

**TEXTRON INC.**

**Corporate Governance Guidelines and Policies**

**(revised effective February 26, 2020)**

## TABLE OF CONTENTS

<b>A.</b>	<b>Board Responsibilities, Leadership and Compensation</b>	
1.	<i>Responsibilities of Directors</i>	1
2.	<i>Board Leadership</i>	1
3.	<i>Ethics and Conflicts of Interest</i>	2
4.	<i>Board Interaction with Shareholders, the Media and the General Public</i>	2
5.	<i>Board Compensation Review; Director Stock Ownership and Retention Requirements</i>	3
<b>B.</b>	<b>Board Meetings and Materials</b>	
1.	<i>Selection of Agenda Items for Board Meetings</i>	4
2.	<i>Meeting Materials</i>	4
3.	<i>Regular Attendance of Non-Directors at Board Meetings</i>	4
4.	<i>Executive Sessions of Independent Directors</i>	4
5.	<i>Board Access to Senior Management</i>	4
6.	<i>Access to Outside Advisors</i>	5
7.	<i>Director Orientation and Continuing Education</i>	5
<b>C.</b>	<b>Board Committees</b>	
1.	<i>Standing Committees</i>	5
2.	<i>Committees' Role in Risk Oversight</i>	6
3.	<i>Assignment and Rotation of Committee Members; Term Limit on Committee Chairs</i>	6
4.	<i>Committee Meetings</i>	6
5.	<i>Committee Agenda</i>	6
<b>D.</b>	<b>Board Composition and Director Qualification and Selection Process</b>	
1.	<i>Size of Board</i>	7
2.	<i>Independence of Directors</i>	7
3.	<i>Former CEO's Board Membership</i>	7
4.	<i>Board Membership Criteria</i>	7
5.	<i>Selection of Director Candidates</i>	8
6.	<i>Extending the Invitation to a New Potential Director to Join the Board</i>	8
7.	<i>Other Directorships</i>	8
8.	<i>Directors Who Change Their Present Job Responsibility</i>	8
9.	<i>Majority Vote Standard</i>	9
10.	<i>Retirement Age</i>	9

<b>E.</b>	<b>Leadership Development</b>	
1.	<i>Assessing the Board's Performance</i>	9
2.	<i>Formal Evaluation of the CEO</i>	9
3.	<i>Succession Planning</i>	9
4.	<i>Management Development</i>	9
<b>F.</b>	<b>Miscellaneous</b>	
1.	<i>Shareholders Rights Plan</i>	10
2.	<i>Communications With Board of Directors or the Audit Committee</i>	10
3.	<i>Periodic Review of Guidelines</i>	10
	<b>Appendix A – Transactions with Related Parties</b>	11
	<b>Appendix B -- Director Independence Standards</b>	13

**TEXTRON INC.**  
**Corporate Governance Guidelines and Policies**

**A. Board Responsibilities, Leadership and Compensation**

*1. Responsibilities of Directors*

The Board of Directors is elected by the shareholders and its role is to oversee the management of the business and affairs of Textron. The basic responsibility of the Directors is to exercise their business judgment and act with due care in what they reasonably believe to be the best interests of Textron and its shareholders. In carrying out this responsibility, the Directors are generally entitled to rely on the efforts of Textron's officers, employees, and outside advisors in making Board decisions. Both the Board and management recognize that shareholders' long-term interests may be advanced by taking into account, when and as appropriate, the concerns of the Company's other stakeholders and interested parties, including its employees, customers, suppliers, partners, local communities, government officials and the public at large.

In addition to its general oversight of management, the Board and its committees also perform a number of specific functions, including:

- (a) selecting, evaluating and determining the compensation of the Chief Executive Officer (the "CEO") and planning for CEO succession;
- (b) reviewing, approving and overseeing fundamental financial and corporate strategies and major corporate actions;
- (c) reviewing and, where appropriate, approving long-term strategic and business plans, overseeing management's execution of such plans and evaluating results of such plans;
- (d) overseeing the Company risk management program;
- (e) nominating directors, reviewing the structure and operation of the Board, selecting the Chairman of the Board (the "Chairman") and the Lead Director, and overseeing effective corporate governance; and
- (f) overseeing processes for maintaining the integrity of the Company, including the integrity of its financial statements, compliance with laws, regulations and the Company's Business Conduct Guidelines, and the integrity of relationships with customers and suppliers as well as other stakeholders.

*2. Board Leadership*

Historically, the Board has determined that combining the positions of Chairman and CEO serves the best interests of the Company and its shareholders. This is because, due to the size and multi-industry nature of the Company's business, the Board believes that the CEO, with extensive knowledge of the Company's businesses and full time focus on the business affairs of the Company, makes a more effective Chairman than an independent

Director. The Board may at its discretion depart from this approach and reviews at least once every two years whether having the positions of Chairman and CEO combined best serves the interests of the Company and its shareholders.

The independent Directors shall designate any Director among them to serve as Lead Director. The Lead Director is generally expected to serve for a three-year term, with the appointment ratified annually at an executive session held at the April meeting of the Board. The Lead Director performs the functions set forth in the Company's Amended and Restated By-Laws (the "By-Laws") and these Guidelines and such other functions as the Board may direct, including presiding at all meetings of the Board at which the Chairman is not present and serving, when needed, as liaison between the CEO and the independent Directors. The Nominating and Corporate Governance Committee reassesses on an annual basis the continuing effectiveness of the role of Lead Director.

### *3. Ethics and Conflicts of Interest*

The Board expects its Directors, officers and other employees to act ethically at all times and to adhere to the Textron Business Conduct Guidelines which apply to all of the Company's Directors, officers, employees and representatives. The Business Conduct Guidelines form the basis for the Company's ethics and compliance procedures and cover a wide range of areas; they are available on the Company's website. The Board will not permit any waiver of the Business Conduct Guidelines or any other Company ethics policy for any Director or executive officer. Textron will not make any personal loans or extensions of credit to Directors or executive officers. No non-management Director may provide personal services for compensation to the Company, other than in connection with serving as a Textron Director or on a regularly constituted advisory board of the Company for which such Director receives standard fees of less than \$50,000 per annum. In addition, the Board has adopted a policy for reviewing and approving transactions with "related parties," including directors, set forth in the attached Appendix A.

In addition to complying with the Business Conduct Guidelines and other applicable Company policies, Directors are expected to avoid any action, position or interest that conflicts with an interest of Textron or that gives the appearance of a conflict. If any actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman, the CEO and the chair of the Nominating and Corporate Governance Committee. If a significant conflict exists and cannot be resolved, the Director should resign. Directors will recuse themselves from discussions or decisions affecting their personal, business or professional interests.

### *4. Board Interaction with Shareholders, the Media and the General Public*

It is important that the Company speak to investors and the public with one voice. Accordingly, non-management Board members should, in most instances, not speak on behalf of the Company or speak on matters relevant to the Company and its shareholders without first coordinating such discussions through the Company after consultation with the CEO and General Counsel. However, the Lead Director will be available for consultation and direct communication with Textron shareholders. Such sessions are not intended to serve as a forum for the communication of material non-public information that is subject to Securities and Exchange Commission ("SEC") Regulation FD. The

Textron Disclosure Policy, which is intended to ensure that material non-public information about Textron is not disclosed in violation of Regulation FD, specifically addresses which individuals are authorized to discuss Textron's operations and results with the investment community.

#### *5. Board Compensation Review; Director Stock Ownership and Retention Requirements*

The Nominating and Corporate Governance Committee is responsible for annually reviewing and making recommendations to the Board with respect to non-employee Director compensation and benefits. Board compensation recommendations are presented to the Board for action. The Board believes that compensation and benefits for non-employee Directors should fairly pay Directors for work required for a company of Textron's size and scope, should align Directors' interests with the long-term interests of shareholders and should be simple, transparent and easy for shareholders to understand.

In furtherance of aligning the Board's interests with long-term shareholders of the Company, pursuant to the Equity Program for Non-Employee Directors under the Textron Inc. 2015 Long-Term Incentive Plan, beginning with the 2020 Shareholders' Meeting, a portion of the independent Directors' annual retainer will be paid in the form of Restricted Stock Units ("Program RSUs"). Program RSUs will be granted annually on the date of the Shareholders' Meeting and settled in shares of Common Stock one year from the date of grant unless the Director elects to defer settlement of the Program RSUs until the Director's separation from service on the Board. The dollar value of Program RSUs to be granted in 2020 will be \$145,000, which amount may be increased or decreased in future years by resolution of the Board from time to time. Program RSUs replace Deferred Stock Units formerly granted to Directors under the Deferred Income Plan for Non-Employee Directors ("DIP").

Independent Directors also receive a one-time grant of 2,000 shares of restricted Common Stock upon joining the Board. Except in limited circumstances, these shares are subject to forfeiture if the Director does not complete five years of Board service and may not be sold or otherwise transferred until the Director's termination from service on the Board.

Each independent Director is required to accumulate a minimum level of stock ownership equal to eight times the portion of their annual retainer payable in cash prior to the tenth anniversary of the Director joining the Board. To the extent that Directors do not defer settlement of their Program RSUs, they may not sell shares of Common Stock received upon vesting of Program RSUs unless the stock ownership requirement has been met. Furthermore, Directors are prohibited from selling or otherwise transferring Deferred Stock Units credited to them under the terms of the DIP for the period they serve on the Board. In addition, Directors are prohibited from (i) pledging Textron securities as collateral for any loan or holding Textron securities in a margin account or (ii) engaging in short sales of Textron securities or transactions in publicly-traded options or derivative securities based on Textron's securities.

## **B. Board Meetings and Materials**

### *1. Selection of Agenda Items for Board Meetings*

An annual Core Agenda shall be determined by the Board based upon key strategic direction and operational issues identified by the CEO and the Lead Director together. The Core Agenda shall include standard items scheduled throughout the year and, as appropriate, matters requiring Board approval. Directors are encouraged to suggest items to be included on the Core Agenda to the Chairman, the Lead Director or the appropriate committee chair at any time. Prior to each Board meeting, the CEO discusses the agenda items for the meeting and the amount of time allocated for agenda items with the Lead Director, who shall have the authority to make changes and approve the agenda for the meeting.

### *2. Meeting Materials*

The Lead Director, or a committee chair as appropriate, shall determine the type of information that shall be provided to the Directors for each scheduled Board or committee meeting. Directors are encouraged to suggest additional materials to the Chairman, the Lead Director, or the appropriate committee chair at any time. Generally, materials are made available to the Board approximately one week in advance of the Board and the committee meetings.

### *3. Regular Attendance of Non-Directors at Board Meetings*

Attendance at the Board meetings by the Company's executive officers is a routine practice while other management personnel (including corporate officers, segment leaders and business unit presidents and chief financial officers) may be invited to attend Board meetings depending on the agenda.

### *4. Executive Sessions of Independent Directors*

The Board meets in executive session for the independent Directors without management present at each regularly scheduled Board meeting. The Lead Director presides over these sessions. Additional sessions may be convened at any time by the Lead Director, either on his or her own initiative or at the request of any other Director. The Lead Director shall discuss the conclusions of the executive session with the CEO promptly after such executive session and report to the Board on the discussions with the CEO at the next executive session (or sooner if warranted by the nature of the matter discussed). In the event that the subject of discussion at any meeting of a committee pertains to a person in attendance, such committee shall conduct such discussion in executive session as it deems appropriate.

### *5. Board Access to Senior Management*

Directors have open access to segment/business unit management, and as noted above, the Company's executive officers routinely attend all Board meetings. Directors may communicate with such persons directly or may request the Lead Director to serve as a

liaison in such communications. As a general rule, Directors shall inform the CEO and coordinate with the Secretary when scheduling business unit visits.

#### *6. Access to Outside Advisors*

The Board and its standing committees shall have the right at any time to retain and authorize the compensation of outside financial, legal or other advisors.

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

New Directors shall participate in an orientation program designed to familiarize them with the Company. Each new Director shall, as soon as practicable, spend a day at the Company's offices for personal briefing by senior management on the Company's strategic plans, its financial statements, and its key policies and practices. All Directors are encouraged to attend, from time to time, continuing education programs for Directors at the Company's expense and to make at least one visit annually to a business unit of Textron (in addition to any visits made in connection with Board or committee meetings).

### **C. Board Committees**

#### *1. Standing Committees*

Currently, there are four standing Board committees: Audit; Nominating and Corporate Governance; Organization and Compensation; and Executive. The Board may, from time to time, form a new committee and may discharge any such committee at any time. The Nominating and Corporate Governance Committee has the responsibility of annually reviewing the committee structure, charters and membership, and recommending changes, if any, to the Board. The current charters and key practices of the Nominating and Corporate Governance Committee, the Organization and Compensation Committee and the Audit Committee are posted on the Company's website, and will be mailed to shareholders on written request. Each committee has a designated committee chair. The committee chairs provide a report on their meetings to the Board following each meeting of the respective committees.

The Executive Committee, which has all of the power of the Board (subject to certain limitations enumerated in the By-Laws), is maintained for the purpose of acting when it is impractical for the Board to meet and there is a need for prompt action. In the event the Executive Committee takes any action, it shall report in a timely fashion such action to all members of the Board.

Each of the Audit Committee, Nominating and Corporate Governance Committee and Organization and Compensation Committee shall be comprised solely of independent directors. The Executive Committee is comprised of the Chairman, the CEO, the committee chairs of each of the other standing Board committees and the Lead Director (if the Lead Director is not a committee chair of one of the other standing Board Committees).

## *2. Committees' Role in Risk Oversight*

Although the full Board is responsible for oversight of the Company's risk management process, the Organization and Compensation Committee, the Nominating and Corporate Governance Committee and the Audit Committee assist the Board in discharging its oversight duties. The Organization and Compensation Committee reviews risks related to the subject matters enumerated in its charter, including risks associated with the Company's compensation programs, to ensure that incentive compensation arrangements for senior executives do not encourage inappropriate risk taking. The Nominating and Corporate Governance Committee considers risks related to the subject matters for which it is responsible as identified in its charter, including risks associated with corporate governance. Similarly, the Audit Committee discusses with management and the independent auditor, as appropriate, risks related to the subject matters enumerated in its charter and management's policies and processes for risk assessment and risk management. In addition, to further assist the Board, the Audit Committee reviews the Company's risk management process on an annual basis, monitors material risk changes on a quarterly basis and reports to the Board as appropriate.

## *3. Assignment and Rotation of Committee Members; Term Limit on Committee Chairs*

The Nominating and Corporate Governance Committee is responsible, in consultation with the Chairman, for the assignment of Board members to the various committees, and appointment, rotation or removal of committee chairs. Consideration should be given to rotating committee members periodically at about a five-year interval, but the Board does not have a firm policy mandating rotation of committee assignments since there may be reasons to maintain an individual Director's committee membership for a longer period.

No director shall serve as the chair of any one committee for longer than five consecutive years, provided that such five-year term limit may be exceeded in a particular case based upon special circumstances where the full Board has determined that exceeding the limit would be in the best interest of the Company.

## *4. Committee Meetings*

The committee chairs, in consultation with committee members and with the assistance of management, determine the frequency and length of the meetings of their respective committees.

## *5. Committee Agenda*

The committee chairs, in consultation with committee members and with the assistance of management, develop their respective committee's agenda. Additional agenda items may be recommended by other committees or Board members.

## **D. Board Composition and Director Qualification and Selection Process**

### *1. Size of Board*

The Board is responsible for determining the number of directors on the Board based upon the nature and scope of the Company's operations and the need for diversity of perspectives and experience. The Board has currently determined this range to be between 10 and 14 directors. The Nominating and Corporate Governance Committee periodically reviews the Board's size and recommends to the Board the most effective size for the Company.

### *2. Independence of Directors*

It is the policy of the Board that a substantial majority of the Directors will qualify as "independent directors". The Board has adopted the Director Independence Standards set forth in the attached Appendix B to assist the Board in making the independence determination. The Director Independence Standards are intended to comply with the New York Stock Exchange ("NYSE") corporate governance rules and all other applicable laws, rules and regulations regarding director independence in effect from time to time. The Board shall annually review and determine the independence of each Director and no Director shall qualify as "independent" unless the Board of Directors affirmatively determines that the Director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Only independent Directors may serve on the Audit Committee, Nominating and Corporate Governance Committee and Organization and Compensation Committee.

### *3. Former CEO's Board Membership*

The Board believes that it is appropriate for the CEO to offer his/her resignation from the Board at the same time he/she resigns or retires from the CEO position. The Board will decide whether the individual continues to serve on the Board after discussion with the incoming CEO. If the Board decides that the former CEO should continue on the Board, this decision should be reviewed by the Board periodically.

### *4. Board Membership Criteria*

The Nominating and Corporate Governance Committee is responsible for reviewing annually the results of the review of the Board's overall performance and the impact of the strategy of the Company to determine future requirements for Board members and the appropriate criteria for membership on the Board. Textron endeavors to have a Board whose members have a diversity of perspectives and experience in areas that are relevant to the Company's global operations. Generally, Directors should have exemplary personal ethics and integrity; shall possess (i) specific skills and experience aligned with Textron's strategic direction and operating challenges and that complement the overall composition of the Board; (ii) core business competencies of high achievement and a record of success; (iii) financial literacy and history of making good business decisions and exposure to best practices; (iv) interpersonal skills that maximize group dynamics, including respect for others; and (v) strong communication skills and confidence to ask

tough questions; and should be enthusiastic about Textron and have sufficient time to be fully engaged.

#### *5. Selection of Director Candidates*

The Nominating and Corporate Governance Committee has, as one of its responsibilities, the recommendation of the Company's Director candidates to the Board. In making such recommendations, the Nominating and Corporate Governance Committee shall, with respect to new candidates, seek input from sources the Committee deems helpful and, with respect to incumbent Directors standing for reelection, conduct an evaluation of such Directors in accordance with the Committee's Charter. The Company's nominees shall be recommended to the Board by the Committee solely on the basis of merit. Nominees suggested by shareholders shall be communicated to the Nominating and Corporate Governance Committee and shall be considered in the selection process for nominees to be included among the Company's Director candidates to be recommended to the Board.

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

Currently, an invitation to join the Board is extended by the chair of the Nominating and Corporate Governance Committee, the Chairman or the CEO after approval by the Board.

#### *7. Other Directorships*

The number of public company boards (in addition to the Company's) on which non-management Directors may serve is limited to (a) four in the case of a Director who is not also a public company chief executive officer and (b) two in the case of a Director who is a chief executive officer of a public company. A non-management Director who is considering joining the board of another public company should promptly advise the Secretary, who will then advise the Chairman, the Lead Director and the chair of the Nominating and Corporate Governance Committee, and such Director should not accept service on such other board until being advised by the Chairman that service on such other board would not conflict with a Company policy or service on the Company's Board. The Nominating and Corporate Governance Committee and the Board will take into account the nature of and the time involved in a Director's service on other boards in evaluating the suitability of new Directors and incumbent Directors for election (or reelection) to the Board and recommending nominees to shareholders.

#### *8. Directors Who Change Their Present Job Responsibility*

A Director shall submit his/her resignation to the Board when a change in the Director's status, including a significant change in employment or job responsibility, occurs. The Nominating and Corporate Governance Committee is responsible for recommending to the Board whether such resignations should be accepted. Non-management Directors are also required to advise the Secretary, who will then advise the Chairman, the CEO and the chair of the Nominating and Corporate Governance Committee, of any other significant change in their personal circumstances which might affect their service on the Board.

## *9. Majority Vote Standard*

The Company's majority vote standard for the election of directors provides that, in uncontested elections of directors, each director shall be elected by the vote of the majority of the votes cast, meaning that the number of shares voted "for" a director must exceed the number of shares voted "against" that director. In contested elections, directors are elected by plurality voting, meaning that the directors receiving the greatest number of votes are elected.

Any Director who is not elected shall tender his or her resignation to the Board, and the Nominating and Corporate Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation or whether other actions should be taken. The Board will act on the Committee's recommendation and publicly disclose its decision within 90 days from the date of the ratification of the election results.

## *10. Retirement Age*

Under Textron's By-Laws, no person shall be elected a Director who has reached the age of 75.

## **E. Leadership Development**

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

The Board and each of the standing committees will perform an annual self-evaluation of their overall performance. The Nominating and Corporate Governance Committee is responsible for developing and conducting or coordinating such self-evaluations and reviewing the results with the Board and each committee.

### *2. Formal Evaluation of the CEO*

The non-management Directors shall conduct an annual performance evaluation of the CEO against predetermined objectives. In addition, the CEO also shall annually prepare a self-evaluation for submission to the Board prior to such annual performance evaluation by the Board.

### *3. Succession Planning*

The Organization and Compensation Committee shall review with the Company's management the succession plans for executive officers and senior operations executives. Succession planning is also reviewed annually with the Board in a separate organizational planning meeting.

### *4. Management Development*

The Organization and Compensation Committee is responsible for reviewing with appropriate representatives of management, Textron's organizational structure and, in particular, the responsibilities and performance of executive officers, and from time to

time, senior operations executives and the plans for their succession and to report at least annually to the Board on this subject.

## **F. Miscellaneous**

### *1. Shareholders Rights Plan*

The Company shareholders rights plan expired by its terms on September 27, 2005.

### *2. Communications With Board of Directors or the Audit Committee*

Shareholders or other interested parties wishing to communicate to the Board of Directors, the Lead Director, the non-management directors as a group or with any individual director may do so by calling (866) 698-6655 (toll-free) or (401) 457-2269, writing to Board of Directors at Textron Inc., 40 Westminster Street, Providence, Rhode Island 02903, or by e-mail at [textrondirectors@textron.com](mailto:textrondirectors@textron.com). All communications received via the above methods will be sent to the Board of Directors, the Lead Director, the non-management directors or the specified director, as requested by the shareholder or other party.

In addition, anyone who has a concern about the Company's conduct or a complaint or concern regarding the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the non-management Directors or to the Audit Committee. Such communications are, if requested, confidential or anonymous, and may be emailed, submitted in writing, or reported by phone to the address and the toll-free phone number set forth above. All communications to the non-management Director(s) or the Audit Committee (other than unsolicited commercial communications) will be forwarded to the appropriate non-management Director(s) or the Audit Committee for their review and will be simultaneously reviewed and addressed by the Company's compliance, internal audit or legal staffs in the same way that other concerns are addressed by the Company. The status of all outstanding concerns addressed to the non-management Directors or the Audit Committee will be reported to the Directors on a quarterly basis. The non-management Directors or the Audit Committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Textron Business Conduct Guidelines prohibit any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

### *3. Periodic Review of Guidelines*

The Nominating and Corporate Governance Committee is responsible for annually reviewing these Guidelines, as well as considering other corporate governance principles that may, from time to time, merit consideration by the Board.

## Appendix A

### Transactions with Related Parties

It is the policy of the Board that all Interested Transactions with Related Parties shall be subject to approval or ratification in accordance with the procedures set forth below.

(i) The Nominating and Corporate Governance Committee shall review the material facts of all Interested Transactions that require the Committee's approval and either approve or disapprove of the entry into the Interested Transaction. If advance Committee approval of an Interested Transaction is not feasible, then the Interested Transaction shall be considered and, if the Committee determines it to be appropriate, ratified at the Committee's next regularly scheduled meeting. In determining whether to approve or ratify an Interested Transaction, the Nominating and Corporate Governance Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.

(ii) No Director shall participate in any discussion or approval of an Interested Transaction for which he or she (or an Immediate Family Member) is a Related Party, except that the Director shall provide all material information concerning the Interested Transaction to the Nominating and Corporate Governance Committee.

(iii) If an Interested Transaction will be ongoing, the Nominating and Corporate Governance Committee may establish guidelines for the Company's management to follow in its ongoing dealing with the Related Party. Thereafter, the Nominating and Corporate Governance Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Party to see that they are in compliance with the Committee's guidelines and that the Interested Transaction remains appropriate.

#### **Definitions:**

**"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 such person's home.

**"Interested Transaction"** is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which the aggregate amount involved since the beginning of the Company's last fiscal year will or may be expected to exceed \$100,000; the Company is a participant, and any Related Party has or will have a direct or indirect interest (other than solely as a result of being a Director or, together with all other Related Parties, a less than 10 percent beneficial owner of another entity) or both.

**“Related Party”** is any (a) person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 10-K and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director, (b) greater than 5 percent beneficial owner of the Company’s Common Stock, or (c) immediate family member of any of the foregoing. Immediate family member includes a person’s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone residing in such person’s home (other than a tenant or employee).

## Appendix B

### Director Independence Standards

#### I.

##### A Director is not independent if:

(a) The Director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company;

(b) The Director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(c) (i) The Director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (ii) the Director is a current employee of such a firm, (iii) the Director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (iv) the Director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;

(d) The Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executives at the same time serves or served on that company's compensation committee; or

(e) The Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years exceeds the greater of \$1 million and 2% of such other company's consolidated gross revenues.

#### II.

##### Standard of independence for Audit Committee membership.

Under NYSE and SEC requirements, to be considered independent for purposes of serving on the Audit Committee, a Director may not directly or indirectly, other than in his or her capacity as a member of the Board or any of its committees, accept any compensatory fee from the Company or any of its subsidiaries or be an affiliated person of the Company or any of its subsidiaries.

### III.

#### **Relationships that will not be considered material relationships that would impair a Director's independence:**

(a) The Company does business with a Director's business affiliate or the business affiliate of an immediate family member of a Director for goods or services, or other contractual arrangements, in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons and the annual revenues or purchases from such business affiliate are less than the greater of \$500,000 and 1% of the business affiliate's consolidated gross revenues;

(b) A company (of which a Director or an immediate family member is an officer) does business with the Company and the annual sales to, or purchases from, the Company during such other company's preceding fiscal year are less than the greater of \$500,000 and 1% of the gross annual revenues of such other company;

(c) A law firm of which a Director or an immediate family member is a partner or of counsel performs legal services for the Company, the Director or the immediate family member does not personally perform any legal services for the Company, and the annual payments to such law firm are less than the greater of \$500,000 and 1% of such law firm's consolidated gross revenues;

(d) An investment bank or consulting firm of which a Director or an immediate family member is a partner, officer or equivalent performs investment banking or consulting services for the Company, the Director or the immediate family member does not personally perform any investment banking or consulting services for the Company and the annual payments to such investment bank or consulting firm are less than the greater of \$500,000 and 1% of such investment bank's or consulting firm's consolidated gross revenues;

(e) The Company does business with another company where a Director's or an immediate family member's only relationship is serving as a non-management director;

(f) The Director serves on a regularly constituted advisory board of the Company, for which such Director receives standard fees of no more than \$50,000 per annum; and

(g) A foundation, university or other not-for-profit organization of which a Director or immediate family member is an officer, director or trustee receives from the Company contributions in an amount which does not exceed the greater of \$100,000 and 1% of the not-for-profit organization's aggregate annual charitable receipts during the entity's preceding fiscal year. (The Company's automatic matching of employee charitable contributions is not included in the Company's contributions for this purpose.)

### IV.

#### **Additional considerations in making independence determinations:**

(a) Each Director is required to disclose to the Company certain relationships between and among that Director, the Company, and senior management of the Company in order to allow for an appropriate determination of that Director's

independence. Each Director shall promptly disclose such relationships in advance to the Secretary, who will then notify the Chairman, the Lead Director and the chair of the Nominating and Corporate Governance Committee, with respect to any change in circumstances that may affect his or her independence.

(b) The determination that a Director is independent or eligible to serve on the Audit Committee shall be made by the Board following a review of all relevant information and a recommendation by the Nominating and Corporate Governance Committee; such determination shall be made by the Board at least annually and at the next Board meeting after the Board receives information from or in connection with a Director indicating a significant change in information previously received.

## V.

### **Definitions:**

**“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 such person’s home. When applying the “look-back” provisions above, the Company need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.