

## **Corporate Governance Guidelines — Philip Morris International Inc.**

### **A. ROLE AND RESPONSIBILITY OF THE BOARD**

The primary responsibility of the Board of Directors (the “Board”) is to foster the long-term success of Philip Morris International Inc. (the “Company”), consistent with its fiduciary duty to the shareholders. The Board has responsibility for establishing broad corporate policies, setting strategic direction, and overseeing management, which is responsible for the day-to-day operations of the Company. In fulfilling this role, each director must exercise his or her good faith business judgment of the best interests of the Company.

### **B. BOARD COMPOSITION, STRUCTURE AND POLICIES**

#### *1. Board Size*

The Nominating and Corporate Governance Committee makes recommendations to the Board concerning the appropriate size of the Board. The Board believes that the quality of the individuals serving on the Board and the overall balance of the Board is more important than the number of members.

#### *2. Independence of Directors*

The Board shall be comprised of a substantial majority of directors that meet the independence requirements under New York Stock Exchange (“NYSE”) corporate governance listing standards and these Corporate Governance Guidelines. The Board shall at least annually make an affirmative determination as to the independence of each director following a recommendation by the Nominating and Corporate Governance Committee and a review of all relevant information. The Board has established categorical standards, subject to the NYSE listing standards and applicable regulations, to assist it in making such determinations. Such categorical standards are set forth in **Annex A** hereto.

#### *3. Annual Election of Directors*

All directors are elected annually by the Company's shareholders. Directors may be nominated by the Board or by shareholders in accordance with the Company's By-Laws. Each year, based on the recommendations of the Nominating and Corporate Governance Committee, the Board recommends a slate of directors for election by shareholders at the Annual Meeting of Shareholders. The Nominating and Corporate Governance Committee reviews all nominees for the Board, including proposed nominees of shareholders, in accordance with its charter.

Any incumbent director nominated for re-election as director who is not re-elected in accordance with Article II, Section 4 of the Company's By-Laws shall offer promptly in writing to submit his or her resignation to the Board. The Nominating and Corporate Governance Committee will

consider the offer and make a recommendation to the full Board as to whether to accept or reject the offer. The full Board will consider all factors it deems relevant to the best interests of the Company, make a determination and publicly disclose its decision and rationale within 90 days after certification of the election results.

Any director who offers to resign pursuant to this provision shall not participate in the Nominating and Corporate Governance Committee's recommendation or the Board's action regarding whether to accept the resignation offer; provided, however, that if each member of the Nominating and Corporate Governance Committee fails to receive a sufficient vote for re-election, then the independent directors who did receive a sufficient vote shall appoint a committee to consider the resignation offers and recommend to the Board whether to accept them. If the only directors who receive a sufficient vote for re-election constitute three or fewer directors, then all directors may participate in the action regarding whether to accept the resignation offers. An incumbent director who has offered to resign pursuant to this Section B.3 shall promptly submit such resignation upon the Board's acceptance of such offer. If a resignation offer is accepted or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board may fill the resulting vacancy pursuant to Article II, Section 6 of the Company's By-Laws or decrease the size of the Board.

#### *4. Vacancies*

Under the Company's By-Laws, the Board may fill vacancies in existing or new director positions. Such directors elected by the Board serve only until the next Annual Meeting of Shareholders when they must stand for election by the shareholders.

#### *5. Board Membership Criteria*

The Nominating and Corporate Governance Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individuals for Board membership, the Nominating and Corporate Governance Committee takes into account many factors, including whether the individual meets the requirements for independence; the individual's general understanding of the various disciplines relevant to the success of a large publicly-traded company in today's global business environment; the individual's understanding of the Company's global businesses and markets; the individual's educational background and professional expertise, including evidence that the individual has dealt with complex problems, has strategy- and policy-setting experience and high-level managerial experience, and has the ability to work effectively with others; and other factors that promote diversity of views. The Nominating and Corporate Governance Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group of directors that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment, using its diversity of knowledge and experience. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board and whether the individual has sufficient time and effort to fulfill his or her responsibilities as a director of the Company, given the individual's other commitments. Recommendations for directors received from shareholders will be evaluated in accordance with the criteria set forth above.

## *6. Limitation on Number of Management Directors*

The Board believes that it is generally preferable that the Chief Executive Officer be the only member of management who serves as a member of the Board. The Board may from time to time determine that it is appropriate to nominate a second member of management to the Board for reasons of succession, transition, or otherwise.

## *7. Leadership Structure*

The Board does not believe that any particular leadership structure is inherently superior to all others under all circumstances. Rather, it believes that it is important to retain its flexibility to allocate the responsibilities of the positions of the Chairman of the Board and Chief Executive Officer in the way that it believes is in the best interest of the Company under the then prevailing circumstances. The Board currently believes that it is in the best interest of the Company to separate these positions as part of the Company's leadership transition, but periodically reviews the Company's leadership structure.

## *8. Lead Independent Director*

The non-management directors annually elect one independent director to be the Lead Independent Director based upon recommendation from the Nominating and Corporate Governance Committee. The Lead Independent Director is identified in the Company's proxy statement and on its website. The Lead Independent Director's responsibilities are to:

- Preside over executive sessions of the non-management directors and at all meetings at which the Chairman is not present;
- Call meetings of the non-management directors as he or she deems necessary;
- Serve as a liaison between the Chairman, Chief Executive Officer and the non-management directors;
- Review agendas and schedules for Board meetings;
- Advise the Chairman and the Chief Executive Officer of the Board's informational needs and review information sent to the Board;
- Together with the Chairman and the Chair of the Compensation and Leadership Development Committee, communicate goals and objectives to the Chief Executive Officer, and the results of the evaluation of the Chief Executive Officer's performance;
- Be available for consultation and communication if requested by major stockholders; and
- Perform such other functions as the Board or other non-management directors may request from time to time.

The Lead Independent Director is invited to attend all meetings of Committees of the Board of which he or she is not a member.

## *9. Change in Primary Employment*

In the event of a material change in a non-management director's qualifications or status, such as a change in primary employment, such director must tender his or her resignation to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to whether or not to accept the resignation, which shall become effective only upon acceptance by the Board.

## *10. No Specific Limitations on Other Board Service*

The Board does not believe that its members should be prohibited from serving on boards and committees of other organizations. Each director is expected to ensure that other commitments do not interfere with the discharge of his or her duties as a director of the Company.

Directors are expected to inform the Chairman, the Lead Independent Director and the Chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve as a director of another public company, or becoming a chairman, a lead independent director, a committee chair or a member of the audit committee of another public company, and the Nominating and Governance Committee shall make a determination as to whether such additional service may impair the director's ability to effectively continue to serve on the Board.

The Nominating and Corporate Governance Committee and the Board will take into account the nature and extent of an individual's other commitments when determining whether it is appropriate to nominate such individual for election or re-election as a director. Service on boards and committees of other organizations should be consistent with the Company's conflict of interest policies.

Notwithstanding the foregoing, if a member of the Audit and Risk Committee serves on more than three audit committees of public companies, the Board shall determine whether such public service would impair the ability of such member to effectively serve on the Audit and Risk Committee. If the Chairman, a Committee Chair or Lead Independent Director sits on more than four public company boards, the Board shall determine whether such public service would impair the ability of such member to effectively serve as the Company's Chairman, Committee Chair or as Lead Independent Director. If a director nominee sits on more than five public company boards, the Board shall determine whether such public service would impair the ability of such nominee to effectively serve on the Board.

## *11. No Limitations on Terms; Retirement Age*

The Board does not believe in term limits or a retirement age for non-management directors because it would deprive the Company of directors who have developed, through valuable experience over time, an increasing insight into the Company and its operations.

Subject to the Board's discretion, a management director must resign from the Board upon ceasing to be an officer of the Company, and in any event, must resign upon reaching the age of 65.

## *12. Director Orientation and Continuing Education*

The Company provides an orientation process for new directors, including a review of background material on the Company, a briefing on key issues facing the Company and meetings with senior management. On a continuing basis, directors receive presentations on the Company's strategic and business plans, financial performance, legal and regulatory matters, sustainability, corporate governance and compliance programs and other matters. Periodically, the Board meets with senior management and visits facilities at the Company's operating companies. Directors are encouraged to take advantage of continuing education opportunities that will enhance their ability to fulfill their responsibilities. In addition, the Company will pay the reasonable expenses for any director who wishes to attend accredited third-party training for directors.

## *13. Director Communications with Third Parties*

The Board believes that senior management speaks for the Company and the Chairman speaks for the Board. Communications about the Company with shareholders, analysts, the press, media and other constituencies should be made by management. Individual directors may from time to time meet with or communicate with various constituencies with which the Company is involved. It is expected that Board members would do this with the knowledge of management and, absent unusual circumstances or as otherwise contemplated by these Guidelines, only at the request of management.

## *14. Communications with the Board*

Shareholders and other interested parties who wish to communicate with the Board may do so by writing the Lead Independent Director, Board of Directors of Philip Morris International Inc., 677 Washington Blvd., Stamford, CT 06901. The non-management directors have procedures for the handling of communications from shareholders and other interested parties and have directed the Corporate Secretary to act as their agent in processing any communications received. All communications that relate to matters that are within the scope of the responsibilities of the Board and its Committees are to be forwarded to the Chairman. Communications that relate to matters that are within the responsibility of one of the Board Committees are also to be forwarded to the Chair of the appropriate Committee. Communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities, such as customer complaints, are to be sent to the appropriate subsidiary. Solicitations, junk mail and obviously frivolous or inappropriate communications are not to be forwarded, but will be made available to any non-management director who wishes to review them.

## **C. BUSINESS CONDUCT AND ETHICS**

### *1. Conflicts of Interest*

A "conflict of interest" occurs when a person's private interest interferes in any way, or even appears to interfere, with the interest of the Company, including its subsidiaries and affiliates. A conflict of interest can arise when a director or a director's family member takes an action or has an interest that may make it difficult for that director to perform his or her work objectively and

effectively. Conflicts of interest may also arise when a director (or his or her family member) receives improper personal benefits on account of the director's position in the Company.

A conflict of interest may arise in various situations including, but not limited to, the following examples in which the rules are clear. No one, when acting for the Company, including a member of this Board, may ever, directly or indirectly (such as through a family member):

- Accept any benefit, gift or entertainment that would be illegal or result in any violation of law;
- Accept any gift of cash or cash equivalent (such as gift certificates, loans, stock, or stock options);
- Accept or request anything as a "quid pro quo," or as part of an agreement to do anything in return for the benefit, gift or entertainment;
- Participate in any entertainment that is unsavory, sexually oriented, or otherwise violates our commitment to mutual respect; or
- Participate in any activity that would cause the person giving the benefit, gift or entertainment to violate his or her own employer's standards.

The following are examples of situations which may constitute a conflict of interest. Situations such as these should be brought to the attention of the Chair of the Nominating and Corporate Governance Committee for review and clearance before any action is taken:

- Competing with the Company for the purchase or sale of property, services or other interests.
- Having an interest in a transaction involving the Company, a customer or supplier (other than as a director of the Company and not including routine investments in publicly traded companies).
- Receiving a loan or guarantee of an obligation on account of your position with the Company.
- Engaging in any conduct or activity that disrupts or impairs the Company's existing or potential commercial relationships.
- Accepting compensation, in any form, for services performed for the Company from any source other than the Company.
- Receipt by a director (or a director's family member) of benefits, gifts or entertainment from persons or entities who deal with the Company where a benefit, gift or entertainment is intended to influence the director's actions as a member of the Board, or where acceptance could create the appearance of a conflict of interest.

If a director develops an actual, apparent or potential conflict of interest, the director should report the matter promptly to the Nominating and Corporate Governance Committee for evaluation and appropriate resolution. The Nominating and Corporate Governance Committee will consult with the Corporate Secretary, Company's Chief Compliance Officer, General Counsel and other legal counsel, as appropriate.

If a director has a direct or indirect personal interest in a matter before the Board, the director shall disclose the interest to the full Board, shall recuse himself or herself from participation in the discussion, and the matter shall not be approved unless it receives the affirmative vote of a majority of the directors or the appropriate committee who have no direct or indirect personal interest in the matter.

## *2. Corporate Opportunities*

Directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Directors are prohibited from taking for themselves business opportunities that are discovered through the use of corporate property, information or position. No director may use corporate property, information or position for personal gain, and no director may compete with the Company. Competing with the Company may involve engaging in the same line of business as the Company, or any situation where the director takes away from the Company opportunities for sales or purchases of products, services or interests.

## *3. Protection of Confidential Information*

Directors should maintain the confidentiality of information entrusted to them by the Company, its customers, consumers or suppliers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company, its customers, consumers or suppliers, if disclosed.

## *4. Fair Dealing*

No one should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

No bribes, kickbacks or other corrupt payments in any form shall be made directly or indirectly to or for anyone for the purpose of obtaining or retaining business or obtaining any other favorable action.

Occasional business gifts of modest value to and entertainment of nongovernment employees in connection with business discussions or the development of business relationships are generally deemed appropriate in the conduct of Company business. However, no gift or entertainment should be offered or extended if it is illegal, known to be in violation of the rules of the recipient's organization or would likely result in a feeling or expectation of personal obligation on the part of the recipient. In addition, no gifts or business entertainment of any kind may be given to any government employee without the approval of the Chair of the Nominating and Corporate Governance Committee, who will consult with legal counsel as appropriate.

## *5. Protection and Proper Use of Company Assets*

Protecting Company assets against loss, theft or other misuse is the responsibility of everyone who acts for the Company, including directors. Loss, theft and misuse of Company assets directly

impact our profitability. All of the Company's assets should be used for legitimate business purposes.

#### *6. Compliance with Laws, Rules and Regulations*

The Company is strongly committed to conducting our business affairs with honesty and integrity and in full compliance with all applicable laws, rules and regulations. No director of the Company shall commit an illegal or unethical act, or instruct others to do so, for any reason when conducting business for the Company.

#### *7. Trading on Inside Information*

Using non-public, Company information to trade in securities, or providing a family member, friend or any other person with a "tip", is illegal. All such non-public information should be considered inside information and should never be used for personal gain. Directors are required to familiarize themselves and comply with the Company's policy against insider trading. Directors should contact the Corporate Secretary before engaging in any transaction involving Company securities.

#### *8. Anti-Hedging and Anti-Pledging of the Company's Common Stock*

Directors are prohibited from purchasing any financial instrument or otherwise engaging in any transaction that is designed to hedge or offset any decrease in the market value of the Company's common stock held by them directly or indirectly, including prepaid variable forward contracts, equity swaps, collars and exchange funds, and other transactions with comparable economic consequences. The foregoing does not prohibit trading in broad-based index funds.

Directors are also prohibited from engaging in short sales related to the Company's common stock and from pledging the Company's common stock, including holding the Company's common stock in a margin account.

#### *9. Political Contributions and Activities*

Any political contributions made by or on behalf of the Company and any solicitations for political contributions of any kind must be lawful and in compliance with Company policies. This policy applies solely to the use of Company assets and is not intended to discourage or prevent individual directors from making political contributions or engaging in political activities on their own behalf. No one may be reimbursed directly or indirectly by the Company for personal political contributions.

The Nominating and Corporate Governance Committee oversees the Company's political contributions and expenditures, and the Company's policies related thereto, as well as lobbying and trade association activities.



## *10. Compliance with the Company's Code of Conduct and Reporting of Any Illegal or Unethical Behavior*

Every director is expected to comply with the Company's Code of Conduct (the "Code"). The Code will be strictly enforced, and violations will be dealt with promptly. Violations of the Code that involve illegal behavior will be reported to the appropriate authorities, after consulting with counsel.

Directors should promptly communicate any suspected violations of the Code to the Chair of the Nominating and Corporate Governance Committee. Any concerns relating to the Chair of the Nominating and Corporate Governance Committee should be communicated to the Chair of the Audit and Risk Committee. Violations will be investigated by or at the direction of the Nominating and Corporate Governance Committee, the Audit and Risk Committee or the full Board of Directors, as appropriate. Any waiver of any provision of the Code for any director may only be granted by the Board and will be promptly disclosed to the Company's shareholders (by posting on the Company's website or other means of public disclosure, as appropriate).

### **D. BOARD MEETINGS**

#### *1. Frequency of Meetings*

The Board holds regular meetings at least quarterly, and special meetings are held when necessary. A Board meeting is held following the Annual Meeting of Shareholders and is the organizational meeting at which officers and members and Chairs of Board committees are elected.

#### *2. Strategic Plan Review*

The Board each year reviews the Company's business and long-range plan.

#### *3. Attendance at Meetings*

Directors are expected to prepare themselves for and to attend all Board meetings, the Annual Meeting of Shareholders and the meetings of the Committees on which they serve, with the understanding that on occasion a director may be unable to attend a meeting.

#### *4. Information Flow and Distribution of Meeting Materials*

Various materials are distributed to the Board on a continuing basis throughout the year and reports and presentations are made at Board and Committee meetings to keep the Board informed on an ongoing basis of the performance of the Company and its businesses, their future plans (including acquisitions, divestitures and capital expenditures), the various issues that they face, and new developments. The materials for each Board meeting are distributed in advance of the meetings to give directors an opportunity to review such materials prior to the meeting in order to facilitate active and informed discussion at the meeting. Directors are expected to review these materials thoroughly in advance of the meetings.

## *5. Agendas*

The Chairman proposes the agenda for each meeting of the Board in consultation with the Lead Independent Director who reviews the agenda taking into account suggestions from other members of the Board.

## *6. Access to Management and Independent Advisors*

Board members have unrestricted access to management. Any meetings or contact that a director wishes to initiate may be arranged through the Corporate Secretary. The Board and each Committee of the Board have the authority and appropriate funding from the Company to retain independent legal, accounting and other experts and consultants to advise the Board and the Committees as they may deem appropriate.

Directors should exercise due care to ensure that any interactions with independent advisors and employees of the Company do not result in the inappropriate disclosure of confidential or sensitive Company information in the possession of directors.

## *7. Executive Sessions*

At each quarterly Board meeting, time is set aside for the non-management directors to meet in executive session without any members of management being present. The Lead Independent Director will preside over these executive sessions. At least annually, time is set aside for the independent directors to meet in executive session without members of management or non-independent directors present. The Lead Independent Director will preside over these executive sessions. These executive session discussions may include such topics as the non-management directors or independent directors, respectively, determine.

# **E. COMMITTEES OF THE BOARD**

## *1. Committees and Responsibilities*

Pursuant to the Company's By-Laws, the Board may establish committees from time to time to assist it in the performance of its responsibilities. There are currently four Board Committees:

### *a. Audit and Risk Committee.*

The Audit and Risk Committee, among other things, monitors the integrity of the Company's financial reporting processes and systems of internal accounting and disclosure controls, sustainability reporting and other non-financial related disclosures, the independence and the performance of the independent auditors, the qualifications and performance of the internal auditors, produces an annual audit committee report to be included in the Company's proxy statement in accordance with applicable rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), monitors the Company's compliance with legal and regulatory requirements, and monitors the Company's enterprise risk management program. In addition, the Audit and Risk Committee oversees the Company's Enterprise Risk Management process,

including the management of information technology and other technology risks, including those arising from cybersecurity threats and data privacy, and risks associated with the use of artificial intelligence and data governance.

*b. Compensation and Leadership Development Committee.*

The Compensation and Leadership Development Committee, among other things, is responsible for assisting the Board in discharging its responsibilities relating to executive compensation, including recommending the short- and long-term performance goals and compensation of the Chief Executive Officer and other executive officers, overseeing certain of the Company's policies and procedures with respect to the risks related to human capital management, producing an annual compensation committee report on executive compensation to be included in the Company's proxy statement in accordance with applicable rules and regulations of the SEC, and reviewing the succession plans for the Chief Executive Officer and other senior executives.

*c. Nominating and Corporate Governance Committee.*

The Nominating and Corporate Governance Committee is responsible, among other things, for identifying individuals qualified to become Board members, recommending a slate of nominees for election at each annual meeting of shareholders, making recommendations to the Board concerning the appropriate size, function, needs and composition of the Board and its Committees, assessing director effectiveness, developing and recommending to the Board the Company's corporate governance guidelines, determining and recommending the compensation of the non-executive directors and overseeing the evaluation of the Board and its Committees.

*d. Science and Technology Committee.*

The Science and Technology Committee, among other things, oversees the long-term product portfolio strategy of the Company, focusing on research and development of new products and services and improvements to existing products and services, specifically with respect to Smoke-Free Products and the products related to the Company's Wellness portfolio, and monitors key legislative, regulatory and public policy issues and trends related to the research and development of the Company's products and services.

A full description of the responsibilities of each of the Committees is set forth in the Committee charters that are published on the Company's website.

*2. Membership and Chairs of Committees*

The members of the Audit and Risk, Compensation and Leadership Development, and Nominating and Corporate Governance Committees shall consist only of those directors whom the Board determines meet the NYSE independence requirements and who meet the additional requirements for committee membership of the NYSE and any other applicable laws, rules and regulations and the Committee charters. At least one member of the Audit and Risk Committee shall be an "audit committee financial expert" as such term is defined in regulations of the Securities and Exchange Commission.

The Board does not have a set policy for the regular rotation of Committee members or Committee chairs, but annually reviews and approves Committee memberships and Chair positions, seeking the best combination of continuity and fresh perspectives on the Committees.

### *3. Committee Agendas, Meetings and Reports to the Board*

The Chair of each Committee, in consultation with the other Committee members, shall set meeting agendas and determine the frequency and length of Committee meetings. Each Committee reports its actions and recommendations to the Board.

## **F. PERFORMANCE EVALUATION AND SUCCESSION PLANNING**

### *1. Annual Evaluation*

The Compensation and Leadership Development Committee shall establish annual and long-term financial and strategic goals and objectives for the Chief Executive Officer as it deems appropriate, evaluate his performance in light of these goals and objectives, and determine and approve his compensation based on this evaluation. The Compensation and Leadership Development Committee will review with the Board its evaluation of the Chief Executive Officer's performance and its determination of his compensation. The Chair of the Compensation and Leadership Development Committee, the Chairman and the Lead Independent Director will communicate this evaluation to the Chief Executive Officer.

### *2. Succession Planning*

The Compensation and Leadership Development Committee is responsible for reviewing and assisting with the development of executive succession plans, evaluating and making recommendations to the Board regarding potential candidates to become Chief Executive Officer, and evaluating and approving candidates to fill other senior executive positions.

### *3. Board and Committee Self-Evaluations*

The Nominating and Corporate Governance Committee is responsible for developing and recommending to the Board and overseeing an annual self-evaluation process for the Board and for the other Committees of the Board. The Board will discuss the results of the self-evaluations to determine whether the Board and its Committees are functioning effectively and whether any actions should be taken to improve their effectiveness.

## **G. BOARD COMPENSATION**

The Nominating and Corporate Governance Committee periodically benchmarks director compensation against the Company's compensation peer group and general industry data, considers the appropriateness of the form and amount of director compensation and makes recommendations to the Board concerning such compensation with a view toward attracting and retaining qualified directors.

The Board believes that a substantial portion of director compensation should consist of equity-based compensation to assist in aligning directors' interests with the long-term interests of shareholders.

Employees of the Company serving as directors shall not receive any additional compensation for service on the Board.

## **H. SHARE OWNERSHIP REQUIREMENT**

A non-management director may not sell or otherwise dispose of shares of the Company's common stock received pursuant to the annual share award (other than shares withheld from the grant to pay taxes) unless he or she continues after the disposition to own PMI shares having an aggregate value of at least five times the then-current annual cash retainer. The Board will evaluate whether exceptions should be made for any director on whom this requirement would impose a financial hardship.

To assure compliance with the SEC's rules and/or reporting requirements: (i) any transactions in the Company's securities by a director, including any gifting thereof, must first be reviewed and pre-approved by the Company's Corporate Secretary; and (ii) any director who retires, resigns or otherwise leaves the service of the Board must hold the Company's securities for a period of ninety (90) days before any sale of thereof.

## **I. PERIODIC REVIEW OF THE CORPORATE GOVERNANCE GUIDELINES**

The Corporate Governance Guidelines shall be reviewed by the Board at least annually.

## **J. AMENDMENTS**

Any amendment to any provision of the Corporate Governance Guidelines must be approved by the Board.

**Corporate Governance Guidelines:**

**Categorical Standards of Director Independence**

A director is considered independent if the Board makes an affirmative determination after a review of all relevant information that the director has no material relationship (either directly or as a partner, shareholder or officer of an organization that has a relationship) with the Company or any of its subsidiaries. The Board has established the categorical standards set forth below to assist it in making such determinations.

1. A director will not be considered independent if the director:

- (i) is, or within the last three years has been, employed by the Company or any of its subsidiaries;
- (ii) has an immediate family member who is, or within the last three years has been, employed as an executive officer of the Company or any of its subsidiaries;
- (iii) receives, or during any twelve-month period within the last three years has received, more than \$120,000 per year in direct compensation from the Company or its subsidiaries other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (iv) has an immediate family member who receives, or during any twelve-month period within the last three years has received, more than \$120,000 per year in direct compensation as an executive officer of the Company other than pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (v) is a current partner or current employee of the independent auditors of the Company or any of its subsidiaries;
- (vi) has an immediate family member who is a current partner of the independent auditors of the Company or any of its subsidiaries, or is a current employee of such firm and personally works on the audit of the Company or any of its subsidiaries;
- (vii) has within the last three years (but is no longer) been a partner or employee of the independent auditors of the Company or any of its subsidiaries and personally worked on the audit of the Company or any of its subsidiaries within that time;
- (viii) has an immediate family member who was within the last three years (but is no longer) a partner or employee of the independent auditors of the Company or any of its subsidiaries and personally worked on the audit of the Company or any of its subsidiaries within that time;

- (ix) is, or within the last three years has been, employed as an executive officer of another company where any of the current executive officers of the Company serve, or within the last three years have served, on such other company's compensation committee;
- (x) has an immediate family member who is, or within the last three years has been, employed as an executive officer of another company where any of the current executive officers of the Company serve, or within the last three years have served, on such other company's compensation committee;
- (xi) is a current employee of a company that has made payments to, or received payments from, the Company or its subsidiaries for property or services in an amount which, in any single fiscal year for the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues; or
- (xii) has an immediate family member who is a current executive officer of a company that has made payments to, or received payments from, the Company or its subsidiaries for property or services in an amount which, in any single fiscal year for the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

2. Relationships of the following types will not be considered material relationships that would impair a director's independence:

- (i) charitable donations or pledges made by the Company or its subsidiaries to a charitable organization of which a director is, or within the last three years has been, an executive officer, director, trustee or the equivalent in an amount that, in any single fiscal year, does not exceed the greater of \$1 million or 2% of such charitable organization's consolidated gross revenues;
- (ii) commercial relationships in which a director (or a member of his or her immediate family) is a director, officer, employee or significant shareholder of an entity with which the Company has ordinary course business dealings that do not, or with which the Company has a commercial banking, investment banking or insurance brokerage relationship, in each case that does not cross the bright-line tests in Sections 1(xi) and 1(xii) above and where the director (or immediate family member) is not directly responsible for or involved in the entity's business dealings with the Company;
- (iii) membership in, or association with, the same professional association, social, educational, fraternal or religious organization, club or institution, as an executive officer or another director of the Company;
- (iv) service on the board of another company at which an executive officer or another director of the Company also serves as a board member, except as set forth in Section 1(ix) and 1(x) above; and
- (v) employment by a director at another company, or service on the board of another company by a director, where the independent auditor for such other company is also the independent auditor for the Company.