

# DELTIC TIMBER CORPORATION

## Corporate Governance Guidelines

These guidelines have been approved by the Board of Directors (the “Board”) and, along with the Bylaws of the Company, its Policies and Procedures, and the charters of the Board Committees, provide the framework for the governance of the Company. The Company’s business is conducted by its employees, managers, and officers under the direction of the President & Chief Executive Officer and the oversight of the Board of Directors to enhance the value of the Company for its stockholders. The Board and its applicable committees will review these guidelines and other aspects of corporate governance annually or more often if appropriate.

### **1. Composition of the Board and Board Membership Criteria; Director Qualifications**

The Nominating and Corporate Governance Committee shall recommend to the Board criteria for Board membership, which shall include the criteria set forth in the charter of the Committee, and shall recommend individuals for membership on the Company’s Board of Directors. In making its recommendations, the Nominating and Corporate Governance Committee shall:

- review all candidates’ qualifications, including those that may be nominated by stockholders in compliance with the Company’s Bylaws, for membership on the Board based on the criteria approved by the Board (including consideration of any Board determination as to the independence of such candidate and where no determination has been made, review of applicable criteria and considerations adopted by the Board for independence determinations, and taking into account the enhanced independence, financial literacy and financial expertise standards that may be required under law or New York Stock Exchange rules for Audit Committee membership purposes);
- in evaluating current directors for re-nomination to the Board, assess the performance of such director; and
- periodically review the composition of the Board in light of the current challenges and needs of the Board and the Company, and determine whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience.

### Independence

A majority of the Board shall be comprised of directors meeting, at a minimum, the independence requirements of the New York Stock Exchange. The Board shall make an affirmative determination of at least annually as to the independence of each director.

### Bifurcation of Duties of Chairman and CEO

The Board has determined that it remains advantageous and of potential benefit for the Company and its stockholders that the positions of Chairman of the Board and President & Chief Executive Officer be bifurcated. Accordingly, the position of the Company's Chairman of the Board shall be held by a person who is not an employee or executive of the Company. Each of the Chairman of the Board and the President & Chief Executive Officer shall have those powers, privileges, duties and responsibilities as set forth in the Company's Bylaws, its policies and procedures, and otherwise as directed by the Company's Board.

### Term Limits

Although the Board has determined that term limits for its members are not necessary, the Board shall periodically review the appropriateness of director term limits in connection with its procedures for the selection and nomination of directors to ensure the presence of diverse viewpoints and ideas on the Board.

### Retirement Age

The Board believes that 75 is an appropriate retirement age for directors. Therefore, no director shall be nominated, elected, or stand for re-election after reaching the age of 75. Directors who reach the age of 75 during their term of office as a director will retire from the Board no later than the date of the annual meeting following their 75<sup>th</sup> birthday.

### Simultaneous Service on Other Public Company Boards

No director may serve on the Boards of more than two other public companies while serving on the Company's Board. It is the policy of the Board that every director must notify the Nominating and Corporate Governance Committee prior to accepting any invitation to serve on another public company corporate board. In the event a director wishes to serve on more than two other public company boards, 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 any action to be taken with respect to continued Board membership.

### Changes in Primary Employment

It is the policy of the Board that every director (including the President & Chief Executive Officer and any other inside director) must notify the Nominating and Corporate

Governance Committee of his or her retirement, any change in employer and any other significant change in professional roles and responsibilities. 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 any action to be taken with respect to continued Board membership.

### Conflicts of Interest

If an actual or potential conflict of interest develops because of a change in the business of the Company, or in a director's circumstances (for example, significant and ongoing competition between the Company and a business with which the director is affiliated), the director should report the matter immediately to the Nominating and Corporate Governance Committee for evaluation and appropriate resolution, or referral to the Board. The Board has adopted a Code of Business Conduct and Ethics for the Company. Conflict of interest provisions for directors included in the Corporate Governance Guidelines should be read in conjunction with related provisions contained in the Code of Business Conduct and Ethics.

If a director has a 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 shall not vote on the matter.

### Loans

The Company will not make any personal loans or extensions of credit to directors or executive officers.

### Director Equity Ownership

The Board encourages directors to hold meaningful equity ownership positions in the Company, but has not found it necessary to adopt any specific ownership guidelines.

## **2. Director Responsibilities**

In a manner consistent with the provisions of the Company's Certificate of Incorporation, Bylaws and Policies and Procedures (inclusive of Administrative Procedure 01-01-00) the Board acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling this role, each director must act in what he or she reasonably believes to be in the best interests of the Company and its stockholders, and must exercise his or her business judgment.

### Participation at and Preparation for Board Meetings

The Company expects directors to be engaged in discharging their duties and to keep themselves informed about the business and operations of the Company. Directors are expected to attend Board and stockholder meetings and the meetings of the committees on which they serve unless extenuating circumstances make such attendance impracticable, and to prepare themselves for these meetings. In order for the Board to exercise fully its oversight functions, management provides the Board with access to information regarding the Company and the markets in which the Company operates. This information comes from a variety of sources, including management reports, information regarding peer performance, interaction with senior management at Board meetings and visits to Company facilities. Any written materials that assist directors in preparing for a Board or committee meeting shall be distributed to the directors in advance of the meeting, to the extent possible, and directors are expected to review such materials prior to the meeting.

### Company Performance and Corporate Strategy

The Board reviews the Company's financial performance on a regular basis at Board meetings and through periodic updates. The Board also reviews and establishes the Company's long-term strategy, annual operating and capital budgets, and assesses its strategic, competitive and financial performance.

### **3. Board Agenda**

The Chairman of the Board, in consultation with the President and Chief Executive Officer, shall determine the frequency and length of Board meetings, and shall set the agenda for each Board meeting. Board members are encouraged to suggest the inclusion of additional items on an agenda, and any director may request that an item be placed on an agenda.

### **4. Lead Director**

In light of the fact that the position of the Company's Chairman of the Board shall be held by a person who is not an employer or executive of the Company, the Board does not believe it appropriate or necessary to designate a lead director. The Chairman of the Board and the President & Chief Executive Officer are free, as is the Board as a whole, to call upon any one or more directors to provide leadership in a given situation should a special need arise.

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

The Company's non-management directors shall regularly schedule executive sessions in which management does not participate. If this group includes directors who do not meet the independence standards of the New York Stock Exchange, the directors who are so independent shall also meet in executive session at least once a year, and as often as the Board determines.

If determined by the Board to be an independent director, the Chairman shall preside at each executive session. If the Board had determined the Chairman is not an independent director, the Nominating and Corporate Governance Committee shall designate an independent director to preside at the executive sessions of independent directors.

## **6. Board Size**

The Board presently has nine members. Although the Board considers its present size to be appropriate, it may consider expanding its size to accommodate an outstanding candidate, or candidates, or reducing its size if the Board determines that a smaller Board would be more appropriate. The Nominating and Corporate Governance Committee shall periodically review the size of the Board and recommend any proposed changes to the Board.

## **7. Board Committees**

The Board shall have at all times an Audit Committee, an Executive Committee, an Executive Compensation Committee and a Nominating and Corporate Governance Committee. Subject to any changes that the Board may make from time to time:

- the Audit Committee shall generally be responsible for overseeing: the integrity of the Company's financial statements; its independent auditor; its internal audit function; and, compliance by the Company with legal and regulatory requirements;
- the Executive Committee shall act as surrogate for the Board by exercising the general powers of the Board when the Board is not in session. The Committee does not have the power, among other things to: declare dividends, issue stock, amend the Bylaws, or approve any merger or share exchange.
- the Executive Compensation Committee shall generally be responsible for: overseeing the Company's compensation programs; conducting evaluations of the President & Chief Executive Officer's performance and compensation; pursuant to delegated authority from the Board of Directors, establishing compensation of executive officers; reviewing plans or provisions for succession of the Company's management; and, acting in regard to recommendations from the Nominating and Corporate Governance Committee on equity-based compensation for non-employee directors.
- the Nominating and Corporate Governance Committee shall generally be responsible for: identifying qualified Board candidates; recommending director nominees and appointments to Board committees; evaluating Board performance; establishing retainer, meeting fees, and other elements of cash compensation for the Company's non-employee directors; recommending to the Executive Compensation Committee any long-term incentive or other equity-based compensation for the Company's non-employee directors; and, overseeing the Company's corporate governance practices and policies.

### Committee Charters

Each of the Audit Committee, Executive Compensation Committee and Nominating and Corporate Governance Committee shall operate pursuant to its own written charter. These charters shall, among other things, set forth the purpose and responsibilities of the particular committee, address committee structure and operations, and the committee's reports to the Board. The charters shall also provide for an annual evaluation of each committee's performance. Such charters shall be posted so that they are accessible on the Company's website, [www.deltic.com](http://www.deltic.com).

### Committee Membership Qualifications

Only independent directors meeting the independence requirement of the New York Stock Exchange (and for Audit Committee members, Rule 10-A-3 of the Securities Exchange Act of 1934) and any related rules promulgated by the Securities and Exchange Commission may serve on the Audit, Executive Compensation and Nominating and Corporate Governance Committees. Committee members shall be appointed by the Board based upon the recommendation of the Nominating and Corporate Governance Committee. The Board may, from time to time, establish or maintain additional committees as it deems appropriate and in the best interests of the Company.

In making its recommendations for committee appointments, the Nominating and Corporate Governance Committee shall:

- review candidates' qualifications for membership on a committee (including the Board's determination as to the independence of the candidate);
- evaluate current directors for re-appointment to a committee, assess the performance of such director, and of such committee; and
- review the composition of the committee in light of the current challenges and needs of the Company, and each respective committee, and determine whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background, and experience.

While the rotation of committee members at certain set intervals shall be considered periodically, rotation is not required because the Board believes there are significant benefits attributable to continuity and experience gained in service on a particular committee over time.

## **8. Board Member Access to Management and Independent Advisors**

Board members shall have access to the management and employees of the Company and to its outside counsel and auditors. Any meetings or contacts that a director wishes to initiate

with management, employees and outside counsel may be arranged through the President & Chief Executive Officer or the Secretary.

Executive officers and other members of senior management are expected to be present at Board meetings at the invitation of the Board. The Board encourages senior management to make presentations and to invite to Board meetings managers and other employees who can provide additional insight into the items being discussed.

The Board is authorized to hire independent legal, financial or other advisors as they may consider necessary, without conferring with or obtaining the approval of management.

## **9. Director Compensation**

The Nominating and Corporate Governance Committee (“Committee”) shall consider and act regarding the annual retainer, Board and Committee meeting fees, retainers for the non-employee Chairman of the Board and Board Committee Chairs, and other elements of cash compensation for the Company’s non-employee directors; and review and make recommendations to the Executive Compensation Committee regarding any long-term incentive or other equity-based component of compensation for the Company’s non-employee directors. In fulfilling this charge, the Committee shall, among other things:

- identify corporate goals and objectives relevant to director compensation;
- evaluate the performance of the Board in light of such goals and objectives and set director compensation based on such evaluation and such other factors as the Committee deems appropriate and in the best interests of the Company and its stockholders (including the cost to the Company of such compensation);
- recommend to the Executive Compensation Committee any long-term incentive, or other equity-based component of director compensation considering awards given to directors in past years, the Company’s performance, stockholder return, the value of similar compensation components at comparable companies, and such other factors as the Committee deems appropriate and in the best interests of the Company and its stockholders (including the cost to the Company of such compensation); and,
- evaluate the possibility that directors’ independence may be compromised or impaired for Board or committee purposes if director compensation exceeds customary levels, if the Company makes substantial charitable contributions to an organization with which a director is affiliated, or if the Company enters into consulting with (or provides other indirect forms of compensation to) a director (which consulting contracts or other indirect forms of compensation are expressly prohibited for Audit Committee members).

## Charitable Contributions

The Nominating and Corporate Governance Committee shall be provided on an annual basis with a report from management of the charitable contributions or pledges made by the Company during the fiscal year and shall identify any contributions to an entity for which a director or executive officer, or a member of his or her immediate family, serves as a director, officer, employee or member of his or her immediate family, serves as a director, officer, employee or member of such entity's fund-raising organization or committee.

### **10. Director Orientation and Continuing Education**

All new members of the Board are encouraged to participate in an orientation program for directors as presented by the Company's Chief Financial Officer and its Secretary.

All directors will be offered the opportunity to participate in continuing education programs in order to stay current and knowledgeable about the business of the Company, and their duties and legal responsibilities as a director of the Company.

### **11. Management Evaluation and Management Succession**

The Executive Compensation Committee shall evaluate the performance of the President & Chief Executive Officer of the Company and shall present its findings to the Board. The Board shall review the Executive Compensation Committee's report in order to ensure that management's performance is satisfactory and that the Company's management team is providing the appropriate leadership for the Company and its stockholders for the long and short-term.

The Executive Compensation Committee shall review and report to the Board on the Company's succession planning, including succession planning in the case of the incapacitation, retirement, or removal of the President & Chief Executive Officer. The President & Chief Executive Officer shall report to the Executive Compensation Committee as requested regarding recommendation and evaluations of potential successors, along with a review of any development plans recommended for such individuals. The President & Chief Executive Officer shall also provide to the Board, his or her recommendation as to a successor in the event of an unexpected emergency.

### **12. Annual Performance Evaluation**

The Board, led by the Nominating and Corporate Governance Committee, shall establish and conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee shall oversee the evaluation process and the collective evaluations shall be compiled in advance of the review session and shall be presented by the Chairman of the Nominating and Corporate Governance Committee to

the full Board for discussion. This process shall also include annual self-assessments by each Board committee, relying on a review process similar to that used by the Board, with performance criteria for each committee established on the basis of its charter.

## **12. Evaluation of Individual Director Performance**

It is the policy of the Board to have the Nominating and Corporate Governance Committee assess the performance of each individual director standing for re-election at the next stockholders meeting.

The Nominating and Corporate Governance Committee considers not only an individual's qualities, performance and professional responsibilities, but also the then composition of the Board and the challenges and needs of the Board at that time. The Nominating and Corporate Governance Committee also considers the impact of any change in the principal occupation of existing directors. Upon completion of the individual director evaluation process, the Committee reports to the full Board its recommendations for nominations to the Board.

It is the policy of the Board that the Nominating and Corporate Governance Committee also should review and consider the performance of any individual director if a situation were to arise that interfered with the proper performance of his or her duties as a member of the Board.

## **13. Stockholder, Employee, and Other Interested Party Communication with Directors**

It is the policy of the Board that stockholders, employees, and other interested parties be able to communicate directly with Board members, including its non-management and independent directors. All stockholder and other interested party communications should be directed to the Company's Secretary at the Company's executive offices, 210 East Elm Street, El Dorado, Arkansas 71730, and should prominently indicate on the outside of the envelope that it is intended for a specified director or to the non-management or independent Board members of the Company as a group. Each communication intended for a director and received by the Secretary which is related to the operation or governance of the Company and is not otherwise commercial in nature will be promptly forwarded to the specified party following its clearance through normal security procedures. Assuming clearance, the communication will not be opened, but rather will be forwarded unopened to the intended recipient. Employees of the Company may also utilize this communication procedure. Alternatively, employees may also utilize the confidential and/or anonymous procedures to send written, electronic or toll-free telephonic communications through a third party that have been established under the Company's "whistle blower" policy, as has been previously and will be periodically communicated to each employee.