

## SIMPSON MANUFACTURING CO., INC GOVERNANCE GUIDELINES

July 19, 2011

### **Director Qualification Standards**

Simpson Manufacturing Company, Inc. seeks as directors persons of reputation, integrity and accomplishment – individuals who bring to board issues a range of talents, useful experience, information and insights. A majority of outside directors must be independent. To be independent, an outside director must have no financial, family or close personal ties to the Company or its executives and must meet the NYSE regulatory standard of independence. Within three years of becoming a director, an outside director is expected to own Company stock, including options (valued using Black-Scholes), having a value at least equal to the annual board retainer. No outside director will be nominated for re-election after 20 years of board service.

### **Key Director Responsibilities**

Directors are expected to attend all board meetings and meetings of the committees on which they are members, be well-prepared by studying in advance meeting materials and analysts' reports and by staying abreast of trends and issues that affect Company performance. In all meetings, directors are expected to assure that the agenda includes items they deem important and to evaluate, add value and, as appropriate, act on agenda items. Directors review operating plans, approve budgets, and monitor the implementation of Company strategy and financial performance. Directors oversee the Company's risk profile and monitor its control environment. Outside directors compose the board's Compensation and Leadership Development Committee, which sets compensation for the executive officers and regularly reviews succession plans. Directors are expected to both challenge and support management. They are expected to encourage critique and discussion, to work together in a healthy atmosphere of give and take, and, when necessary, to take tough, constructive stands.

### **Director Access to Management and, as Necessary and Appropriate, Independent Advisors**

Senior Company managers who are not board members are invited to attend board meetings both to make presentations and to serve as a resource for questions and discussion. Independent directors have ready access to management as needed for their board or committee duties. The charters for the four basic board committees – Audit, Compensation and Leadership Development, Governance and Nominating and Acquisition and Strategy – authorize them to retain such independent, outside advisors as committee members decide are necessary for their work.

### **Director Compensation**

Director compensation is a mixture of cash and performance-based options. Each outside director is paid an annual retainer of \$40,000 in cash. Each outside director is paid a fee of \$2,000 for attending a board meeting. Each outside director is paid a fee of \$2,000 for each committee meeting attended on a day the board does not meet and \$1,000 for a committee meeting attended on a day when the board or another committee meets. An outside director who participates by telephone in a regularly scheduled meeting is paid one-half the regular meeting fee. Outside directors are encouraged to attend meetings of committees on which they are not members and are compensated for their attendance at the same rate as the committee members. Outside directors are also encouraged to visit Simpson facilities to observe operations and are paid a fee of \$3,000 per day for these visits. Each outside director is reimbursed his or her expenses incurred to attend meetings and visits. The chair of each of the Compensation and Leadership Development Committee, the Acquisition and Strategy Committee and the Governance and Nominating Committees is paid an additional \$4,000 annual fee. The chair of the Audit Committee is paid an additional \$8,000 annual fee. The Lead Director is paid an additional \$10,000 annual fee.

Under the 2011 Incentive Plan and its predecessor plan, the Compensation and Leadership Development Committee at the beginning of the year reviews and approves Company-wide operating goals. When these goals are not met, no awards are granted under this Plan. When they are met, each outside director has been granted an option under the predecessor plan to purchase 5,000 shares. Under the

2011 Incentive Plan, the Compensation and Leadership Development Committee determines the number of shares of stock-based compensation to be awarded to outside directors for each year that the Company-wide goals are met.

These arrangements are set by reference to director compensation practices in companies of comparable size and complexity, and by the judgment of the board as to the appropriate level of incentives. These policies and practices are reviewed at least biennially by the Compensation and Leadership Development Committee.

### **Director Orientation and Continuing Education**

New directors are oriented to the Company's business and governance through meetings with Company officers and directors and site visits. The Secretary of the Corporation is responsible for arranging the orientation program for new directors. The Company supports and pays for participation in continuing education programs to assist directors in performing their board responsibilities.

### **Officer Performance**

Annually, the Compensation and Leadership Development Committee reviews the chief executive officer and other senior officers. The Committee chair reports on that evaluation to the outside directors. The annual performance review is based on the following chief executive officer rating factors: leadership, strategic planning, financial results, succession planning, human resources, communication, external relations and board relations.

### **Officer Succession**

On a regular basis, the outside directors meet with the chairman of the board and the chief executive officer to review succession planning. During the chief executive officer's absence or inability to act, the chairman of the board assumes the chief executive officer's duties on a temporary basis, until the permanent chief executive officer returns, or the board, using the criteria established for chief executive officer evaluation, appoints a new chief executive officer.

### **Rotation of Committee Chairs**

When outside directors meet in executive session, the Lead Director presides at the meeting.

The chair of each board committee is not routinely rotated. Through annual review, a policy of gradual rotation is in place.