

February 2005

## **ENGELHARD CORPORATION**

### **CORPORATE GOVERNANCE GUIDELINES**

#### **Composition and Selection of Board**

##### **1. Independence of Directors**

A majority of the members of the Board must meet the criteria for independence required by the New York Stock Exchange. Compliance with the definition of “independent” director will be reviewed annually by the Nominating and Governance Committee. A director will not qualify 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. The Board will critically evaluate substantial contributions to organizations with which a director is affiliated, or enters into consulting contract with (or provides other indirect forms of compensation to) a director, when determining the independence of a director. The Board will prepare a statement disclosing which directors have been deemed independent and the basis for a Board determination that a relationship is not material, to be included in the Company's annual proxy statement. The Board may adopt and disclose categorical standards to assist it in making determinations of independence. No more than one-third of the Board will be from then current management.

In determining the form and amount of director compensation, the Compensation Committee should consider that directors’ independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

##### **2. Number of Directorships**

It is the sense of the Board that non-management directors should not be limited from simultaneously serving on other public company boards; provided, however, that, unless approved by the Board, 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). 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. Directors should advise the Chief Executive Officer and the Chairman of the Nominating and Governance Committee in advance of accepting an invitation to serve on another public company board.

### **3. Board Membership Criteria**

The Nominating and 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.

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

- (i) independence;
- (ii) wisdom;
- (iii) integrity;
- (iv) understanding and general acceptance of the Company's corporate philosophy;
- (v) valid business or professional knowledge and experience that can bear on the Company's and the Board's challenges and deliberations;
- (vi) proven record of accomplishment with excellent organizations;
- (vii) inquiring mind;
- (viii) willingness to speak one's mind;
- (ix) ability to challenge and stimulate management;
- (x) future orientation;
- (xi) willingness to commit time and energy;
- (xii) diversity; and
- (xiii) international/global experience.

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 Governance Committee will continue to take all reasonable steps to identify and consider for Board membership all candidates who satisfy the business needs of the Company at the time of appointment.

#### **4. Selection of Directors**

The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Nominating and Governance Committee, with direct input from the Chief Executive Officer and other Board members, is responsible for identifying and screening candidates for Board membership. The Nominating and Governance Committee will also consider proposals for nominees for director from stockholders which are made in writing to the Secretary of the Company in accordance with the requirements of the Bylaws.

#### **5. 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. The provision is not intended to preclude continued service as a director following cessation of active employment or transfer.

Non-management directors (i.e., directors who are not executive officers of the Company 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 changes from 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 Governance Committee to review, and to make a recommendation to the Board with respect to, the continued appropriateness of Board membership under these circumstances.

## Board Responsibilities; Procedures for Meetings

### **6. Responsibilities of Board and Directors**

The Board recognizes that the principal responsibility of the Board and each director is to the stockholders, 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 Policies of Business Conduct.

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

Directors are expected to attend Board meetings and meetings of committees on which they serve, as well as the annual meeting of stockholders, to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities. 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 as provided in the Company's By-Laws.

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

The Chief Executive Officer will establish the agenda for each Board meeting. The agenda for each meeting will be distributed to directors in advance. Board members may suggest items for inclusion on the agenda and, subject to the will of the majority of those directors present, may raise for discussion at any Board meeting subjects not on the agenda.

### **9. 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 Board members 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 the scheduled meeting. The Company's executive officers will strive to make the information concise yet comprehensive, and will make an ongoing effort to solicit suggestions from inde-

pendent directors on how to best meet their information needs. Directors will also routinely receive financial statements, earnings reports, press releases, analyst reports and other information designed to keep them informed of material aspects of the Company's business, performance and prospects.

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

To empower non-management directors to serve as an effective check on management and to promote open discussion among such directors, the non-management directors will meet periodically at regularly scheduled executive sessions without management, chaired by the Chairman of the Nominating and Governance Committee, to discuss such matters as they deem appropriate. In addition, if there are non-management directors who are not independent, at least once a year the Company shall schedule an executive session including only independent directors.

#### Board Committees

#### **11. Number and Structure**

The Board will have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. All of the members of these committees will be independent directors under the criteria established by the New York Stock Exchange. The Board may, from time to time, establish or maintain additional committees, or consolidate or eliminate existing committees, as necessary or appropriate.

#### **12. Committee Agenda and Responsibilities**

The Chairman of each Committee, in consultation with the appropriate officers, will develop the Committee's agenda.

The responsibilities of the key Board committees are as follows:

The Audit Committee is to assist the Board in overseeing the Company's financial statements, the independent auditor, the internal audit function, and the compliance by the Company with all applicable laws.

The Compensation Committee is to review and approve compensation of the Company's executive officers, produce an annual report on executive compensation and to review and administer the Company's pension plans for executive officers and stock-based benefit plans.

The Nominating and Governance Committee is to identify and recommend director nominees for the Board, develop and recommend Corporate Governance Guidelines and lead the Board in its review of its own performance.

**13. Annual Self-Evaluation**

Each Committee may (and, to the extent required by the rules and regulations of the New York Stock Exchange, shall), with leadership from its Chairman, develop and maintain a charter describing its duties and responsibilities. Charters developed or amended will be reviewed by the Committee and approved by the full Board. Each Committee shall assess its performance and satisfaction of its respective duties and responsibilities each year and will report these findings to the full Board as appropriate.

**14. 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.

Board Interaction and Relationship with Senior Management

**15. Board Access to Senior Management and Counsel**

Directors will have open access to the Company's management team and independent advisors as necessary and appropriate. Board members may contact the management team without permission of the Chief Executive Officer. However, they should use judgment to ensure that this contact is not distracting to business operations and that it is not perceived as infringing on the responsibilities of the Chief Executive Officer. 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, correspondence from a Board member to a member of the management team should be generally copied to the Chief Executive Officer.

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.

**16. Succession Planning**

Succession planning for the Chief Executive Officer is the responsibility of the independent directors of the Board. 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.

Chief Executive Officer and Board Evaluations

**17. Evaluation of Chief Executive Officer**

The Compensation Committee will evaluate the performance of the Chief Executive Officer at least once a year. The Chairman of the Compensation Committee will review this evaluation at an executive session of the non-management directors.

**18. Board Self-Review**

The independent directors will annually review the performance of the Board and the performance of the Committees. The objective of the review is to increase the effectiveness of the Board, and thereby its value to the Company, through the consideration of, among other things, improved or alternative Board structures, organization or processes.

**19. Director Compensation**

The form and amount of director compensation will be determined by the Board with the advice of the Compensation Committee, taking into consideration whether directors are being rewarded in a manner consistent with the compensation strategy of the Company, internal equity considerations, competitive practices and applicable legal and regulatory requirements. The Compensation Committee will conduct an annual review of director compensation.

**20. Director Orientation and Continuing Education**

Each new director is encouraged, but not required, to participate in the Company's orientation program, which includes presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. All other directors are also invited to attend the orientation program.

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.

### General

#### **21. Communications with the Board**

Security holders of the Company and other interested parties may communicate with one or more of the directors (including any presiding director or the non-management directors as a group) by mail in care of the General Counsel at the principal executive offices of the Company and should specify the intended recipient or recipients. All such communications, other than unsolicited commercial solicitations or communications, will be forwarded to the appropriate director or directors for review. Any such unsolicited commercial solicitation or communication not forwarded to the appropriate director or directors will be available to any non-management director who wishes to review it.

#### **22. Periodic Review of These Guidelines**

The operation of the Board is a dynamic and evolving process. Accordingly, these Guidelines will be reviewed periodically by the Nominating and Governance Committee and any recommended revisions will be submitted to the Board for consideration.

#### **23. Intent**

These Guidelines are intended to be a statement of general principles to guide the Board in formulating corporate policy in accordance with applicable laws, rules and regulations, including those of the New York Stock Exchange. The Guidelines are not rules or bylaws. They may be amended from time to time by the Board. In addition, the Board may on occasion depart from the Guidelines when circumstances indicate that a departure is in the best interest of the Company and its stockholders.

#### **24. Disclosure**

These Guidelines must be disclosed on the Company's website along with the key committee charters and the Policies of Business Conduct. This information shall also be available in print to any shareholder who requests it.