

## **LSB INDUSTRIES, INC. BOARD OF DIRECTORS**

### **CORPORATE GOVERNANCE GUIDELINES**

These Guidelines serve as an important framework for the LSB Industries Inc.'s corporate governance practices and to assist our Board of Directors in carrying out its responsibilities effectively. The Board of Directors will review these Guidelines periodically and may modify them as appropriate to reflect the evolution of its governance practices.

Responsibility. The Board has an active responsibility for broad corporate policy and overall performance of the Company through oversight of management and stewardship of the Company.

Role. The business and affairs of LSB are managed by or under the direction of the Board in accordance with Delaware law. The directors' fiduciary duty is to exercise their business judgment in the best interest of LSB and our shareholders.

Duties. Directors are expected to expend sufficient time, energy and attention to assure diligent performance of their responsibility. Directors are expected to attend meetings of the Board, its Committees on which they serve, and the Annual Meeting of Stockholders; review materials distributed and make themselves available for periodic updates and briefings with management via telephone or one-on-one meetings.

Leadership. The positions of Chairman of the Board and CEO are held by the same person.

Independence. A majority of the Board will consist of directors whom the Board has determined to be independent. In general, an independent director must have no material relationship with LSB, directly or indirectly, except as a director. The Board will determine independence on the basis of the standards specified in the corporate governance rules of the New York Stock Exchange and other facts and circumstances the Board considers relevant.

Qualifications. Directors are selected for their integrity and character; sound, independent judgment; breadth of experience, insight and knowledge; and business acumen. Leadership skills, industry expertise and familiarity with diverse industries, are among the relevant criteria, which will vary over time depending on the needs of the Board. The Nominating and Corporate Governance Committee considers candidates for potential nomination to recommends them for approval by the full Board.

Other Directorships. The Board does not limit the number of other public company boards that a director may serve on. However, the Nominating and Corporate Governance Committee will review all directors' service on the boards of other public companies and consider whether such service will detract from the directors' ability to devote the necessary time and attention to LSB.

Term Limits. The Company values experience and the wisdom and perspective developed over a period of years. Therefore there is no mandatory retirement age for Directors. In addition, Directors are not subject to term limits.

Orientation and Continuing Education. New directors participate in an orientation process to become familiar with the Company and its strategic plans and businesses, significant financial matters, core values including ethics, compliance programs, corporate governance practices and other key policies and practices through a review of background materials and meetings with senior executives. The Nominating and Corporate Governance Committee is responsible for providing guidance on directors' continuing education.

Compensation. The Board believes that compensation for outside directors should be competitive. The Compensation and Stock Option Committee reviews periodically the level and form of director compensation and, if appropriate, proposes changes for consideration by the full Board.

Annual Self-Evaluation. It is the intent that the Board and each Committee shall make an annual self-evaluation of its performance with a particular focus on overall effectiveness. The Nominating and Corporate Governance Committee is responsible for overseeing the self-evaluation process.

Access to Management and Advisors. Directors have full access to the Company's management and other employees on request to discuss the business and affairs of the Company. In addition, directors are encouraged to visit the Company's facilities. As necessary and appropriate, the Board and its Committees may retain outside legal, financial or other advisors.

Selection of Agenda Items. The Chairman establishes the agenda for Board meetings. Directors are encouraged to suggest items for inclusion on the agenda.

Attendance of Senior Executives. The Board expects to have regular opportunities for directors to meet with the CEO and other members of management in Board and committee meetings, as well as other settings. Presentation of matters to be considered by the Board are generally made by the responsible executive.

Board Meetings – Independent and Non-Employee Directors Sessions. Regularly scheduled Board meetings include a session of all directors. The CEO is also the Chairman of the Board. In addition, the non-employee directors will meet from time to time in regularly scheduled executive sessions. If the Board includes non-employee directors who are not independent, at least one executive session per year will include only the independent directors. The CEO or other senior executives may be invited to a portion of the meetings of the non-employee directors and the independent directors to answer questions or provide information. There will be at least two non-employee director sessions each year.

The independent members of the Board of Directors will select an independent director to serve as Presiding Director over all meetings of the non-employee directors and of the independent directors. The Presiding Director will act as a liaison with the Chairman, in

consultation with the other directors; provided, that each director will also be afforded direct and complete access to the Chairman at any time as such director deems necessary or appropriate.

Specific duties of the Presiding Director include: chairing executive sessions of the non-employee directors and of the independent directors and providing feedback from such sessions to the Chairman; chairing meetings of the Board in the absence of the Chairman and Vice-Chairman.

Board Committees. The Board will appoint from among its members committees it determines are necessary or appropriate to conduct its business. Currently, the standing committees of the Board are the Audit Committee, Nominating and Corporate Governance Committee, Stock Option Committee and Compensation Committee (“Corporate Committees”).

CEO Performance Review. At least annually, the independent directors will, in conjunction with the Compensation and Stock Option Committee, review the performance of the CEO in light of the Corporation's goals and objectives.

Succession Planning. The Board will, from time to time, review succession plans for the CEO. Succession planning will address both succession in the ordinary course of business and contingency planning in case of unexpected events.

Corporate Governance Guidelines Revision. The Nominating and Corporate Governance Committee and the Board will review and recommend revisions to these Corporate Governance Guidelines and related documents as and when appropriate.