



## **Governance Guidelines**

**(As adopted by the Board of Directors on June 24, 2014)**

The Board of Directors (the “Board” of Argan, Inc. (the “Company”), has adopted these guidelines to reflect the Company’s commitment to good corporate governance, and to comply with New York Stock Exchange and other legal requirements. In furtherance of these goals the Board has also adopted a Code of Conduct, and written charters for each of its Nomination and Corporate Governance Committee, Compensation Committee and Audit Committee. The Nomination and Corporate Governance Committee will periodically review these guidelines and propose modifications to the Board for consideration as appropriate.

These guidelines should be interpreted in the context of all applicable laws and the Company’s Amended and Restated Articles of Incorporation (the “Articles of Incorporation”), Amended By-Laws (the “By-Laws”) and other corporate governance documents, and are intended to serve as a framework within which the Board may conduct its business. These guidelines are subject to modification, and the Board shall be able, in the exercise of its discretion, to deviate from these guidelines from time to time, as the Board may deem appropriate or as required by applicable laws and regulations.

### **I. Director Responsibilities**

#### **A. Basic Responsibilities**

The business affairs of the Company are managed under the direction of the Board, which represents and is accountable to the shareholders of the Company. The Board’s responsibilities are active and not passive and include the responsibility to regularly evaluate the strategic direction of the Company, management policies and the effectiveness with which management implements its policies.

The basic responsibility of the directors is to act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be in the best interests of the Company and its shareholders. In discharging that obligation, the directors must inform themselves of all relevant information reasonably available to them, and should be entitled to rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors.

The Board believes that each director should have a basic understanding of (i) the principal operational and financial objectives and plans and strategies of the Company, (ii) the results of operations and financial condition of the Company and of any significant subsidiaries.

## **B. Board and Committee Meetings**

Directors are expected to prepare for and use reasonable efforts to participate in all Board meetings and meetings of committees on which they serve. The Board and each committee will meet as frequently as necessary to properly discharge their responsibilities, provided that the full Board will meet at least four times per year. The Chairman and the Lead Independent Director will prepare the agenda for each Board meeting. While the agenda will initially be set by the Chairman of the Board and the Lead Independent Director, each director is free to suggest the inclusion of items on the agenda. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should, to the extent practical, be distributed in writing to the directors sufficiently in advance of the meeting to permit meaningful review, and directors are expected to review in detail the provided materials in advance of each meeting. Directors are expected to attend the annual meeting of shareholders.

## **C. Meetings of Independent Directors**

The Independent Directors will meet without non-independent directors at regularly scheduled executive sessions at least four times per year and at such other times as they deem appropriate.

## **D. Board Interaction with Institutional Investors, Research Analysts and Media**

As a general rule, management will speak on behalf of the Company. Comments and other statements from the entire Board, if appropriate, will generally be made by the Chairman and Chief Executive Officer. It is suggested that, in normal circumstances, each director will refer all inquiries from third parties to management.

# **II. Composition and Selection of the Board**

## **A. Size and Composition of the Board**

The Articles of Incorporation and By-Laws provide that the Board may determine the size of the Board from time to time. The current size of the Board is eight. The Nominating and Governance Committee will assess the Board's size from time to time to determine whether its size continues to be appropriate. The Nominating and Governance Committee will make its recommendations to the Board.

## **B. Board Membership Criteria**

The Board will have a majority of directors who meet the criteria for independence required by the New York Stock Exchange. The Board will monitor its compliance with the New

York Stock Exchange requirements for director independence on an ongoing basis. Each independent director is expected to notify the Chair of the Nomination and Corporate Governance Committee, as soon as reasonably practicable, in the event that his or her personal circumstances change in a manner that may affect the Board's evaluation of such director's independence. The Nominating and Governance Committee is responsible for reviewing with the Board, on an annual basis, the composition of the Board as a whole, and whether the company is being well served by each director taking into account the director's independence, age, skills, experience and availability for service to the Company. The Board has delegated to the Nomination and Governance Committee the responsibility for reviewing and recommending nominees to join the Board in accordance with the policies and principles in its Charter. The formal invitation to join the Board should be extended by the Chairman of the Board.

### **C. Membership on Other Boards**

Directors must inform the Chairman of the Board and the Chair of the Nominating and Governance Committee when accepting an invitation to serve on another public company board. No member of the Audit Committee may simultaneously serve on more than three other public company audit committees unless the Board determines that doing so would not impair the director's service on the Board of the Audit Committee.

## **III. Term Limits and Mandatory Retirement**

The Board has not established any term limits to an individual's membership on the Board. As an alternative to term limits, the Nomination and Governance Committee will, as part of its annual assessment of the composition of the Board, review a director's continuation on the Board.

## **IV. Board Committees**

### **A. Composition and Responsibilities**

The Board will have at all times an Audit Committee, a Compensation Committee, a Nomination and Governance Committee, an Executive Committee, and any other committees the Board deems appropriate. All of the members of the Audit Committee, Compensation Committee and Nomination and Governance Committee will be independent directors under the criteria for independence in accordance with the applicable provisions of the Securities Exchange Act of 1934, and the rules promulgated thereunder, and the listing standards of the New York Stock Exchange, as each may be from time to time amended. The members of each committee will be appointed by the Board upon recommendation of the Nomination and Governance Committee based on each committee's member qualification standards. Consideration should be given to the desires, skills and characteristics of individual directors. The Board will appoint the Chair of each committee upon the recommendation of the Nomination and Governance Committee.

### **B. Charters**

The Board will adopt charters setting forth the purposes, goals and responsibilities of each of the Audit Committee, Compensation Committee, and the Nomination and Governance Committee.

### **C. Subcommittees**

Board Committees may, in their discretion, delegate all or a portion of their duties and responsibilities to a subcommittee of such committee.

## **V. Director Access to Officers, Employees, Security Holders and Independent Advisors**

### **A. Access to Management and Employees**

Directors have full and unrestricted access to officers and employees of the Company.

### **B. Access to Independent Advisors**

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance, and will have access to the Company's internal and independent auditors and the Company's outside legal counsel. The Company will provide sufficient funding to the Board and to each committee, as determined by the Board and each of its committees, to exercise their functions and provide compensation for the services of their advisors and, in the case of the Audit Committee, independent auditors.

### **C. Interaction With Security Holders and Other Interested Parties**

The Nomination and Governance Committee believes that shareholder accessibility to members of the Board is an important element of the Company's corporate governance practices. The e-mail address of the Nomination and Governance Committee is to be posted to the Company's website.

### **D. Internal Reporting**

The Audit Committee will encourage submission, and establish procedures for the confidential treatment by the appropriate officers, under the supervision of the Audit Committee, of complaints and concerns by officers and employees regarding accounting and auditing matters and of reports regarding alleged violations of the Code of Conduct, or other Company policies or law.

The senior executives of the Company are encouraged to initiate direct contact with the Chair of the Audit Committee if they believe that there is a matter that should be brought to the attention of the Board.

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

All new directors must be provided with these Governance Guidelines and will participate in the Company's orientation initiatives as soon as practicable after appointment or the annual meeting at which a new director is elected. The initiatives will include furnishing new directors with materials and presentations by senior management and outside advisors as appropriate to familiarize new directors with the Company's business, its strategic plans, its significant financial, accounting and risk management issues and its compliance programs as well as their fiduciary duties and responsibilities as directors.

The Nomination and Governance Committee and members of senior management of the company as well as appropriate outside advisors will periodically report to the Board on any significant developments in the law and practice of corporate governance and other matters relating to the duties and responsibilities of directors in general.

## **VII. Ethics and Conflict of Interest**

The Board expects the Company's directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the Company's policies from time to time in respect of business conduct and ethics.

## **VIII. Director Compensation**

The Compensation Committee will periodically review and recommend, and the Board will approve, the form and amount of director compensation in accordance with the corporate policies and principles relevant to director compensation. It is the Company's policy that some portion of director compensation be in the form of Company stock or equity-based awards. The Board will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

## **IX. Combination of Chairman and CEO Positions**

The Board believes that the Company is best served by having one person serve as both Chief Executive Officer and Chairman of the Board, because this structure provides unified leadership and direction. The combined role of Chairman and Chief Executive Officer also ensures that the Company presents its message and strategy to shareholders, employees, customers and other stakeholders with a unified, single voice.

Board independence and oversight of the senior management of the Company are enabled by the presence of independent directors who have substantive knowledge of the Company's business and have oversight over critical functions of the Company, such as the integrity of the Company's financial statements, the evaluation and compensation of executive management and the nomination of directors. In addition, one of the independent directors has been chosen as "Lead Director." The Independent Directors meet in executive session at the end

of each Board of Directors meeting to discuss the affairs of the Company without any executive of the Company being present.

#### **X. Board Role in Risk Oversight**

The Board will take an active role in overseeing risks related to the Company both as the full Board and through its committees through detailed reviews, discussions and presentations by officers of the Company and key functional areas.

#### **XI. Director Insurance, Indemnification and Exculpation**

The Company intends to, and the directors will be entitled to have the Company, purchase reasonable directors' and officers' liability insurance on behalf of the directors to the extent reasonably available. In addition, the directors will receive the benefits of indemnification provided by the Company's Articles of Incorporation and By-Laws, as well as the provisions regarding absence of personal liability contained in the Company's Articles of Incorporation, and the indemnification agreement between each director and the Company.

#### **XII. Annual CEO Certification**

The Company's Chief Executive Officer shall certify to the New York Stock Exchange each year that he is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards. The Chief Executive Officer shall also promptly notify the New York Stock Exchange in writing after any executive officer of the Company becomes aware of any non-compliance with any applicable provisions of the New York Stock Exchange corporate governance rules.

#### **XIII. Availability of Documents on Company Website**

A copy of these guidelines, as well as copies of the Company's Code of Conduct and written charters for each Board committee, will be made available on the Company's website. Copies of each of the foregoing will also be available, without charge, upon the written request of a shareholder.