

# CORPORATE GOVERNANCE GUIDELINES

OF



Ed. Nov.2014

**Torchmark Corporation**  
**Corporate Governance Guidelines**

The following Corporate Governance Guidelines have been adopted by the Board of Directors of Torchmark Corporation to assist the Board in exercising its responsibilities. The Corporate Governance Guidelines reflect the Board's commitment to monitor policy and decision making effectiveness both at the Board and management levels in order to enhance long-term shareholder value. These Guidelines will be reviewed by the Board annually, acting through its Governance and Nominating Committee, and are subject to modification from time to time. Waivers of the Guidelines may only be made by the Board.

## **A. DIRECTOR RESPONSIBILITIES**

Directors' activities are to be geared to meeting two basic functions: decision-making and oversight. In the discharge of these functions, it is a director's responsibility to exercise his or her duty of care (by exercising appropriate diligence in making decisions and taking other actions, as well as in overseeing management of the corporation) and his or her duty of loyalty (by exercising his or her powers as a director in good faith in the best interests of the corporation and not in his or her own interest or in the interest of another person or organization with which he or she is associated).

Accordingly, a director should become generally familiar with and knowledgeable about Torchmark's business, including the economic and competitive environment in which it operates. A director is not, however, expected or required to become an expert regarding all areas of Torchmark's business or any specific aspects thereof. Directors are expected to attend and participate, either in person or by conference telephone, in Board meetings and the meetings of all Board Committees to which they have been appointed. Directors will receive Board and Committee meeting agendas and related meeting materials sufficiently in advance of meetings to allow them to review the same and enable them to participate in an informed manner at all meetings. Directors will receive and are expected to review minutes of Board meetings and the Committees on which they serve. Directors will be kept informed of the activities of those Board Committees on which they do not serve through circulation of Committee minutes or written or oral reports from such Committees to the full Board. Directors may inspect books and records of the Company and may inspect its facilities as reasonably appropriate for the performance of their duties. A director who is unable to attend a Board or Board Committee meeting (which is understood will occur on occasion) is expected to notify the Secretary of the Company, who will advise the Co-Chairmen of the Board and/or the relevant Committee Chairperson.

Directors are expected to be present at the Annual Meeting of Shareholders unless they have an emergency, illness or an unavoidable conflict.

## **B. DIRECTOR QUALIFICATION STANDARDS**

### **(1) Board Membership Criteria**

Torchmark believes there should be wide latitude in the selection of new candidates for membership on the Board. Potential candidates should be assessed in the context of the then current composition of the Board and the particular needs of the Company.

#### **(a) Independence**

At least a majority of the members of the Board of Directors shall at all times be "independent" within the guidelines and regulations of the New York Stock Exchange and Securities Exchange Commission, as then currently set forth. The Board of Directors, with the subject director abstaining, shall, after considering all of the relevant circumstances, make an affirmative determination that the director has no material relationship with Torchmark or its subsidiaries (either directly or as a partner, shareholder or officer of any organization that has a relationship with the Company) before a director will be qualified as "independent". Annually, the Governance and Nominating Committee as well as the Board will review the relationships that each director has with the Company and its subsidiaries to insure compliance with NYSE and SEC requirements. The Board may adopt and disclose additional categorical standards to assist it in determining director independence. Torchmark will disclose these independence determinations in its annual disclosure documents.

#### **(b) Limits On Number Of Boards On Which A Director Serves**

A Torchmark director may serve on the Boards of Directors of up to six (6) unaffiliated, publicly traded companies. An individual director should carefully evaluate the required time commitments for each

board on which he or she serves and determine that he or she can adequately fulfill his or her duties as a director on each such board.

Directors are expected to advise the Co-Chairmen of the Board and the Chairperson of the Governance and Nominating Committee of any other company directorships and any assignments to the audit or compensation committees of any other board.

### **(c) Former Chief Executive Officer's Board Membership**

The matter of service of a former Chief Executive Officer of the Company on the Board should be decided on a case-by-case basis. A former Chief Executive Officer serving on the Board would not be considered an independent director for purposes of corporate governance for the period specified by the New York Stock Exchange rules.

### **(d) Directors Who Change Their Present Job Responsibilities**

Outside directors are selected on the basis of their individual qualifications and attributes. The Board does not believe that the qualities which led the Board to select a given individual for membership on the Board change merely because of a change in that director's current job responsibilities. It is anticipated that a director who assumes a new position with an inherent conflict of interest between his/her new job and his/her Torchmark Board membership would tender his/her resignation from the Board. Inside directors who leave the Company to accept employment elsewhere are expected to tender their resignation as directors. Situations involving inside directors whose responsibilities change or who retire from the Company are approached on a case-by-case basis.

## **(2) Size of The Board**

The By-Laws of the Company provide that the Board will have not less than seven nor more than fifteen members. The By-Laws further state that the exact number of Directors will be established from time-to-time by a resolution of the Board. Maintaining Board membership in this numerical range provides the Company the flexibility to accommodate the availability of an outstanding candidate without hindering effective discussion or diminishing individual accountability.

## **(3) Term Limits**

Commencing with the 2013 Annual Meeting of Shareholders and thereafter, all directors will be elected for one year terms.

There is no limit on how many terms a director may serve. Term limits have not been established since the business of the Company is highly specialized and it takes a person some time to learn this business.

## **(4) Retirement**

Non-employee ("outside") directors first elected to the Board prior to April 28, 2005 retire at the Annual Meeting of Shareholders of the Company immediately following their 78<sup>th</sup> birthday. Outside directors first elected to the Board after April 28, 2005 retire at the Annual Meeting of Shareholders of the Company immediately following their 74<sup>th</sup> birthday. Directors who are employees/officers of the Company or its subsidiaries retire at the Annual Meeting of Shareholders immediately following their 65<sup>th</sup> birthday.

## **(5) Selection of the Chairman or Co-Chairmen of the Board**

The Board of Directors has broad discretion in the selection of a Chairman or Co-Chairmen of the Board.

### **C. SELECTION OF NEW DIRECTORS**

The Governance and Nominating Committee, in conjunction with the Co-Chairmen and Chief Executive Officers and the Lead Director, reviews the qualifications and attributes of candidates for membership on the Board from whatever source such candidates are received and thereafter reports its recommendations to the full Board. Recommendations of potential Board candidates may come from the existing directors, the Co-Chairmen and Chief Executive Officers, the Lead Director, other members of management or shareholders. The Board reviews all candidates proposed for nomination and those candidates receiving Board approval are submitted to the shareholders for election.

### **D. DIRECTOR ACCESS TO SENIOR MANAGEMENT AND INDEPENDENT ADVISORS**

Directors have full and complete access to management of Torchmark and its subsidiaries and are encouraged to take advantage of this access. Such access is enhanced by the attendance at Board meetings of the Chief Financial Officer, the General Counsel, the Chief Actuary and/or the Chief Administrative Officer of the Company. On occasion, various other members of senior management of the Company and the principal insurance subsidiaries are brought into Board meetings so that they may share a particular insight or expertise with the Board.

The Board is authorized to retain, at Company expense, its own independent advisors, experts, consultants, counsel and accounting professionals, from time to time, when it determines such persons or firms are necessary.

### **E. BOARD INTERACTION WITH INSTITUTIONAL INVESTORS, ANALYSTS, THE PRESS, CUSTOMERS AND SHAREHOLDERS**

The Board believes that management should speak for the Company. The involvement of Board members in interactions with institutional investors, analysts, the press, customers and shareholders would occur with the knowledge of senior Company management and typically, at the request of such management.

Any interested parties, including employees, policyholders and shareholders, who desire to communicate with the non-management directors regarding the Company may do so by writing to the Executive Session of Torchmark Corporation Board of Directors in care of the Corporate Secretary, Torchmark Corporation, 3700 South Stonebridge Drive, McKinney, Texas 75070.

Any interested parties may communicate with the full Board of Directors or a specific director or directors in care of the Corporate Secretary, Torchmark Corporation, 3700 South Stonebridge Drive, McKinney, Texas 75070.

### **F. DIRECTOR COMPENSATION**

It is the belief of Torchmark that in order to attract and maintain outside directors of the highest caliber, Board compensation must be comparable to and competitive with our peer companies and other prominent U.S. companies. Torchmark also believes that the compensation paid to outside directors should be an appropriate mix of cash and stock-based compensation. Inside directors (directors who are officers/employees of the Company or its subsidiaries) do not receive any additional compensation for their service on the Board.

Compensation of Board members is monitored by senior management of the Company at the direction of the Co-Chairmen and Chief Executive Officers as well as by the Compensation Committee of the Board

of Directors. Levels and the forms of compensation paid at Torchmark's peer companies are regularly reviewed and compensation studies and consultants may be utilized. Periodic adjustments are made in Board compensation by the full Board of Directors based upon recommendations from the Compensation Committee and the Co-Chairmen and Chief Executive Officers.

Outside directors may elect to receive all or a portion of their annual cash compensation in quarterly cash payments or they may annually elect to defer their compensation and receive it in the form of grant date market value stock options, restricted stock or restricted stock units or have such deferred compensation held in an interest-bearing account for a five year period. Outside directors also automatically receive a portion of their compensation in the form of equity – either as market value stock options restricted stock or restricted stock units based upon their individual timely elections.

Consulting contracts and other compensatory arrangements involving a Director and Torchmark or any of its subsidiaries will be reviewed pursuant to the Company's Conflict Of Interest Policy and its Related Party Transactions Policy and will comply with any applicable SEC and NYSE requirements. Contributions by the Company to charities with which a director is affiliated will be reviewed by the Company's Contributions Committee in conjunction with the Legal Department.

## **G. DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

It is very important that Directors of the Company have a basic core knowledge and understanding of Torchmark and its several subsidiaries, their businesses and operations. To that end, the Governance and Nominating Committee of the Board of Directors is charged with developing and maintaining a director orientation program for new directors, which includes extensive written background materials, meetings with senior management and visits to Company facilities.

Continuing education for directors is also encouraged with respect to the Company's business and financial statements, corporate governance and other appropriate subjects. Director continuing education may be provided internally by Torchmark or may be obtained from outside sources.

## **H. OPERATION OF BOARD OF DIRECTORS**

### **(1) Board Agendas**

The Lead Director, in consultation with the Co-Chairmen and Chief Executive Officers, and senior management, will establish an agenda for each Board meeting. All Board members are free to suggest the inclusion of items for the agenda.

### **(2) Board and Committee Materials Distributed in Advance**

It is the practice of the Company to distribute the agenda and relevant exhibits and reports to the Board or Board Committees in advance of their meetings. To the extent possible, this Board material is distributed at least five days prior to the Board meeting and Committee material is distributed not later than the day prior to the meetings.

### **(3) Presentations**

Presentations are made to the Board both orally and in writing. Not all oral presentations are supported by a written report. Written materials supporting presentations may be distributed to Board members in advance of the meeting, as described above or, on occasion, at the meeting.

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#### **4) Executive Sessions of the Board of Directors**

The non-management directors of the Company will meet in regularly scheduled executive sessions without management present either before, after or otherwise in conjunction with physically-held Board meetings. The Lead Director will preside at each such session or in the Lead Director's absence, another independent director will preside. The name of the Lead Director or of any other such presiding director will be disclosed in the Company's Proxy Statement. At least one scheduled executive session per year shall be conducted with only directors meeting the NYSE definition of independent present and participating.

#### **(5) Lead Director**

A designated Lead Director will be elected by and from the independent members of the Board annually; provided, however, that the person elected as the Lead Director must have served a minimum of one year on the Board to qualify as a Lead Director and that a person may not serve as Lead Director for more than three one-year terms in succession without express agreement of the Board. The Lead Director shall have duties, which include, but are not limited to, the following:

- (a) Coordinating scheduling of/preparation for Board meetings and executive sessions of the Board, including approval of meeting agendas and schedules to assure that there is adequate time for discussion of all agenda items;
- (b) Leading Board meetings if the one of the Co-Chairmen is not present and all executive sessions of the independent directors; provided, however, that if at any time the Lead Director is also not present, the independent members of the Board then present shall select another independent director to perform this duty;
- (c) Acting as the principal liaison between the independent directors and the Co-Chairmen and CEOs;
- (d) Advising the independent committee chairs in fulfilling their roles and responsibilities;
- (e) Defining the scope, quality and timeliness of the information flow between management and the Board;
- (f) Leading the process of employing, evaluating and compensating the Co-Chairmen and CEOs;
- (g) Coordinating Co-Chairmen and CEO, Director and Board performance evaluations;
- (h) Approving retention of Board consultants;
- (i) Having the authority to call meetings of the independent directors; and
- (j) Being available for consultation and communication with shareowners upon request.

#### **(6) Annual Performance Evaluation of Board**

The Board shall complete an annual self-assessment to determine whether it and its committees are functioning effectively, which shall be coordinated by the Lead Director and overseen by the Governance and Nominating Committee.

## **I. COMMITTEES OF THE BOARD OF DIRECTORS**

### **(1) Board Committees**

The Board of Directors is vested with the authority to create such committees as it deems necessary and appropriate. Currently, there are three standing Committees of the Board: (a) Audit, (b) Compensation, and (c) Governance and Nominating. The Board may also, from time to time, establish certain special purpose committees, designating the duties and members of such committees.

Each committee chairperson, in consultation with other committee members, determines the frequency and length of committee meetings.

### **(2) Independence of Board Committees**

Each of the Audit Committee, Compensation Committee, and Governance and Nominating Committee will be comprised entirely of independent directors who satisfy all the applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee.

### **(3) Committee Assignment and Rotation**

At the Annual Meeting of the Board, Committee assignments are made for all standing Board Committees. It has been the custom of the Board to rotate the position of Chairperson of the various Committees of the Board periodically. It has also been the practice of the Board to change the composition of its Committees over time. However, the Board does not feel that rotation of Committee members or chairpersons should be mandated inasmuch as there may be compelling reasons, such as a particular expertise, for a given director to maintain his or her membership on a given Committee for an indefinite period of time.

### **(4) Committee Agendas**

The Chairperson of each Committee, in consultation with the Co-Chairmen and CEOs and other members of senior management will develop the agendas for the respective Committees. Any Committee member may request that additional items or discussion topics be added to the agenda and brought before the Committee.

## **J. MANAGEMENT SUCCESSION AND SUCCESSION PLANNING**

The current Co-Chairmen and Chief Executive Officers will review and evaluate members of the Company's senior management in order to identify potential candidates to serve as his or her successor(s). Once a successor is identified, the Co-Chairmen and Chief Executive Officers shall discuss this person(s) with the Board. With the concurrence of the Board, such person(s) shall serve upon the planned retirement of the Co-Chairmen and Chief Executive Officer(s). In the event of any unplanned departure of a Co-Chairman and Chief Executive Officer resulting from a resignation, termination, death, temporary or permanent incapacity or disability, or other temporary or permanent absence of a Co-Chairman and Chief Executive Officer, the Company's Emergency Succession Plan shall be promptly implemented.

Comparable procedures shall be used by the Co-Chairmen and Chief Executive Officers, in consultation with senior management and with the concurrence of the Board, to identify successors to the Chief Financial Officer, Chief Administrative Officer, Chief Investment Officer, Chief Actuary, Chief Legal Officer, Chief Information Officer, Innovations and Business Development Officer, other designated officers directly reporting to the Co-Chairmen and Chief Executive Officers and the heads of the

Company's principal operating subsidiaries. Such successors shall serve in their respective roles upon the retirement of their predecessors or in the event of an emergency or incapacity of their predecessor.

**K. PERFORMANCE ASSESSMENTS OF THE BOARD AND  
Co- CHIEF EXECUTIVE OFFICERS**

Critical self-examination is an important and ongoing responsibility of any business entity. The ultimate assessment of the performance of the Board of Directors inherently rests with the shareholders of the Company. The Co-Chairmen and Chief Executive Officers are constantly judged vis-à-vis the performance of business, the earnings of the Company, the performance of the stock and are generally held accountable for the actions of the Company. Accordingly, the Board of Directors shall annually conduct a formal self-assessment process to determine if it and its Committees are functioning effectively. The performance of the Co-Chairmen and Chief Executive Officers shall also be evaluated annually by the Board.