

# **NEENAH PAPER, INC.**

## **CORPORATE GOVERNANCE POLICIES**

*Adopted on November 30, 2004  
and as amended November 2, 2006*



## **CORPORATE GOVERNANCE POLICIES**

The Board of Directors (the “Board”) of Neenah Paper, Inc. (the “Corporation”) has adopted these policies to guide the Corporation and the Board on matters of Corporate Governance. The Board will periodically review and reassess the adequacy of these policies. These policies will be made available to stockholders, investors, and the general public through publication on the Corporation’s website [www.neenah.com](http://www.neenah.com).

### ***Responsibility of Board and Directors***

The Board is the ultimate decision-making body of the Corporation except for those matters reserved to the stockholders. Directors are expected to regularly attend and participate in Board and committee meetings, review information deemed to be important to the best conduct of business by the Corporation, use reasonable efforts to ensure that information provided to the Board is complete, accurate, and adequate for purposes of making decisions on behalf of the Corporation, ask questions when circumstances require, and to be deliberative in their decision making. Directors are also required to bring to the attention of the Board any potential conflicts of interest.

The basic responsibility of a director is to exercise his or her business judgment to act in what he or she reasonably believes to be in the best interests of the Corporation and its stockholders. In discharging that obligation, directors are entitled to rely on the honesty and integrity of the Corporation’s senior executives and its outside advisors and auditors. The directors are also entitled to have the Corporation purchase reasonable directors’ and officers’ liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Corporation’s Certificate of Incorporation, By-Laws and any indemnification agreements, and to exculpation as provided by state law and the Corporation’s Certificate of Incorporation.

### ***Selection of Chairman and Chief Executive Officer***

The Board selects from among its members the Chairman of the Board. The Board also elects the Chief Executive Officer of the Corporation. The Board believes that at this time it is appropriate for a single person to serve as both the Chairman of the Board and Chief Executive Officer. The Board may in its discretion separate the roles if it deems it advisable and in the best interests of the Corporation to do so. The Board may also from time to time appoint an independent member to serve as a Lead Director, with the Lead Director having such responsibilities and duties as designated by the Board.

### ***Number of Committees; Charters***

The current standing committees of the Board are Audit, Nominating and Corporate Governance and Compensation. Each standing committee has a charter that defines its function and responsibilities and that has been approved by the Board. These charters, which are reviewed annually for their adequacy, will be published on the Corporation's website. In addition to the standing committees, the Board may establish *ad hoc* committees as the Board deems appropriate and the Corporation's by-laws provide for the establishment of an Executive Committee as the Board may deem appropriate.

### ***Assignment and Rotation of Committee Members***

Each year, the Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board, will recommend to the Board committee assignments and chairmanship of each committee for the succeeding year.

The Board has an informal policy, but not a requirement, to consider the rotation of committee assignments every three years. The Board does not believe that it is appropriate to mandate rotation since there will be circumstances that make it important to maintain committee assignments beyond a given point in time. All members of the Audit Committee and Nominating and Corporate Governance Committee and Compensation Committee shall be independent directors in accordance with the standards set forth in Section 18 of these policies and as otherwise may be required by the Corporation's By-Laws, the provisions of the Securities Exchange Act of 1934, the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange Listed Company Manual.

### ***Frequency and Length of Board and Committee Meetings***

Board and Committee meetings are generally held pursuant to a pre-determined schedule, with additional meetings scheduled as necessary. The length of Board and Committee meetings, and the time devoted to each item on a meeting agenda, depends upon the number and the nature of the items to be discussed at the meeting.

### ***Agenda Items for Committee Meetings***

The Chairperson of each Committee, in consultation with the Chairman of the Board and appropriate members of management and staff, will develop an agenda which is distributed to all Committee members or all Board members, as appropriate, for review and comment prior to the meeting. Committee members are also expected to suggest items for inclusion on the Committee agendas.

Each Committee will develop and approve an annual work plan and a schedule of agenda subjects to be discussed in the ensuing year at the end of each year. Such work plan and schedule will be modified as appropriate to accommodate new issues or changing circumstances.

### ***Agenda Items for Board Meetings***

The Chairman of the Board, in consultation with members of senior management, establishes the agenda for each Board meeting. The proposed agenda for each meeting is generally distributed to the members of the Board approximately two weeks prior to the meeting. Board members are also expected to suggest items for inclusion on the agenda. At least one Board meeting each year will occur during which the Board reviews budgets for the next year, long-term strategic plans and the principal issues that the Corporation is expected to face in the future.

### ***Board and Committee Materials Distributed in Advance***

Information and data important to the Board's and its Committees' understanding of a particular agenda item are generally distributed in writing to the members of the Board or Committee, as applicable, approximately one week prior to a Board or Committee meeting. In addition, financial and other information important to the Board's understanding of the business of the Corporation are distributed to the Board on a regular basis.

### ***Presentations***

Memoranda and other information concerning topics to be presented at Board or Committee meetings are generally distributed to the Board or Committee members, as applicable, approximately one week in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material.

### ***Other Information***

In addition to information provided to the Board and its Committees in connection with their meetings, management regularly provides material and timely information to members of the Board and its Committees with respect to the Corporation's businesses, financial condition and prospects, and matters relevant for each Committee.

### ***Access to Independent Advisors***

The Board and its Committees may engage independent legal, financial, and other advisors whenever they determine that doing so is necessary, appropriate or desirable. The Corporation shall pay any fees and expenses incurred therewith.

### ***Executive Sessions of Non-Management Directors***

The non-management directors of the Board shall meet at least quarterly each year in executive session, without management. Executive sessions are normally held in conjunction with regularly scheduled meetings, but the Board may choose to meet in executive session whenever it deems it appropriate and at the request of a majority of the non-management directors. The independent directors shall also meet at least once a year in executive session without the non-independent and non-management directors.

### ***Board Access to Senior Management***

Board members have significant access to senior management of the Corporation. In addition to senior management who are present at most Board meetings, other members of management are occasionally present at Board meetings to provide additional insight into the agenda items being discussed because of personal involvement in the particular area.

### ***Board Compensation Review***

Approximately every other year, the Board members are provided a report on the status of the Corporation's Board compensation practices as compared with comparable U.S. public companies. It is the Corporation's policy to compensate its directors at a level comparable to that provided by other comparable U.S. companies and in a manner determined by the Board to be appropriate for attracting and retaining qualified directors. Changes in Board compensation are suggested by the Compensation Committee and will be included on the agenda of the Board for discussion. Board compensation is disclosed each year in the Corporation's proxy statement.

### ***Size of the Board***

The Board believes that a size of 5-9 members is optimal for a company of our size and structure.

## ***Independent Directors***

The Corporation's By-Laws provide that a majority of the Board members shall be independent directors, as determined by the Board. The Nominating and Corporate Governance Committee and the Board will take appropriate action to ensure that the By-Law provision is met.

### ***Definition of What Constitutes Independence for Directors***

The Board has established the standards described below for what constitutes independence for directors. Those standards are intended to be consistent with the provisions of the Securities Exchange Act of 1934, the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange. The Board will determine the independence of directors in its business judgment, consistent with applicable laws and regulations.

A director will be independent if the Board makes an affirmative determination that a director has no material relationship with the Corporation (directly or as a partner, shareholder or officer of an organization that has a material relationship with the Corporation). In making this determination the Board will consider all relevant facts and circumstances including the materiality of the relationship to the director and to persons or organizations with which the director has an affiliation. Material relationships can include commercial, industrial, banking, consultant, legal, accounting, charitable and familial relationships (among others). The Board will review all commercial and other relationships the Corporation has with directors on at least an annual basis and with nominees prior to their election to the Board.

A director will not be independent if any of the following are applicable to the director:

a. Employment with Corporation:

- the director is, or during the preceding three years has been, an employee of the Corporation, its subsidiaries or equity affiliates;
- the director receives, or during the preceding three years has received, more than \$100,000 per year in direct compensation from the Corporation, its subsidiaries or equity affiliates, other than (i) director and committee fees and (ii) pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- an immediate family member of the director is, or during the preceding three years has been, an executive officer of the Corporation or one of its subsidiaries or equity affiliates;

- an immediate family member of the director receives, or during the preceding three years has received, more than \$100,000 per year in direct compensation for service as an executive employee of the Corporation, its subsidiaries or equity affiliates, other than (i) director and committee fees and (ii) pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

b. Affiliation with Independent Auditor or Internal Auditor:

- the director is, or during the preceding three years has been, an affiliate or an employee of the Corporation's present or former independent audit firm or internal auditor;
- an immediate family member of the director is, or during the preceding three years has been, an affiliate or employee in a professional capacity of the Corporation's present or former independent audit firm or employed as an internal auditor by the Corporation;
- the director has an immediate family member who is a current employee of the Corporation's internal auditing department or independent audit firm and who participates in such firm's audit, assurance or tax compliance (but not tax planning) practice; and
- the director or his or her immediate family member was within the last three years (but is no longer) a partner or employee of a firm that is the Corporation's internal or external auditor and personally worked on the Corporation's audit within that time.

c. Compensation Committee Interlocks:

- the director is employed as an executive officer of another company, or has been so employed at any time within the last three years, where any of the Corporation's current executive officers serve as a member of the compensation committee of such other company and three or more years have not elapsed since the end of such service or employment relationship;
- an immediate family member of the director is employed as an executive officer of another company where any of the Corporation's current executive officers serve as a member of the compensation committee of such other company and three or more years have not elapsed since the end of such service or employment relationship;

d. Business or Charitable Relationships with the Corporation:

- *Director Transactions Material to Corporation.* The director is an executive officer, employee or owner of more than 10 percent of the equity of another company that does business with the Corporation, its subsidiaries or equity affiliates and the annual sales to or purchases from the Corporation, its subsidiaries or equity affiliates during any of the preceding three years are equal to or greater than two percent of the Corporation's annual consolidated gross revenues;
- *Family Member Transactions Material to Corporation.* An immediate family member (defined below) of the director is an executive officer of another company that does business with the Corporation, its subsidiaries or equity affiliates and the annual sales to or purchases from the Corporation, its subsidiaries or equity affiliates during any of the preceding three years are equal to or greater than two percent of the Corporation's annual consolidated gross revenues;
- *Director Transactions Material to Director.* The director is an executive officer, employee or owner of more than 10 percent of the equity of another company that does business with the Corporation, its subsidiaries or equity affiliates and the annual sales to or purchases from the Corporation, its subsidiaries or equity affiliates during any of the preceding three years are equal to or greater than (i) two percent of the other company's annual consolidated gross revenues or (ii) \$1 million, whichever is greater;
- *Family Member Transactions Material to Director.* An immediate family member of the director is an executive officer of another company that does business with the Corporation, its subsidiaries or equity affiliates and the annual sales to or purchases from the Corporation, its subsidiaries or equity affiliates during any of the preceding three years are equal to or greater than (i) two percent of the other company's annual consolidated gross revenues or (ii) \$1 million, whichever is greater;
- *Director Indebtedness.* The director is an executive officer, employee or owner of more than 10 percent of the equity of another company that is indebted to the Corporation or to whom the Corporation is indebted and the total amount of either company's indebtedness to the other is greater than 5 percent of the total consolidated assets of the company owing the indebtedness;
- *Family Member Indebtedness.* An immediate family member of the director is an executive officer of another company that is indebted to the Corporation or to whom the Corporation is indebted and the total amount



of either company's indebtedness to the other is greater than 5 percent of the total consolidated assets of the company owing the indebtedness; and

- *Charitable Relationships.* The director or an immediate family member of the director serves as an executive officer, director or trustee of a charitable organization, and the Corporation's charitable contributions to that organization during any of the prior three years exceeded the greater of (i) \$1 million or (ii) two percent of the charitable organization's consolidated gross revenues for that year. Contributions made pursuant to the automatic matching of employee contributions will not be included in the determination of charitable contributions or receipts for this purpose.

e. Additional Independence Requirements for Directors Serving on the Audit Committee

- *Fees.* In addition to satisfying all of the independence requirements set forth above, directors serving on the Corporation's Audit Committee may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Corporation or any of its subsidiaries or affiliates, other than fees paid to such directors in consideration of their service as a member of the Audit Committee, the board or any other of the Board's committees (the foregoing restriction excludes, unless New York Stock Exchange rules provide otherwise, receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation, provided that such compensation is not contingent on continued service with the Corporation). (As used in this paragraph the word "indirect" will have the same meaning as set forth in Rule 10A-3(e)(8) promulgated under the Securities Exchange Act of 1934); and
- *Affiliate Status.* In addition to satisfying all of the independence requirements set forth above, directors serving on the Corporation's Audit Committee may not be an affiliated person of the Corporation or any subsidiary thereof. (As used in this paragraph "affiliated person" will have the same meaning as set forth in Rule 10A-3(e)(1) promulgated under the Securities Exchange Act of 1934).

An immediate family member includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares that person's home. An individual will no longer be considered an immediate family member after legal separation, divorce, death or incapacity.

The Board may determine that a director or nominee is not independent even if he meets the requirements described above if the Board determines that such person has a relationship to the Corporation or management that interferes with such person's independent judgment as a member of the Board.

### ***Former Executive Officer's Board Membership***

When a Board member who is also an Executive Officer of the Corporation resigns from that officer position, he/she will offer to submit his/her resignation from the Board at the same time. Exceptions are possible, and the issue of whether the individual continues to serve on the Board is a matter for discussion at that time by the Board in consultation with the Nominating and Corporate Governance Committee.

### ***Board Membership Criteria***

The Nominating and Corporate Governance Committee reviews candidates for Board membership on a regular basis and whether such nominees have the appropriate skills and characteristics required of Board members in the context of the current makeup of the Board. The Nominating and Corporate Governance Committee shall establish criteria for the selection of potential directors, taking into account the following desired attributes: leadership; independence; interpersonal skills; financial acumen; business experiences; industry knowledge; and diversity of viewpoints.

### ***Selection of New Director Candidates***

The Board itself is responsible for approving candidates for Board membership. The Board has delegated the screening and recruitment process to the Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board and the Chief Executive Officer.

### ***Extending the Invitation to a New Potential Director to Join the Board***

Invitations to join the Board are extended by the Chairperson of the Nominating and Corporate Governance Committee and the Chairman of the Board.

### ***Orientation of New Board Members***

New Board members are provided with materials and information regarding the Corporation and its operations, meet with members of senior management and other board members, and have opportunities to tour production facilities of the Corporation prior to beginning their service on the board. The Nominating and Corporate Governance Committee supervises and periodically reviews and evaluates the orientation process to ensure its effectiveness.

### ***Assessing the Board's Performance***

At least annually the Nominating and Corporate Governance Committee shall facilitate a self evaluation by the board of its performance and effectiveness and shall report any relevant conclusions and findings to the Board. The Nominating and Corporate Governance Committee shall also facilitate an annual self evaluation by each standing Board committee and shall report any relevant conclusions and findings to the Board.

### ***Assessing Director Performance***

During the year prior to the end of the class term, each member of that class of directors should be considered a "Retiring Director". The Nominating and Corporate Governance Committee would assess the performance of each member of that class and determine whether such director should retire from the Board or be nominated for election to an additional term. A determination as to whether a director would be asked to serve an additional term would be made following an assessment of the director's performance, including such factors as the director's attendance, contributions to the Board, any change in the independence of the director, and any change in status of the director (as described in the next section of the Corporate Governance Policies). In addition, the Nominating and Corporate Governance Committee may choose not to recommend a director be renominated if it believes that the Board needs to add skills and experiences to the Board that are not possessed by the Retiring Director. No director shall have tenure on the Board. The process of director assessment will not alter the rights of the Board to request the resignation of a director at anytime.

### ***Directors Who Change Their Job Responsibility or Status***

Individual directors who experience a significant change (including retirement) in the principal position, job responsibility or status they held when they were most recently elected to the Board are expected to provide written notice of such change to the Chairman of the Board and the Chairperson of the Nominating and Corporate Governance Committee. The Board does not believe that a director in this circumstance should necessarily be required to leave the Board. Rather, the Board believes the Nominating and Corporate Governance Committee should have the opportunity to assess each situation, based on the individual circumstances, and make a recommendation to the Board. The Board would determine whether it is appropriate for the director to continue Board membership under these circumstances.

### ***Term Limits***

Term limits should not be established for Board membership. Term limits hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and, therefore, provide an increasing contribution to the Board as a whole.

### ***Retirement Age***

There is no set mandatory retirement for directors. The Nominating and Corporate Governance Committee may in the future establish a mandatory retirement age if it deems it appropriate and in the best interests of the Corporation.

### ***Formal Evaluation of the Chief Executive Officer***

The performance evaluation of the Chief Executive Officer by the full Board is coordinated on an annual basis by the Chairperson of the Compensation Committee. The evaluation is based on objective criteria including, without limitation, the performance of the Corporation and the accomplishment of short-term operating and long-term strategic objectives. The Chief Executive Officer provides the Board annually with a report on such performance and accomplishments. The results of the evaluation are used by the Compensation Committee in considering the compensation of the Chief Executive Officer. The performance evaluation is conducted at a meeting of the Board at which only the outside directors are present and the Chairperson of the Compensation Committee presides as chairperson of the meeting. The results of the evaluation are then communicated to the Chief Executive Officer in a private meeting.

### ***Management Development and Succession Planning***

On a regular basis, Board members are made aware of the development of senior management, including those members of senior management that are elected officers by the Board. The members of the Board on an annual basis will discuss the Corporation's plans for succession of the Chief Executive Officer upon his retirement or in the event he is unable to serve in such capacity, and will perform a similar analysis for other senior management positions.

### ***Board Interaction with Institutional Investors, the News Media, Customers, etc.***

Management speaks for the Corporation. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Corporation. However, it is expected that Board members

would do this with the knowledge of management and, absent unusual circumstances, only at the request of management.

The Corporation shall publish on its website the procedure for stockholders of the Corporation to contact members of the Board.

***Corporation's Code of Conduct***

The Board has previously adopted a Code of Conduct that is applicable to all employees, officers and directors of the Corporation. The Board will periodically evaluate the Code of Conduct to ensure that it conforms to applicable laws and best practices.

***Director Education Policy***

The Corporation believes that continuous learning for its employees and directors will help the Corporation more effectively accomplish its objectives. Accordingly, the Corporation will reimburse each director for expenses associated with their attendance at seminars on issues related to Board service or corporate governance.