

## TEMPLE-INLAND INC. Corporate Governance Guidelines

As Adopted by the Board of Directors

On February 6, 2004

The Board of Directors (the "Board") of Temple-Inland Inc. ("Temple-Inland" or "the Company") believes that sound corporate governance practices provide an important framework to assist the Board in fulfilling its responsibilities. Accordingly, the Board has adopted the following guidelines relating to its functions, structure and operations. The Board will periodically review and revise these guidelines and other aspects of Temple-Inland's corporate governance from time to time to reflect the evolving nature of governance practices.

### **I. Stockholder Rights and Proxy Voting:**

- A. **Stockholder Rights:** It is the firm commitment of the Company and its Board of Directors to comply with the laws of the State of Delaware (the State where the Company is incorporated), the securities laws of the United States of America, and the rules of the New York Stock Exchange (the "NYSE") and the Pacific Exchange (the "PCX") respecting stockholder rights.
- B. **Confidential Voting Policy:** The Company's confidential voting policy is attached as Exhibit "A". The policy provides that stockholder proxies, ballots, and voting tabulations that identify the vote of the specific stockholder will not be disclosed to the Company, its directors, officers, or employees except in certain limited situations such as when legally necessary or when expressly requested by a stockholder. The policy also provides for independent inspectors of stockholder vote tabulations and elections.

### **II. Role and Function of the Board of Directors:**

- A. **General Roles of Board and Management:** Temple-Inland's business is conducted by its employees under the direction of the Chief Executive Officer, with the oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board of Directors is elected by the Company's stockholders to oversee management and to assure that the long-term interests of the stockholders are being served.

## TEMPLE-INLAND INC. Corporate Governance Guidelines

- B. Functions of Board:** The primary functions of the Temple-Inland Board of Directors are to oversee management performance on behalf of stockholders, to monitor adherence to Temple-Inland's standards and policies, to promote responsible corporate practices, and generally to perform the duties and responsibilities assigned to the Board by the laws of the State of Delaware, and the United States of America, and the rules of the NYSE and the PCX. In addition to its general oversight of management, the Board as a whole or through Committees thereof also performs a number of specific functions, including:
1. Establishing, reviewing and ratifying Company policies;
  2. Selecting, evaluating and compensating the senior officers of the Company and planning for senior management succession, including the Chief Executive Officer;
  3. Reviewing, approving and monitoring the implementation of Temple-Inland's financial and business strategic plans;
  4. Reviewing and approving significant corporate actions and major transactions;
  5. Overseeing the establishment of, and monitoring compliance with, processes designed to ensure the integrity of the Company's actions, including its financial statements and financial reporting, its relationships with customers, subcontractors, suppliers and other constituencies, and its compliance with law and its Standards of Business Conduct and Ethics Policy and Code of Ethics for Senior Financial Officers;
  6. Reviewing management's assessments of, and plans with respect to, significant risks facing the Company; and
  7. Carrying out the responsibilities set forth in the Company's articles of incorporation, by-laws, and the charters of its committees.

### **III. Selection and Qualifications of Directors:**

- A. Size of the Board:** It is the opinion of the Board that ten to twelve Directors is the optimum size for the full Board of Directors, although consideration may be given to increasing the size to accommodate an outstanding Director candidate or the transition of a departing Director. The Board is divided into three classes that serve staggered three-year terms and are as nearly equal in number as possible. The Nominating and

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

Governance Committee periodically reviews and recommends to the full Board the size of the Board. Changes in the number of Directors are approved by the full Board.

- B. Independence of Directors:** A substantial majority of Directors shall be independent directors as defined under the rules of the NYSE, as they may be amended from time to time.

The Board has established the following additional guidelines to assist it in determining director independence:

1. If not otherwise prohibited by the rules of the NYSE, the following commercial or charitable relationships will not be considered material relationships that would impair a Director's independence: any relationship that is not required to be reported in the Company's proxy statement to stockholders under applicable securities laws.
2. To serve as a member of any committee of the Board, the Director must meet any additional requirements of independence set forth in the committee's charter or applicable law.

- C. Board Membership Qualifications:**

1. The Nominating and Governance Committee provides in its charter for an annual review of the structure of the Board to assure that the proper skills and experience are represented on the Board.
2. The Nominating and Governance Committee has adopted guidelines for reviewing prospective Directors. These guidelines have also been adopted by the full Board and are attached as Exhibit "B". The guidelines require that a prospective candidate be "independent" as defined in these Governance Guidelines and be free from present or potential conflicts of interest with the Company (which excludes consideration of major suppliers or potential suppliers, including suppliers of professional services). The guidelines take into account the Company's mix of manufacturing and financial services businesses, geographic locations, diversity of backgrounds and skills, personal integrity, and other factors. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. Priority will be given to individuals who possess outstanding business

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

experience and who are currently serving or have served as the Chief Executive Officer of a company.

3. Directors should also be able and willing to dedicate the time necessary to Board and Committee service. The Board meets at least four times per year, and Directors are expected to attend all scheduled Board, Committee, and Shareholder meetings, health permitting. The Directors are also expected to have reviewed all materials provided in advance of the meetings.
  4. Directors are re-evaluated by the Nominating and Governance Committee prior to standing for re-election.
- D. Employee Directors:** The Chief Executive Officer is the only employee who may serve as a Director of the Company.
- E. Nominations:** The Nominating and Governance Committee proposes to the full Board all nominees for Board membership. The full Board is responsible for nominating Director candidates. Under the Company's Bylaws, stockholders may also make nominations of Director candidates. The Nominating and Governance Committee will consider director candidates recommended by stockholders who (i) are entitled to vote for the election of directors at the stockholders' meeting and (ii) comply with the following notice procedures. Pursuant to the Company's By-laws, notice of a stockholder's intent to make a nomination for the Board of Directors must contain certain specified information regarding the nominating stockholder and the nominee. Each notice must set forth (a) as to each proposed nominee (i) the name, age, business address and, if known, residence address of each such nominee, (ii) the principal occupation or employment of each such nominee, (ii) the number of shares of stock of the Company which are beneficially owned by each such nominee, and (iv) any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to be named as a nominee and to serve as a director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Company's books, of such stockholder, and (ii) the class and number of shares of the Company which are beneficially owned by such stockholder. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company. This information must be received by the Secretary of the Company not less

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

than 75 days nor more than 100 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. In the case of an annual meeting called for a date more than 50 days prior to such anniversary date or in the case of a special meeting of stockholders, the information must be received not later than the close of business on the 10th day following the date on which notice of such annual meeting or special meeting is first mailed to stockholders or made public, whichever occurs first.

**IV. Director Policies:**

- A. New Director Orientation and Continuing Education:** New Directors of Temple-Inland attend an orientation session prior to attending their first Board meeting. At this personal briefing, the new Director is informed about the Company's products, facilities, employees, strategic plans, financial statements, and key policies and practices. The Director also has an opportunity to meet and question key members of the Company's senior leadership team.

Each month the CEO reports the status of the Company's business to each Director. Relevant materials are provided to each Director in advance of each Board meeting. The head of each of the Company's business segments makes a presentation at each Board meeting as well as annual budget and strategy presentations.

The Company periodically provides materials or briefings to Directors on subjects that will assist them in discharging their duties, and Directors are encouraged to request information on additional topics or agenda items. Directors are also encouraged to attend such educational seminars outside the Company as they find useful or instructive. The Company will reimburse the Directors for their reasonable expenses in attending such seminars.

- B. Stock Ownership:** While the Board has not adopted a requirement that Directors own a minimum number of shares in the Company, share ownership is definitely encouraged. The Company's Stock Incentive Plan provides for a one-time grant to new Directors, upon their initial election to the Board, of options to purchase Company shares. Directors may also take their annual retainer fees and meeting fees in the form of phantom shares.
- C. Director Job Change:** A Director is deemed to tender his or her resignation in the event of a change in job status from the status held at the

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

time of election to the Board. The Nominating and Governance Committee will review whether the new occupation, or retirement, of the Director is consistent with the needs and composition of the Board at that time. The Nominating and Governance Committee will recommend action to the full Board based on the results of the review.

- D. Term Limits:** The Board does not believe in arbitrary term limits on Directors' service. While term limits may help ensure that fresh ideas and view points are available to the Board, they may force the Company to lose the contribution of Directors who, over time, have developed valuable insight into Temple-Inland's business and operations.
- E. Retirement Age:** Non-Employee Directors must retire no later than the annual meeting of shareholders following their 72<sup>nd</sup> birthday. Employee Directors are required to resign from the Board at the time they retire or otherwise terminate employment with the Company, but no later than their 65<sup>th</sup> birthday.
- F. Limitation on Other Board Service:** Temple-Inland places no specific limitations on the number of other boards on which a Director may serve. In selecting Director nominees, the Board takes into account the other demands on the nominee. A current Director should consider whether accepting a new directorship would compromise his or her ability to perform his or her present responsibilities. The Chairman of the Board and the Chairman of the Nominating and Governance Committee shall be consulted by existing Directors prior to joining another board of directors. The Chairman of the Board and the Chairman of the Nominating and Governance Committee will together assess whether the new membership would present a conflict or otherwise compromise the ability of that Director to dedicate the time necessary to serve on the Temple-Inland Board.
- G. No Loans:** It is the policy of the Company not to make loans to its Directors or officers.
- H. Ethics:** The Board expects all Directors to act ethically at all times and to adhere to the Company's Standards of Business Conduct and Ethics Policy. The Board will report any waiver of the ethics policy on the Company's website. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman of the Board and the Chairman of the Nominating and Governance Committee. If a significant conflict exists and cannot be resolved, the Director should

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

resign. All Directors will recuse themselves from any discussion or decision affecting their business or personal interests.

**V. Board Leadership:**

**A. Presiding Director and Non-Employee Directors Executive Session:**

The Board will have regularly scheduled executive sessions with only non-management Directors present. At least once each year, the Board will have an executive session with only independent non-management Directors present. The Chairmen of the Audit, Management Development and Executive Compensation, and Nominating and Governance Committees shall each serve as Presiding Director to lead non-management executive sessions of the Board on a two-year rotation cycle. Interested parties may communicate with the Presiding Director by forwarding their written comments to an independent third party that has agreed to forward the comments to the Presiding Director, with a copy to the Company's General Counsel. The name of the Presiding Director and address of such independent third party will be posted on the Company's website.

**B. Agenda:** The Chairman of the Board establishes the agenda for each Board meeting with input from the Directors.

**VI. Board Committees:**

**A. Number, Structure and Independence of Committees:** The Board periodically evaluates its Committee structure and revises it when appropriate. The current Committees of the Board are: Audit, Management Development and Executive Compensation, and Nominating and Governance. The Company's Bylaws provide for an Executive Committee to be composed of the Chairman of the Board and the Chairman of each Committee. The Board also appoints Special Committees as appropriate for limited, special purposes. Except for the Executive Committee, Committee membership will consist only of independent Directors as defined in Section III. B. of these Governance Guidelines.

**B. Assignment and Rotation of Committee Members:** The Nominating and Governance Committee is responsible for recommending Committee assignments, which are reviewed annually and voted upon by the full Board. Memberships are rotated periodically as determined by the Nominating and Governance Committee.

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

- C. **Frequency and Length of Committee Meetings:** The Chairman of each Committee, in consultation with Committee members, determines the frequency and length of Committee meetings. Meetings are normally scheduled to occur at set times during the year to coincide with Board meetings. The Chairman of a Committee may call a special meeting at any time.
  - D. **Committee Agenda:** Each Committee's agenda is developed as a joint effort by management and the Chairman of the Committee. Each Committee has a schedule of recurring agenda items to be discussed at specific meetings during the year. Nonrecurring topics are scheduled as appropriate. The Nominating and Governance Committee annually reviews the work plans of all committees together as a whole to ensure that no items are overlooked.
  - E. **Committee Charters:** The Audit, Management Development and Executive Compensation, and Nominating and Governance Committees have Charters that are consistent with these Governance Guidelines and that articulate the roles and responsibilities of the Committees. Each Charter has been approved by the full Board and is reviewed regularly by the relevant Committee to assure that it reflects developments in corporate governance and the practices of the Committee.
  - F. **Committee Reports to the Board:** Each Committee Chairman reports to the full Board on the activities of his or her Committee.
- VII. **Board Access to Management and Outside Advisors:**
- A. **Access to Management:** Management of the Company is present for discussion and formal, as well as informal, interaction with the Directors at each quarterly Board meeting. Directors and management communicate between Board and Committee meetings to share information and ideas. In between Board and Committee meetings, the Directors regularly receive reports from the CEO. Members of the Board and members of management also communicate with each other verbally or in writing from time to time as items of interest arise. These nonscheduled communications may be initiated by either party. This direct contact is considered mutually beneficial to the Board members and the members of management and results in improved communication between the two.
  - B. **Executive Sessions of the Committees:** The Audit Committee has separate executive sessions at each regular quarterly meeting in which it meets privately with (i) management outside the presence of the internal

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

auditor or the external auditor, (ii) the internal auditor outside the presence of management or the external auditor, (iii) the General Counsel of the Company outside the presence of management or the external auditor, (iv) the external auditor outside the presence of management, and (v) the Committee itself outside the presence of management or the external auditor. The Management Development and Executive Compensation Committee has executive sessions at which members of management are not present whenever it considers the performance or compensation of the Chief Executive Officer or other executive officers. Likewise, other Committees may meet in executive session at any time upon the request of any member of the Committee.

- C. **Access to Outside Advisors:** As set forth in their charters, the Audit Committee has the sole right to retain the independent auditors, the Management Development and Executive Compensation Committee has the right to retain a compensation consultant, and the Nominating and Governance Committee has the right to retain a director search firm, in each case including sole authority to approve the auditor's or advisor's fees and other retention terms. The Company shall provide appropriate funding, as determined by the applicable Committee, for payment of compensation to such auditors or advisors.

- VIII. **Assessing the Board's Performance:** The Board and each of the Committees perform an annual self-evaluation. Each year, the Directors will be requested to provide their assessments of the effectiveness of the Board as a whole, as well as the individual Committees on which they serve. The individual assessments will be organized and summarized by the Corporate Secretary. Each Committee will discuss the results of its own evaluations, with a follow-up report to the full Board by the Chairman of that Committee. The Nominating and Governance Committee will review the results of all Committee evaluations and also of the Board as a whole, and present a report to the full Board by the Chairman of the Committee. Each Director is also asked to review his or her own performance annually.

- IX. **Director Compensation:** The Nominating and Governance Committee is responsible for recommending to the full Board compensation for Non-Employee Directors. In discharging this duty, the Committee is guided by three goals: the compensation should be sufficient to assist in the recruiting of the highest caliber Directors to the Board; the compensation should align Directors' interests with the long-term interests of Temple-Inland stockholders; and the compensation should fairly pay Directors for work required to diligently serve the interests of stockholders in a

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

company of Temple-Inland's size and scope. The Nominating and Governance Committee reviews the compensation program annually with the assistance of a compensation consultant.

- X. Leadership Development:**
- A. Chief Executive Officer Evaluation:** Each member of the Board completes an evaluation of the CEO annually, which is then reviewed by the Management Development and Executive Compensation Committee. The Chairman of the Committee reports the results of that review to the full Board.
  - B. Compensation Review:** The Management Development and Executive Compensation Committee annually reviews the compensation of the Chief Executive Officer and other senior executives.
  - C. Succession Planning:** The Management Development and Executive Compensation Committee is responsible for reviewing management succession and development plans (including policies regarding succession in the event of an emergency or the retirement of the CEO). The Committee in turn reports its findings to the full Board.
- XI. Communications:** These Guidelines, as well as the Charters of each Committee of the Board, the Standards of Business Conduct and Ethics Policy, and the Code of Ethics for Senior Financial Officers, are to be posted on the Company's web site, and copies are to be available upon request to the Corporate Secretary of the Company.

Stockholders who have questions or comments about the Company are encouraged to contact its Director of Investor Relations.

**TEMPLE-INLAND INC.  
Corporate Governance Guidelines**

**EXHIBIT “A”**

**TEMPLE-INLAND INC.  
POLICY ON CONFIDENTIAL VOTING**

**RESOLVED**, that it is the policy of the Company that stockholder proxies, ballots, and voting tabulations that identify the vote of a specific stockholder shall not be disclosed to the Company, its directors, officers, or employees, except:

- (i) when disclosure is necessary to meet applicable legal requirements or to assert or defend claims for or against the Company;
- (ii) when disclosure is expressly requested by a stockholder, or a stockholder has made written comments on a proxy card;
- (iii) during a contested proxy solicitation;
- (iv) when the Company concludes in good faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots, or votes, or as to the accuracy of the tabulation of such proxies, ballots, or votes; and
- (v) in the case of votes of the individual participants in 401(k) Plans sponsored by the Company, which will be held confidential as required by any applicable Trust Agreement, provided the aggregate vote cast by any applicable Plan Trustee may be disclosed to the Company.

**RESOLVED FURTHER**, that the tabulators and the inspectors of election shall be independent from, and not employees of, the Company.

Nothing in the policy shall operate to prohibit stockholders from disclosing the nature of their votes to the Company or its directors or officers or to impair free and voluntary communication between the Company and its stockholders. Further, this policy shall not prevent the Company or its agents from ascertaining which stockholders have voted or from making efforts to encourage stockholders to vote. Aggregate vote totals may be disclosed to the Company from time to time and publicly announced at the meeting of stockholders to which such vote totals relate or as otherwise required by law.

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

**Exhibit “B”**

**Temple-Inland Inc.**  
**Guidelines for Director Qualifications**

The Board of Directors of Temple-Inland Inc. is selected to (1) represent the shareholders and (2) provide guidance and counsel to Temple-Inland Inc. in a variety of areas of business responsibility. The Nominating and Governance Committee of the Board is charged with the responsibility of reviewing qualifications of potential directors and presenting its recommendations of candidates for director service to the Board of Directors and ultimately to the shareholders of the Company. In view of these responsibilities, the Nominating and Governance Committee and the Board of Directors have adopted the following basic guidelines to provide an overview for qualifications of candidates to serve as members of the Board. The Board, in approving these guidelines, acknowledged and affirmed that no individual candidate would likely possess all qualifications, and that from time to time particular business situations could dictate variances from these guidelines in order to provide the best qualified candidate to serve Temple-Inland Inc. and its shareholders as a member of its Board.

The following qualifications and guidelines should be considered in reviewing director candidates:

- Independence consistent with the requirements of the New York Stock Exchange.
- Priority should be given to individuals who possess outstanding business experience and who are currently serving or have served as the Chief Executive Officer of a company.
- Membership should be composed of diverse background skills and substantive experience pertinent to the Company.
- No candidate may have a prohibited conflict of interest or ownership with any aspect of Temple-Inland’s business, including any regulatory conflict with our ownership of banking and other financial services operations. Accordingly candidates from major suppliers, including professional services, should not be considered. This should include potential suppliers, and in broad categorization, would encompass lawyers, commercial bankers, investment bankers, and management consultants.
- Diversity among directors as a whole is encouraged.

**TEMPLE-INLAND INC.**  
**Corporate Governance Guidelines**

- Board members should present a balance of age.
- Directors should possess the following personal characteristics:
  - An ability to articulate ideas and command respect from peers and to be able to express knowledgeable viewpoints.
  - A progressive attitude with maturity to understand risk.
  - A high level of integrity and moral values.
  - An analytical ability with incisiveness and willingness to ask discerning questions.
  - Sound judgment and recognition of fiduciary responsibility.
  - An ability to commit sufficient time and resources to be an active director of the Company.
  - An ability to interact with the group of existing directors and add to the Board's quality and functioning.
  - Reputation and accomplishments that will be an asset to the Corporation.
- Other characteristics that may provide significant benefits to the Company due to its asset composition and business interest, including among others:
  - An understanding of the manufacturing and financial services industries.
  - International expertise.
  - Significant reputation or presence in geographic locations where the Company owns or operates significant assets.
  - A significant strength or understanding, reputation or presence in areas of industry in which the Company has current or prospective business operations.
  - Mergers and acquisitions experience and expertise.

The Nominating and Governance Committee and the Board of Directors of Temple-Inland Inc. may from time to time consider additional characteristics or qualifications in the director selection process and may revise or supplement these guidelines for consideration of qualifications for directors.

AMENDED the 7<sup>th</sup> day of February 2003.

AMENDED the 5<sup>th</sup> day of November 2004.