Board on an annual basis how the Company's director compensation practices compare with those of comparable public corporations. The Board should make changes in its director compensation practices only upon the recommendation of the Nominating and Governance Committee, and following discussion and unanimous concurrence by the Board.
22. Director Stock Ownership. The Board believes that, in order to align the interests of directors and shareholders, directors and executive officers should have a significant financial stake in the Company and on July 14, 2005 the Board adopted director share ownership guidelines. Pursuant to the share ownership guidelines, directors are expected to achieve a level of share ownership equivalent to \$150,000 or 15,000 shares; progress against these guidelines is measured by the Nominating and Governance Committee on an annual basis, with the expectation that directors will increase their ownership by approximately 20%, or 3,000 shares, each year. The Nomination and Governance Committee has primary responsibility for recommending standards and procedures on this subject and reserves the right to and reassess share ownership guidelines and make adjustments corresponding to the company's stock price. The Board will evaluate whether exceptions should be made for any director on whom this requirement would impose a financial hardship.

## Committees

23. Number and Type of Committees. The Board has four standing committees – an Audit Committee, a Compensation and Employee Benefits Committee, a Nominating and Governance Committee, and an Executive Committee. The Board may add new committees or remove existing committees as it deems advisable in the fulfillment of its primary responsibilities. Each committee will perform its duties as assigned by the Board in compliance with Company Bylaws and the Committee's charter.
24. Composition of Committees; Committee Chairmen. The Audit, Compensation and Employee Benefits and Nominating and Governance Committees consist solely of independent directors. The Board is responsible for the appointment of committee members and committee chairmen according to criteria that it determines to be in the best interest of the Company and its shareholders.
25. Committee Meetings and Agenda. The chairmen of each committee is responsible for developing, together with relevant Company managers, the committee's general agenda and objectives and for setting the specific agenda for committee meetings. The chairmen and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

## Miscellaneous

26. Director Orientation and Continuing Education. The chairman of the Nominating and Governance Committee and management are responsible for new-director orientation programs and for director continuing education programs to assist directors in maintaining skills necessary or appropriate for the performance of their responsibilities.

Orientation programs will be designed to familiarize new directors with the Company's businesses, strategies and policies and to assist new directors in developing the skills and knowledge required for their service.

Continuing education programs for Board members may include a combination of internally developed materials and presentations, programs presented by third parties at the Company, and financial and administrative support for attendance at qualifying university or other independent programs.

27. Review of Governance Guidelines. The Board expects to review these guidelines at least every two years as appropriate.

**Adopted July 15, 2004.**

**Revised April 3, 2009**