

# **KERR-McGEE CORPORATION**

## **CORPORATE GOVERNANCE GUIDELINES**

(as amended and restated January 2005)

### **I. Primary Responsibilities of the Board of Directors**

The Board of Directors (the “Board”) of Kerr-McGee Corporation (the “Company”), which is elected by the stockholders, selects the Chief Executive Officer and certain other members of the Company’s executive management, who are charged with directing the Company’s business. The primary function of the Board is therefore oversight - defining and enforcing standards of accountability that enable executive management to execute their responsibilities fully and in the interests of stockholders. Consistent with that function, the following are the primary responsibilities of the Board, which responsibilities may be delegated to one or more committees of the Board:

- Overseeing management and evaluating whether the Company’s business is being effectively managed, which includes overseeing management’s efforts to implement and operate the Company’s accounting, financial and other controls;
- Selecting, regularly evaluating and planning for the succession of the Chief Executive Officer and such other members of executive management as the Board deems appropriate;
- Determining the salary and incentive compensation of the Chief Executive Officer, and determining the incentive compensation of all other officers and reviewing their salaries and making changes in such salaries as the Board deems appropriate;
- Reviewing the Company’s strategic plans and objectives, including the principal risk exposures of the Company;
- Providing advice to the Chief Executive Officer and other executive management of the Company;
- Overseeing committees of the Board established for the execution of any delegated responsibilities of the Board;
- Establishing the form and amount of compensation for Directors, taking into account their responsibilities both as directors and as members of any committee of the Board;
- Recommending to stockholders an appropriate slate of candidates for election to the Board at the annual meeting of stockholders and filling vacancies on the Board; and
- Evaluating the overall effectiveness of the Board.

In discharging their responsibilities, Directors must exercise their business judgment to act in a manner they believe in good faith is in the best interests of the Company and its stockholders. Directors are expected to attend all or substantially all annual stockholder meetings, Board meetings and meetings of the committees of the Board on which they serve. Directors are also expected to spend the time necessary to discharge their responsibilities appropriately and to ensure that other existing or future commitments do not materially interfere with their responsibilities as members of the Board.

## **II. Organization of the Board of Directors**

### ***A. Size and Composition***

The Company's Certificate of Incorporation provides that the Board shall consist of not less than three members, as established by resolution of the Board. A majority of the Company's Directors shall meet the independence requirements of applicable law and listing standards.

### ***B. Eligibility***

A person who has passed his 73<sup>rd</sup> birthday will not be eligible for re-election for continued service as a Director. A person who has retired as an employee of the Company will not be eligible for election or re-election to the Board or be qualified for continued service as a Director. If a non-management Director changes jobs or positions or has another substantial change in circumstances, the Director shall provide notice of such change to the Chairman and Chief Executive Officer. The Chairman and Chief Executive Officer shall discuss with the Corporate Governance and Nominating Committee whether the Board member should continue to serve in light of such changed circumstances. A Director may sit on the boards of directors of no more than four outside public companies, provided that the Chief Executive Officer may sit on the boards of directors of no more than two outside public companies.

### ***C. Candidates for Board Membership***

The Board is responsible for identifying candidates for Board membership and for extending invitations to join the Board, subject to stockholder approval when required. Candidates are selected for their character, judgment, business experience and specific areas of expertise, among other relevant considerations, such as the requirements of applicable law and listing standards. The Corporate Governance and Nominating Committee is responsible for recommending to the Board a slate of nominees for election to the Board at the Annual Meeting of Stockholders and for recommending to the Board candidates to fill vacancies on the Board. Final approval of any candidate shall be determined by the full Board. Vacancies in the Board may be filled by a majority of the remaining Directors then in office.

### ***D. Director Orientation and Education***

Directors shall receive orientation materials that address the duties and obligations of a Director of the Company, the Company's history and background, compliance programs (including its Code of Business Conduct and Ethics), and recent earnings information and Securities and Exchange Commission filings. The orientation materials shall be updated periodically. In addition, the Company shall pay the reasonable expenses of attendance by a Director at director continuing education programs.

### ***E. Frequency and Conduct of Meetings***

The Board shall conduct regular meetings each year in accordance with the Company's ByLaws and applicable law and listing standards. Additional meetings may be scheduled as necessary or appropriate. The Chairman and Chief Executive Officer shall prepare an annual schedule of meetings for the Board and its standing committees.

Certain matters shall be addressed by the Board at least annually. These matters shall include a review of the Company's (i) strategic plan and the principal current and future risk exposures of the Company; (ii) business and financial performance for the prior year, including a review of the achievement of strategic objectives; and (iii) the Company's compliance with applicable law and listing standards. The proposed annual schedule of meetings of the Board and its standing committees shall be presented to the Board for approval.

The Chairman and Chief Executive Officer shall chair all meetings of the Board. The Chief Financial Officer and the General Counsel and Secretary shall also attend all meetings of the Board, subject to the Board's discretion to excuse one or more of these officers from all or portions of any meeting.

### ***F. Agenda***

The Chairman and Chief Executive Officer shall establish an agenda for each meeting of the Board, which shall be sent to each Director prior to the meeting. In advance of a meeting, each Director shall review the agenda and any other materials sent to him or her regarding matters to be discussed at the meeting. Each Director may suggest the addition of any matter to a meeting agenda. Each Director may also raise at any meeting or executive session any subject that is not on the agenda for that meeting or executive session.

### ***G. Lead Director***

The Board may designate, from time to time, a lead non-management Director ("Lead Director"). If the Board designates a Lead Director, the Board shall review periodically whether to retain the Lead Director position. If appointed, the Lead Director shall be responsible, at the discretion of the Board, for leading the meetings of non-management Directors, facilitating communications between the non-management Directors and the Chairman, providing guidance to the Chairman regarding the agenda for Board meetings and for such other matters as may be determined by the Board from time to time.

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

The Company's non-management Directors shall meet at regularly scheduled executive sessions without management present. If the Board has designated a Lead Director, the Lead Director shall chair the meetings. If the Board has not designated a Lead Director, the responsibility for chairing the meetings shall rotate among the Chairs of each of the standing committees of the Board.

### ***I. Minutes***

The Secretary of the Company or other designated person shall record minutes of all meetings of the Board, meetings of committees of the Board and meetings of stockholders. Minutes for all meetings of the Board and committees of the Board shall be submitted for approval at a subsequent Board or committee meeting. With respect to any matter, a Director

voting against a proposal may ask to have his or her dissent recorded in the minutes of the meeting, and the Secretary shall do so.

### **III. Committees of the Board of Directors**

There shall be three standing committees of the Board: Audit, Executive Compensation, and Corporate Governance and Nominating, each of which shall be comprised entirely of independent directors. Each standing committee shall have the authority and responsibilities provided for in the Company's ByLaws, the resolutions creating such committees and the applicable charter. From time to time, the Board may designate *ad hoc* committees in conformity with the Company's ByLaws. The Board shall have the authority to disband any *ad hoc* or standing committee when it deems it appropriate to do so, provided that the Company shall at all times have such committees as may be required by applicable law or listing standards.

Each of the standing committees shall have a written charter, which shall be approved by the full Board and state the purpose and responsibilities of such committee. Committee charters shall be reviewed not less frequently than annually to reflect the activities of each of the respective committees, changes in applicable law or regulation and other relevant considerations, and proposed revisions to such charters shall be subject to approval by the full Board.

The committees shall conduct regular and special meetings in accordance with their respective charters and applicable law and listing standards. To the extent practicable, information regarding matters to be considered at committee meetings shall be distributed to committee members a reasonable period of time before such meetings.

#### **A. Audit Committee**

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibility relating to (i) the integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; (ii) the performance of the internal auditing function; (iii) the annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (iv) the compliance by the Company with legal and regulatory requirements, including the Company's disclosure controls and procedures; (v) the evaluation of enterprise risk issues; and (vi) the fulfillment of the other responsibilities set out herein. The Audit Committee shall direct the production of the report of the Audit Committee required to be included in the Company's annual proxy statement.

#### **B. Executive Compensation Committee**

The purpose of the Executive Compensation Committee is to assist the Board in the discharge of its responsibility relating to compensation of the Company's Directors, executive officers and such other employees as the Executive Compensation Committee may determine and related matters. The Executive Compensation Committee shall direct the production of the report of the Executive Compensation Committee required to be included in the Company's annual proxy statement.

### ***C. Corporate Governance and Nominating Committee***

The purpose of the Corporate Governance and Nominating Committee is to identify individuals qualified to become members of the Board, to recommend to the Board nominees for each annual meeting of stockholders and nominees for election to fill any vacancies on the Board and to address related matters. The Corporate Governance and Nominating Committee shall also make recommendations to the Board with respect to corporate governance matters and be responsible for leading the annual review of the Board's performance.

## **IV. Additional Operative Guidelines for the Board of Directors**

### ***A. Access to Management, Management Information and Counsel***

Management shall be responsive to requests for information from Board members. The Chairman and Chief Executive Officer may invite members of management to make presentations at Board meetings in order to provide particular insights into aspects of the Company's business or to provide individuals with exposure to the Board for purposes of management development.

The Board and the committees thereof, as more particularly provided in their respective charters, shall be entitled, at the expense of the Company, to engage such independent legal, financial or other advisors as they deem appropriate, without obtaining the approval of any officer of the Company, with respect to any matters subject to their respective authority.

### ***B. Board Interaction with Institutional Investors, the Press and other Constituencies***

Directors may, from time to time, discuss the Company's business with customers, suppliers and others. While Directors may engage in these discussions, they should advise appropriate members of executive management.

In no event shall any Director disclose any material non-public information concerning the Company without prior approval of the Chairman and Chief Executive Officer. Among other considerations, such disclosures may violate applicable law. In the event that a Director inadvertently discloses information that may be material and non-public, he or she immediately should so advise the Company's General Counsel.

Directors may, from time to time, be contacted by institutional investors, other stockholders, sellers of businesses or merger partners, governmental or community officials, analysts or the press to comment on or discuss the business of the Company. Directors should refrain from communicating with any of the foregoing without prior consultation with the Chairman and Chief Executive Officer or the Chief Financial Officer. Any proposed contact by a Director in response to any inquiry by any governmental official shall also be notified in advance to the General Counsel of the Company.

### ***C. Evaluation of Board of Directors***

The Corporate Governance and Nominating Committee shall oversee the evaluation of the Board. In discharging this responsibility, the Corporate Governance and Nominating Committee shall solicit comments from all Directors and report annually to the Board on the results of the evaluation. The Corporate Governance and Nominating Committee also shall

assist the Board with the evaluation of the key committees of the Board, including recommending criteria for such evaluations.

***D. Compensation of Directors***

Among its other duties, the Executive Compensation Committee shall advise the Board with respect to proposed changes in Board or committee compensation, as well as Director retirement policies and programs and perquisites. In this regard, the Executive Compensation Committee may request that management report to the Executive Compensation Committee periodically on the status of the Board's compensation and perquisites in relation to other similarly situated companies. Directors who are Company employees shall not be compensated for their services as Directors.

***E. Management Succession***

Non-management Directors shall meet at least once each year in executive session with the Chief Executive Officer to discuss matters relating to management succession (including the Chief Executive Officer's recommendation as to a successor should the Chief Executive Officer retire or be unexpectedly disabled) and management development. A successor to the Chief Executive Officer, should the Chief Executive Officer retire or otherwise be unable to serve, shall be selected according to his or her ability to provide stable leadership and contribute to the Company's long-term value.

***F. Revisions to these Governance Guidelines***

The Corporate Governance and Nominating Committee periodically shall evaluate these Corporate Governance Guidelines and recommend to the Board such revisions as it deems necessary or appropriate.