

CH Energy Group, Inc.

Corporate Governance

I. Our Principles and Culture

- A. We operate our Company for the long-term benefit of our shareholders. We recognize that our success depends on earning the respect, trust and confidence of our employees, customers, suppliers, government authorities and the public at large.
- B. We expect our directors, officers and employees to act honestly and ethically at all times.
- C. We embrace the reality that our corporate behavior flows directly from the example set by the leaders of our Company. We expect integrity, and we communicate its importance through example, discussion, training, self assessment and a system for reporting questionable practices without fear of reprisal.
- D. We govern our Company with a spirit of communication and cooperation between our Board of Directors and our management. We have adopted governance guidelines which empower our independent Directors to advise and oversee our management while enabling our Chief Executive Officer to lead management in carrying out the business activities of the Company. Our guidelines are intended to foster alignment between the Board and management to achieve clear and effective leadership and a coherent vision for the Company's future.
- E. We expect our management to provide accurate, complete and timely information to the Board on opportunities, challenges and problems facing the Company. We believe our spirit of communication is key to building the trust and confidence that is essential for enabling all Directors and members of management to work together cooperatively as strategic partners. We expect our Chief Executive Officer to make sure the Board is fully informed so that Directors can participate meaningfully in key decisions and can provide knowledgeable guidance, support and oversight.
- F. We recognize our corporate and social responsibility to comply with all applicable laws and regulations. We emphasize compliance as a fundamental responsibility of our directors, officers and employees, and we have adopted internal controls and procedures for achieving compliance, preventing and detecting compliance problems, and responding to problems as they may occur.

II. Our Governance Guidelines

1. Role of the Board of Directors

The business of CH Energy Group, Inc. is conducted by its employees, managers, and officers, under the direction of the Chief Executive Officer and the oversight of the Board of Directors, for the long term interests of the Company and its shareholders.

The Board of Directors is elected by the shareholders of the Company to oversee management. The Board is responsible for selecting, evaluating and compensating the Chief Executive Officer of the Company, reviewing and approving the long-range business goals and strategies of the Company, and monitoring the competent and ethical operation of the Company's business.

2. Functions of the Board of Directors

The Board of Directors holds at least eight regularly scheduled meetings each year at which it receives and reviews reports by management on the performance of the Company, on immediate and longer term issues facing the Company, and on the Company's financial condition and strategic plans.

Important functions of the Board of Directors include:

- (i) selecting, evaluating and compensating the Chief Executive Officer, and overseeing succession planning for the position of Chief Executive Officer;
- (ii) ensuring that management maintains a system and culture of internal controls which enable clear, candid and timely reporting and communications, foster compliance with applicable laws and regulations, and encourage ethical behavior;
- (iii) reviewing, approving and monitoring important business and financial strategies, including significant actions that are outside the Company's normal course of business;
- (iv) reviewing and assessing significant risks, and overseeing management's plans for controlling, mitigating or avoiding such risks;
- (v) reviewing and approving the compensation structure and compensation levels for senior executives of the Company; and
- (vi) monitoring the development of senior management personnel, overseeing succession planning for senior executive positions, and

approving the appointment of individuals to senior executive positions.

Other important functions of the Board are discussed in the Charters of the four standing Committees of the Board. See Section 7 of these Governance Guidelines.

3. Qualifications of Directors

Directors should be competent persons of honesty and integrity, and should have a reputation for high standards and values in their professional and personal activities. They should have several years of successful high-level executive experience in a significant for-profit business entity during which they were responsible for strategic decisions that integrated relevant operational, technological, marketing, financial, human resources and/or organizational development considerations. Directors also should possess communication and interpersonal skills appropriate for constructive discussions at the Board level. The Company seeks to have a Board comprised of individuals with diverse experience, backgrounds and skill sets, who participate actively and regularly in the Board's work, and who consistently demonstrate objective analysis, practical wisdom and sound judgment.

No person shall be considered qualified for service on the Board if he or she has an interest or activity that the Board of Directors determines interferes with, or even appears to interfere with, the interests of the Company or with the person's ability to consider business opportunities or issues solely from the perspective of what is in the best interests of the Company. As a matter of policy, the Company will not consider a person as qualified for service on the Board if he or she is currently serving as an executive of an entity with significant operations in the energy or utility industry sectors. This policy is not intended to limit the Company from considering a person as qualified because he or she is a member of the Company's senior management or resides within the service territory of Central Hudson Gas & Electric Corporation.

Each person nominated, or being considered for nomination to serve as a Director, and each person serving as a Director, must be sensitive to potential conflicts of interest. Any potential conflict of interest, including any activity or relationship that might tend to create the appearance of a conflict, must be immediately reported to the Chairman of the Board and to the Chairman of the Governance and Nominating Committee for analysis and action as appropriate.

The Company has not established term limits for Directors. The Board believes that persons with experience on the Board provide continuity of leadership and an in-depth understanding of the complex businesses of the Company. Balancing this belief is the Company's policy, as adopted by the Board, that no person may serve as a Director after the Annual Meeting of

Shareholders that next follows the calendar year in which he or she reaches the age of 72.

4. Independence of Directors

A majority of the Company's Directors are and will be "independent" in accordance with the definition of independence contained in Section 303A.02 of the Listed Company Manual of the New York Stock Exchange.

In accordance with Section 303A.02, and commencing with the adoption of these Guidelines, no person shall be considered as an independent director unless the Board of Directors has affirmatively determined that the person has no material relationship with the Company, either directly or indirectly as a relative, partner, shareholder or officer of a person or organization that has a material relationship with the Company.

In this connection, the Board has determined that the following "categorical" standards identify categories of relationships that will not be considered as material relationships that would impair a Director's independence:

- (i) Transactions between the Company and another entity with which a Director or a member of a Director's immediate family (as defined in the New York Stock Exchange's rules) is affiliated will not be considered as material relationships (i) if the transactions occurred more than three years prior to the determination of materiality or (ii) if the transactions occur in the ordinary course of business and are consistent with other arm's length transactions in which the Company has engaged with third parties, unless (a) the Director is a current employee, executive officer, director, or owner of 5% or more of the voting stock of the other entity, or a member of the Director's immediate family is a current employee, executive officer, director or owner of 5% or more of the voting stock of the other entity and (b) such transactions represent, in any of the last three fiscal years, more than the greater of \$1 million or 2% of the other entity's consolidated gross revenues.
- (ii) Discretionary charitable contributions by the Company to non-profit entities with which a Director or a member of the Director's immediate family is affiliated will not be considered as material relationships if such contributions (i) occurred more than three years prior to the determination of materiality, or (ii) are consistent with the Company's philanthropic practices, unless (a) the Director or family member is a current executive officer, director or trustee of the entity and (b) the Company's contributions represent, in any of the last three fiscal years, more than the greater of \$1 million or 2% of such entity's consolidated gross revenues.

The Board will review annually all relationships between the Company and its Directors, including, but not limited to, commercial, charitable, and educational relationships. The Board's determination of each Director's independence will be disclosed annually in the Company's proxy statement.

For relationships not qualifying as immaterial under the categorical standards listed above, the determination of whether the relationship is material, and therefore whether the Director is independent, shall be made by the Directors who satisfy the above independence guidelines. The Company will explain in the next proxy statement the basis for any Board determination that a relationship was not material despite the fact that it did not meet the categorical standards of immateriality set forth in the above guidelines.

To supplement the annual process described above, it shall be the responsibility of each Director to inform promptly the Chair of the Governance and Nominating Committee of any development that may affect the Director's independence.

5. Responsibilities of Directors

Each Director is responsible for the diligent performance of his or her duties as a Director.

Each Director's fundamental duty is to exercise business judgment according to what he or she reasonably believes to be in the best interests of the Company.

Directors are expected to rigorously prepare for, attend and participate in all Board and applicable Committee meetings, and to regularly devote such time and attention as are needed to discharge their duties. The Board meets at least eight times annually, and each independent Director is expected to serve on at least one Committee of the Board. As a matter of policy, and subject to consideration of all relevant facts, the Company views a person's service on the boards of more than two other significant for-profit or not-for-profit entities as being inconsistent with the person's ability to discharge the duties of an independent Director of the Company.

Any Director of the Company who experiences a significant change in personal circumstances during his or her term of service as a Director shall report the change to the Governance and Nominating Committee, and shall resign from the Board if the Governance and Nominating Committee concludes that the change in circumstances is likely to affect in a material manner the Director's ability to perform his or her duties as a Director of the Company.

Any member of the Company's management who serves as a Director of the Company shall resign from the Board when he or she ceases to be a management employee of the Company or experiences a material reduction in his or her management responsibilities with the Company.

6. Setting the Agenda For Board Meetings

The Chairman of the Board, in consultation with the Lead Independent Director, establishes the agenda for each Board meeting and the Secretary of the Company distributes it in advance to the Board. At the beginning of each calendar year, and after consulting with the Lead Independent Director, the Chairman sets, to the extent foreseeable and practicable, a schedule of agenda items to be discussed during the year. Each Director is free to suggest the inclusion of items on the agenda for any Board meeting and to raise at any Board meeting subjects that are not on the agenda for that meeting.

In advance of each Board meeting, and after consulting with the Lead Independent Director, the Chairman provides the Directors with an agenda for the up-coming meeting and with written materials relevant to the agenda. Highly confidential or sensitive matters may be presented and discussed without prior distribution of background materials. The Chairman makes reasonable efforts to deliver relevant written materials to the Directors at least two business days before the scheduled meeting.

7. Board Committees

It is the general policy of the Company that all major decisions are considered by the Board as a whole. In this context, the Board has established the following Committees to assist it in fulfilling its duties: the Audit Committee; the Compensation Committee; the Governance and Nominating Committee; and the Strategy and Finance Committee. The Charters of each of the Committees are published on the Company's website. The Chairs of each Committee report to the Board regarding the highlights of their respective Committee meetings at the next meeting of the Board following the Committee meeting(s).

8. Independence of Committee Members

Rule 10A-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and Section 303A.06 of the Listed Company Manual of the New York Stock Exchange mandate an additional "independence" requirement for members of a listed company's Audit Committee. Specifically, Rule 10A-3 and Section 303A.06 require that members of a Company's Audit Committee not receive any compensation from the Company other than fees paid to them for service as members of the Board and for service as members of Committees of the Board.

As a matter of policy, the Board will apply this additional “independence” requirement to all non-management Directors.

Only independent Directors may serve on the Audit Committee, the Compensation Committee and the Governance and Nominating Committee.

9. Access to Management

Members of the Company’s senior management regularly attend meetings of the Board. Presentations regarding matters under consideration by the Board are made by the members of management who are most knowledgeable about the subjects being considered, without regard to seniority.

Directors are encouraged to contact members of senior management and appropriate administrative personnel with questions and suggestions. If non-management Directors wish to communicate with officers, managers or employees on matters of policy, they are expected to arrange such communications through the Chief Executive Officer.

In connection with the work of the Audit Committee, members of the Audit Committee may communicate with managers, employees and third parties with or without notice to the Chief Executive Officer.

10. Lead Independent Director

The position of Lead Independent Director of the Board is established by Section 4.6 of the By-Laws of the Corporation. Without limiting the generality of the Lead Independent Director’s duties described in Section 4.6 of the By-Laws of the Corporation, the duties of the Lead Independent Director include:

- (i) In accordance with Section 11 of these Governance Guidelines, the Lead Independent Director:
 - (a) presides at executive session meetings of non-management Directors;
 - (b) informs the Chairman of the Board and the President and Chief Executive Officer, subject to the discretion of the non-management Directors, about the substance of the discussions that took place at each executive session meeting of the non-management Directors; and
 - (c) receives communications directly from interested parties who wish to communicate directly with the Director who presides at executive session meetings of the non-management Directors.

- (ii) The Lead Independent Director acts as a liaison between and among the non-management Directors and between and among the Chairman of the Board and the President and Chief Executive Officer. The Lead Independent Director, the Chairman of the Board and the President and Chief Executive Officer consult with each other on issues as they arise from time to time and work together to achieve alignment between management and the Board.
- (iii) In accordance with Section 6 of these Governance Guidelines, the Lead Independent Director consults with the Chairman of the Board and President and Chief Executive Officer (a) at the beginning of each calendar year, regarding a schedule of agenda items to be discussed by the Board during the year, and (b) in advance of each Board meeting, regarding the agenda for the upcoming meeting.
- (iv) In accordance with Section 4.6 of the By-Laws of the Corporation, the Lead Independent Director immediately becomes the acting Chairman of the Board if the office of the Chairman of the Board is vacated due to the incumbent's death, retirement or inability to act. The Lead Independent Director serves as acting Chairman of the Board in accordance with the provisions of Section 4.6 of the By-Laws.
- (v) As a matter of policy:
 - (a) The position of Lead Independent Director shall be filled only by a non-management Director who meets the independence requirements set forth in Section II.4 of these Governance Guidelines; and
 - (b) A Lead Independent Director shall be elected each year at the Annual Meeting of the Board of Directors, to serve in the position of Lead Independent Director for a one year term until the next Annual Meeting of the Board of Directors. A Director may not be elected to serve more than two consecutive one-year terms as the Lead Independent Director. A Director who has served two consecutive terms as the Lead Independent Director may not serve again as the Lead Independent Director until after completion of the three year period following his or her last service as Lead Independent Director.

11. Executive Sessions Without Management

Executive sessions of the non-management Directors are scheduled to follow the conclusion of each regularly scheduled meeting of the Board. The

Lead Independent Director shall preside at all non-management meetings of the Board of Directors.

The non-management Directors may meet without management Directors at such other times as determined by the Lead Independent Director or a majority of the non-management Directors.

As a matter of general practice, and subject to the discretion of the non-management Directors, the Lead Independent Director normally informs the Chief Executive Officer on a reasonably prompt basis about the substance of the discussions that took place at each executive session of the non-management Directors.

In accordance with Section 303A.03 of the Listed Company Manual of the New York Stock Exchange, the Company discloses in its annual proxy statement the name of its Lead Independent Director and publishes on its website a method for interested parties to communicate directly with the Lead Independent Director or with the non-management directors as a group.

12. Access to Independent Advisors

From time to time the Board and Committees of the Board seek advice from independent advisors. As a matter of general practice, such advice is normally sought with the knowledge and concurrence of the Chief Executive Officer. In accordance with the Listed Company Manual of the New York Stock Exchange: the Audit Committee is specifically authorized, in connection with the work of the Audit Committee, to retain advisors without seeking Board approval or informing the Chief Executive Officer, and it has sole authority to retain and terminate the Company's independent auditors; the Compensation Committee has sole authority to retain and terminate any consulting firms used in connection with the evaluation of compensation for directors, the Chief Executive Officer or other senior executives; and the Governance and Nominating Committee has sole authority to retain and terminate any search firm used in connection with identifying and recruiting candidates for membership on the Board of Directors.

13. Compensation of Directors

The Compensation Committee is responsible for making recommendations to the Board with respect to compensation for non-management Directors. In discharging this duty, the Committee seeks to provide Directors with compensation arrangements that are simple, transparent and easy for shareholders to understand. The Committee seeks to recommend compensation arrangements that are consistent with the Company's goal of attracting persons with high qualifications and takes into account competitive information about compensation as well as the work loads involved for each Director.

14. Management Succession

The Board, with advice from the Governance and Nominating Committee, approves policies and procedures for the selection of the Chief Executive Officer, as well as policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.

15. Evaluation and Compensation of Officers

The Board, with advice from the Compensation Committee, approves and maintains policies and procedures for the evaluation and compensation of the Officers of the Company, including the Chief Executive Officer.

16. Communications with Investors, the Media or Other Third Parties

Subject to the requirements of Section 303A.03 of the Listed Company Manual of the New York Stock Exchange, communications with investors, the media and other third parties are handled by management representatives designated by the Chairman and Chief Executive Officer. Directors, officers, managers and employees are expected to refer inquiries to one of the designated management representatives.

17. Review, Approval, or Ratification of Transactions with Related Persons

This Guideline sets forth the Company's written policy and written procedures for review, approval or ratification of transactions involving the Company and "related persons" (i.e., Directors and their immediate family members, executive officers and their immediate family members, and shareholders owning five percent or more of the Company's outstanding stock). The policy and procedures cover any related person transaction that meets the minimum threshold for disclosure in our annual proxy statement under the relevant rules of the Securities and Exchange Commission (generally, a transaction involving an amount in excess of \$120,000, or a series of transactions involving an aggregate amount in excess of \$120,000 in any calendar year, in which a related person has a direct or indirect material interest, and which does not fall under an explicitly stated exception set forth in the applicable disclosure rules of the Securities and Exchange Commission). Such a covered related person transaction is hereinafter referred to as a "Related Person Transaction."

The Governance and Nominating Committee must review all Related Person Transactions. The Governance and Nominating Committee will approve a Transaction only if it determines that the Transaction is consistent with the business interests of the Company. In considering the Transaction, the Committee will consider all relevant factors, including as applicable (i) the Company's business rationale for entering into the transaction; (ii) whether the transaction is on terms comparable to those available to third parties, or in the case of employment relationships, to employees generally; (iii) the potential for

the Transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and (iv) the overall fairness of the Transaction to the Company.

Directors and executive officers are responsible for bringing a potential Related Person Transaction to the attention of the Chairman, President and Chief Executive Officer or to the attention of the Chair of the Governance and Nominating Committee. The Chairman, President and Chief Executive Officer and the Chair of the Governance and Nominating Committee shall jointly determine (or if either is involved in the Transaction, the other shall determine in consultation with the Lead Independent Director) whether the matter is a Related Person Transaction that should be considered by the Governance and Nominating Committee. If a Director is involved in the Related Person Transaction, he or she will be recused from all discussions and decisions about the Transaction. The Transaction should be approved in advance whenever practicable, and if not practicable, must be ratified as promptly as practicable.

18. Director Orientation and Continuing Education

The Company provides an orientation program appropriate for each new Director to inform him or her of matters relevant to service on the Board. This program includes information about the Company's business goals and strategies, its senior management, its financial statements and its code of business conduct.

Each new director is expected, within 60 days of election to the Board, to spend a day at the Company's headquarters for personal briefing by senior management on the Company's operations, financial and risk management systems and controls, and key policies and practices.

The Board expects management to provide continuing internal education to incumbent Directors as appropriate in light of on-going developments affecting the Company and also to provide opportunities for participation in available external education courses on matters of relevance to service on the Board.

19. Annual Performance Evaluation of the Board

The Governance and Nominating Committee is responsible for making recommendations to the Board each year with respect to the evaluation process to be followed by the Board in that particular year. In discharging this duty, the Committee seeks to provide the Board with procedures for self-evaluation that enable the Board to determine whether it and its Committees are functioning effectively.