



Solutia Inc.

**Corporate Governance
Guidelines**

CORPORATE GOVERNANCE GUIDELINES

I. Introduction And Statement Of Purpose

The Board of Directors of Solutia Inc. (the “Company”) has developed and adopted these corporate governance guidelines (the “Guidelines”) to promote the effective and appropriate functioning of the Board and its committees and to provide guidance as to how the Board is expected to perform its functions.

II. The Board Of Directors

A. Director Qualifications Standards and Nominating Process

1. Independence

The Board shall have a majority of “independent directors” as defined in Section 303A of the New York Stock Exchange Listed Company Manual (as amended from time to time). The Board makes an affirmative determination regarding the independence of each director annually. A Director may be deemed independent only if the Board affirmatively determines the Director has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). Material relationships may include commercial, industrial, banking, consulting, legal, accounting, charitable and financial relationships or any other relationships the Board deems material.

The Board of Directors has adopted the following categorical standards to assist it in determining whether Directors are independent.

A Director shall not be deemed independent if the Director:

- 1) is or has, during the last three years, been an employee of the Company;
 - 2) is a current partner or a current employee of the Company’s internal or external auditor or within the last three years was a partner or employee of such firm and personally worked on the Company’s audit within that time;
 - 3) is or has, during the last three years, been employed as an executive officer by a company for which an executive officer of the Company concurrently served as a member of such company’s compensation committee;
 - 4) has an immediate family member (as defined below) who falls within the foregoing criteria; provided, however, that with respect to employment by the Company’s internal or external auditor, the Director’s immediate family member may be currently employed by the Company’s auditor but may not personally work on the Company’s audit and, with respect to employment by the Company, the Director’s immediate family member may serve or may
-

have served as an employee but not as an executive officer of the Company during the last three years;

- 5) has received, or has an immediate family member who has received, more than \$120,000 in direct compensation from the Company in any 12-month period during the last three years (other than director and committee fees; pension or other deferred compensation for prior service, provided that such compensation is not contingent in any way on continued service; and compensation paid to a Director's immediate family member for service as an employee, other than as an executive officer, of the Company);
- 6) is a current employee of, or has an immediate family member who is a current executive officer of, a company that made payments to, or received payments from, the Company for property or services in any of the last three years in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues; or
- 7) is or has been, or has an immediate family member who is or has been, an executive officer, trustee or director of a tax exempt or non-profit organization to which the Company's contributions exceeded the greater of \$1 million or 2% of such organization's consolidated gross revenues during the last three years.

For purposes of these standards, the "Company" includes Solutia Inc. and any of its consolidated subsidiaries. An "immediate family member" includes a Director's spouse, parents, stepparents, children, stepchildren, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a tenant or employee) who shares the Director's home.

2. Director Qualifications

The Governance Committee shall be responsible for establishing processes and procedures for the selection and nomination of Directors, and for developing criteria for identifying and evaluating Director candidates. The Committee shall recommend these criteria to the Board of Directors for approval and from time to time review these criteria with the Board.

Directors are selected on the basis of, among other things, the following criteria:

- Personal qualities and characteristics;
 - Business or professional expertise, experience and accomplishments;
 - Ability and willingness to devote sufficient time to the affairs of the Board;
 - Diversity of viewpoints, backgrounds and experience they will bring to the Board; and
-

- The needs of the Company at the time of nomination to the Board and the fit of a particular individual with other Directors in building a Board that is effective and responsive.

3. Size of Board, Tenure and Nominating Process

Upon the recommendation of the Governance Committee, the number of Directors constituting the entire Board shall be fixed from time to time pursuant to resolution adopted by the Board in accordance with the Company's bylaws. As set forth in the Company's Articles of Incorporation, the Board is divided into three classes, as nearly equal in number as is reasonably possible, with each class serving for a three-year term of office.

The Governance Committee shall be responsible for recommending persons for nomination by the Board to serve as a Director. The Committee shall solicit input and/or recommendations from other members of the Board and other sources. Stockholders may recommend candidates for consideration by the Governance Committee by submitting names and supporting information to: Secretary, Solutia Inc., 575 Maryville Centre Drive, P.O. Box 66760, St. Louis, MO 63166. The Committee shall review Director candidates in light of the criteria approved by the Board and recommend candidates to the Board. The Board then shall propose a slate of nominees to the stockholders for election to the Board. Between annual stockholders' meetings, the Board may elect Directors either to fill a vacancy or in anticipation of a current Director not standing for re-election.

4. Resignation and Retirement

A Director may not stand for election, and must resign, at the annual stockholders' meeting following his or her 72nd birthday, unless the Board determines otherwise.

If a non-management Director's principal position, status or employment should substantially change from the positions he or she held when elected to the Board, the Director shall offer to submit his or her resignation to the Lead Director. The Governance Committee shall decide whether to accept said resignation and, in so doing, shall consider whether such change impacts the Director's ability to remain independent, to devote sufficient time to discharge his or her duties as a Director, or whether such change may create a conflict of interest or be otherwise detrimental to the Company.

Additionally, management Directors must resign as a Director effective as of the date they retire from, or otherwise cease to be an employee of, the Company.

B. Board and Committee Meetings; Annual Meeting of Stockholders

Upon the recommendation of the Chairman of the Board or the lead director, the Board of Directors determines the number of regularly scheduled meetings to be held during the calendar year. The meetings typically consist of committee meetings

and a full Board meeting. Directors are expected to attend all Board meetings and meetings of committees of which they are a member. Additionally, Directors are expected to attend the Company's annual meeting of stockholders. Each Director is expected to actively and effectively participate in Board and committee meetings. The Board may request the presence of management personnel at any meeting. The proceedings and deliberations of the Board and its committees are confidential. Each Director must maintain the confidentiality of information received in connection with his or her service as a Director of the Company.

C. Director Access to Management and to Outside Advisors

Directors shall have free access to members of management (including, but not limited to, in-house counsel and internal audit and accounting personnel) and to the Company's advisors (including, but not limited to, the Company's independent auditors). The Board encourages executive management, from time to time, to bring other officers and managers of the Company to Board meetings.

The Board and its standing committees may, at the Company's expense, hire their own advisors (including, but not limited to, counsel, investment bankers and financial advisors) as they deem necessary and appropriate.

D. Service on other Boards

Management Directors shall seek the approval of the Board before accepting outside board memberships. Non-management Directors shall consult with the Governance Committee or the Chairman thereof, before accepting outside board memberships. Independent Directors may serve on up to four other public company boards (in addition to the Solutia Board).

E. Independent Director Compensation

The Executive Development and Compensation Committee shall review and make recommendations from time to time to the Board of Directors regarding independent Director compensation. Compensation is set by the Board based upon the recommendation of the Committee. Board compensation is intended to be sufficient to attract the most qualified candidates available. Board compensation should be reviewed to determine whether the amounts and components of Board compensation are appropriate.

F. Independent Director Stock Ownership Guidelines

The Board of Directors believes that personal ownership by independent directors of the Company's equity securities is in the interest of the Company and consistent with good governance practices. The Board of Directors has adopted stock ownership guidelines which provide that independent directors are to achieve ownership in the Company's equity securities in accordance with the following parameters:

- Each director shall own equity securities in the Company in an aggregate amount equal to four times the annual cash retainer;
- Each director shall satisfy these ownership guidelines prior to the fifth anniversary of the commencement of his or her directorship with the Company; and

For purposes of computing the amount of securities owned by a director in satisfaction of these stock ownership guidelines (i) restricted stock, restricted stock units (whether vested or unvested) owned by a director will be included in the computation, and (ii) unexercised stock options will not be included in the computation. When valuing shares, including restricted stock, restricted stock units (whether vested or unvested), such shares will be valued at a trailing 50 day average. Compliance will be evaluated as of June 30 and December 31 of each year and not on a running basis. If a Director's holdings falls below the threshold because of a drop in price, the Director will not be required to purchase additional shares to meet the threshold, but such Director shall not sell or transfer any shares until the threshold has again been achieved.

G. Director Orientation and Continuing Education

New Directors shall participate in the Company's orientation process and all Directors are encouraged to participate in continuing education programs. Reasonable expenses incurred by Directors for continuing education programs shall be reimbursed by the Company.

H. Board Leadership

The Board shall select the Chairman of the Board and the Chief Executive Officer and determine from time to time whether the positions are to be combined and filled by one person or separated and filled by two persons. If the Chairman of the Board and the Chief Executive Officer positions are combined, the independent directors may designate a Lead Director who shall also be an independent Director.

Rotation of Board Leadership Positions. The Board of Directors believes that the board leadership positions should be rotated on a periodic basis and that no one director should serve more than four consecutive years in any one leadership position.

I. CEO Evaluation; Management Development and Succession

The Executive Compensation and Development Committee shall from time to time review the Company's succession plan for the Company's Chief Executive Officer and for key members of executive management, including plans to select a successor to the Chief Executive Officer in the event of an emergency, his or her retirement, or an inability to serve for other reasons, and shall report its findings to the Board of Directors.

The Executive Compensation and Development Committee shall be responsible for reviewing and recommending to the Board corporate goals and objectives relevant to the Chief Executive Officer's compensation, conducting an evaluation of the Chief Executive Officer in light of those goals and objectives at least annually, and reporting on the results of the evaluation to the Board of Directors. The results of the evaluation shall be shared with the Chief Executive Officer and used by the Executive Compensation and Development Committee in considering the Chief Executive Officer's compensation, which is approved by the Executive Compensation and Development Committee.

For purposes of these Guidelines, "executive management" shall mean the employees who report directly to the Company's Chief Executive Officer.

J. Executive Sessions

To promote free and open discussion and communication among the independent Directors, the independent Directors shall meet from time to time in executive session without any members of management being present. Typically, executive sessions shall be held during each regular Board meeting.

K. Committees

1. Number, Structure and Independence

The Company shall have at least the committees required by the rules of the New York Stock Exchange and applicable law. Currently, the Board of Directors has four standing committees: the Audit Committee, the Executive Compensation and Development Committee, and the Governance Committee.

Each of these committees shall consist entirely of independent directors. In addition, directors who serve on the Audit Committee must meet additional, heightened independence criteria applicable to audit committee members under Section 303A of the New York Stock Exchange Listed Company Manual (as amended from time to time).

In addition, from time to time the Board may, by resolution adopted by a majority of the entire Board, establish other committees as it deems appropriate.

2. Assignment of Committee Members

The Governance Committee shall consider and make recommendations to the Board regarding committee size, composition and organization. Committee members and chairs shall be recommended to the Board by the Governance Committee and appointed by the full Board.

3. Responsibilities

Each standing committee shall have a written charter that sets forth the purpose,

duties and responsibilities of the committee as well as qualifications for committee membership. Each standing committee assesses the adequacy of its charter from time to time and recommends changes to the Board as appropriate. Each committee reports regularly to the full Board with respect to its activities.

L. Annual Performance Evaluation of the Board

The Board shall conduct an annual self-evaluation to determine whether it is functioning effectively. The Governance Committee establishes processes for conducting the self-evaluations and oversees the self-evaluation process.

III. Communication with the Board of Directors

Interested parties may communicate with the Board of Directors by sending written correspondence in care of: Secretary, Solutia Inc., 575 Maryville Centre Drive, P.O. Box 66760, St. Louis, MO 63166. Financial and accounting matters may also be sent directly to the attention of the Chair of the Audit Committee also in care of the Secretary at the above address. The Chair of the Governance Committee and his or her duly authorized agent(s) shall be responsible for reviewing stockholder communications. Communications from stockholders shall be forwarded to the full Board or to any individual director(s) to whom the communications are addressed, unless a communication is threatening, illegal or similarly inappropriate. Advertisements, solicitations for periodical or other subscriptions, and other similar communications are not forwarded to directors.

IV. Periodic Review of Guidelines

The Governance Committee will from time to time review these Guidelines and recommend appropriate changes, if any, to the Board.

Last amended: December 7, 2010
