

**THE EMPIRE DISTRICT ELECTRIC COMPANY**  
**CORPORATE GOVERNANCE GUIDELINES**

**Board of Director Responsibility**

**1. Role of the Board of Directors**

The Board of Directors is elected by shareholders to provide oversight and strategic guidance to senior management. The core responsibility of the Board is to exercise their fiduciary duty to act in the best interest of the Company and its shareholders. In discharging the obligation, the directors should be entitled to rely on the honesty and integrity of the Company's senior management and its outside advisors and auditors. The Board selects and oversees the members of senior management, to whom the Board delegates the authority and responsibility for the conduct of the day-to-day operation of the business.

Directors are expected to attend Board meetings and meetings of committees on which they serve, to ask questions and engage in discussions, and to spend time needed and meet as frequently as necessary to properly discharge their responsibilities.

**2. Code of Conduct**

Each member of the Board of Directors shall at all times exhibit high standards of integrity and ethical behavior. Each director shall adhere to the applicable Company policies concerning integrity and ethical behavior which the Company's management and employees are subject, including the Company's Code of Business Conduct and Ethics.

**Board of Director Composition**

**3. Selection of Board Members**

All Board members are elected by the Company's shareholders at annual meetings of shareholders. The Board recommends to the shareholders a slate of nominees for election at each annual meeting. Between annual meetings of shareholders, the Board may elect directors in accordance with its charter. Nominees for directorship will be selected by the Nominating/Corporate Governance Committee, in accordance with the policies and principles in its charter, and nominated for election by the Board. The Chairman of the Board should extend the Board's invitation to join the Board.

**4. Board Membership Criteria**

The Nominating/Corporate Governance Committee is responsible for reviewing with the Board, as required, the requisite skills and characteristics of individual Board members, as well as the composition of the Board as a whole, in the context of the needs of the Company and its shareholders. The Nominating/Corporate Governance Committee will review all nominees for director in accordance with its charter and select those nominees whose attributes it believes would be most beneficial to the Company and its shareholders. This assessment will include such issues as experience, integrity, competence, diversity, skills and dedication in the context of the needs of the Board.

## **5. Board Size**

The Company's charter permits the Board to vary in size from 9 to 11 members. The Board determines the appropriate size of the Board, which may vary to accommodate the needs of the Company and its shareholders and the availability of suitable candidates.

## **6. Term Limits**

The Board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the Board for an extended period of time are able to provide valuable insight in the Company's operations and prospects based on their experience with, and understanding of, the Company's history, policies and objectives. The Board believes that it can obtain new ideas and viewpoints through the application of the nominating process described above.

## **7. Other Board Service**

The Board does not believe that its members should be prohibited from serving on the Boards of other companies so long as those commitments do not create material actual or potential conflicts of interests and do not interfere with the director's ability to fulfill his/her duties as a member of the Board. However, no member of the Audit Committee may concurrently serve on the audit committees of more than two other public companies. The Nominating/Corporate Governance Committee will take into account the nature and time involved in the director's service on other boards in assessing director nominees. Directors should advise the Chairman of the Board, the Chairman of the Nominating/Corporate Governance Committee and the Company's Secretary in advance of accepting an invitation to serve on another public company board.

## **8. Retirement Policy**

Except as otherwise approved by the Board, no director may continue service beyond the day that he or she attains the age of 73, and no director who has been an officer of the Company shall be nominated as a candidate for election to the Board of Directors who has been retired three years prior to the date of the next Annual Meeting of Stockholders.

## **9. Director Independence**

A majority of the Board will at all times be comprised of directors who meet the then independence requirements of the New York Stock Exchange and the Securities and Exchange Commission. The Board will from time to time and no less often than annually determine which members are independent under applicable requirements.

## **Conduct of Board Meetings**

### **10. Board Meeting Schedule and Agenda**

The Board of Directors shall have at least four regularly scheduled meetings each year. Special Board meetings may be called pursuant to the By-Laws upon appropriate notice to address specific needs of the business. The Chairman and/or the CEO will establish the agenda for each Board meeting. Each Board member is encouraged to suggest the inclusion of items on the agenda at any time. The Board will review the Company's long-term strategic plan during at least one meeting each year. The CEO and Secretary shall attend all non-executive sessions of

the Board, and other members of management may attend non-executive sessions of the Board at the invitation of the CEO or the Board.

#### **11. Advanced Distribution of Materials**

Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be posted to the Board of Director's Portal, and, to the extent practicable, sufficiently in advance to enable the directors to review the materials. Directors should review these materials in advance of the meeting to preserve time at the meeting and to provoke questions and discussion about the material. On certain occasions where the subject matter is too sensitive to distribute electronically or post to the Board of Director's Portal, the matter will be discussed at the meeting.

#### **12. Executive Session**

After each Board meeting, the directors will meet in executive sessions as follows: (1) all of the directors and the CEO will meet in executive session, with such meeting chaired by the Chairman of the Board, and (2) all of the independent directors will meet in executive session, with such meeting chaired by the Chairman of the Board.

### **Committees of the Board**

#### **13. Number of Committees**

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating/Corporate Governance Committee (the "NYSE-Required Committees"). All of the members of the NYSE-Required Committees and the Chairperson of the Retirement Committee will be independent directors. The Board may have additional committees as it determines from time to time are necessary or appropriate.

#### **14. Committee Membership**

Committee members and chairpersons will be appointed and/or removed by the Board upon recommendation of the Nominating/Corporate Governance Committee after taking into account the desires, experiences and expertise of individual directors.

#### **15. Committee Structure**

Each NYSE-Required Committee will have its own charter. The charters will set forth the purpose, organization and duties and responsibilities of such committees, as well as qualifications for committee membership, committee structure and operations and committee reporting to the Board. Such charters will also provide that each committee will annually evaluate its own performance.

#### **16. Committee Meetings**

The Chairperson of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

## **Director Communications**

### **17. Director Access to Officers and Employees**

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or any other executive officer or directly by the director. Any such contact should be done in a way that is not disruptive to the business operations of the Company. Any non-routine written communications between a director and an officer or employee of the Company should be copied to the CEO, or to the Chairman of the Board of Directors if it relates to the CEO.

### **18. Director Access to Outside Advisers**

The Board and each committee have the power to hire independent legal, financial or other advisers as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance, and to approve the compensation arrangements with these advisers.

### **19. Board Interaction with Third Parties**

The Board believes that the management speaks for the Company. At the request of management, individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company.

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

All new directors must participate in the Company's orientation program. This orientation will include presentations by senior management to familiarize new directors with, among other things, the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. All other directors are invited to attend the orientation program and other opportunities for continuing education as they become available.

## **Director Remuneration**

### **21. Director Compensation**

The form and amount of director compensation will be determined by the Board, taking into account the recommendation of the Compensation Committee. In determining director compensation, the Board shall take into account the guidelines of the NYSE.

### **22. Director Indemnification**

The Company's charter and bylaws contain provisions permitted by the Kansas General Corporation Code which, in general terms, provide that directors will be indemnified by the Company for all losses that may be incurred by them in connection with any claim or legal action in which they may become involved by reason of their service as a director of the Company, if they meet certain specified conditions, and provide for the advancement by the Company to the directors of expenses incurred by them in defending suits arising out of their service as directors. The Board has authorized the Company to enter into indemnity agreements with directors that provide for similar indemnification and advancement of expenses. The directors are also covered

by insurance indemnifying them against certain liabilities which might be incurred by them in their capacities as directors. The premiums for this insurance are paid by the Company.

## **Performance Evaluations**

### **23. Management Succession**

The Board should make an annual review of management succession planning. The entire Board will work with the Nominating/Corporate Governance Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals. The Company's charter sets forth the provisions for CEO succession in the case of an emergency.

### **24. Annual Performance Evaluation**

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating/Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and its shareholders and specifically focus on areas in which the Board or management believes that the Board could improve.

As Approved on February 6, 2014