

# ESSENDANT INC.

## CORPORATE GOVERNANCE PRINCIPLES

### Introduction

The Board of Directors (the “Board”) of Essendant Inc. (the “Company”) has adopted these Corporate Governance Principles (these “Principles”) to assist the Board in the exercise of its responsibilities and to serve the best interests of the Company and its stockholders. These Principles are intended to serve as a flexible framework within which the Board may conduct its business in accordance with applicable laws, regulations and other corporate governance requirements, as the same may be amended from time to time, and not as a set of legally binding obligations. They are subject to future refinement or modification by the Board in such manner and at such time(s) as the Board may deem advisable in furtherance of these objectives or as may be necessary or appropriate to comply with applicable laws and regulations.

### Board Composition and Membership Criteria

- 1. Board Size.** The Company’s Bylaws provide that the Board will consist of between three and fifteen Directors. It is the sense of the Board that a range from seven to ten Directors generally represents an appropriate number of Directors for optimal Board effectiveness, but that a smaller or larger Board may be preferable at particular times, depending on the circumstances.
- 2. Board Membership Criteria.** The Governance Committee will work with the Board as a whole to determine and periodically review the appropriate characteristics, skills, diversity and experience desirable for the Board as a whole and its individual members. In making such determinations as to individual Directors, the Board may take into account many factors, which include, among others, the individual’s general understanding of operations, marketing, finance or other aspects relevant to the success of a publicly traded company in today’s business environment, qualifications for appointment as the Company’s Chief Executive Officer in the case of emergency succession or otherwise, broad experience, educational and professional background, industry knowledge or other special expertise, integrity, wisdom, demonstrated business acumen and judgment, satisfaction of applicable independence criteria and willingness to devote adequate time to the performance of the duties of a Director. The Governance Committee and the Board will evaluate and select each individual Director or Director candidate in the context of the needs and then current make-up of the Board as a whole.
- 3. Selection of New Directors.** The Governance Committee will be responsible for identifying, screening and recommending to the entire Board candidates for Board membership. When formulating its recommendations as to Director candidates, the Governance Committee may consider any recommendations offered by Directors, officers, employees or stockholders of the Company. The entire Board will be responsible for nominating individuals for election to the Board and for filling vacancies

on the Board or any Board committees that may occur from time to time. The invitation to join the Board should be extended by the Board itself, generally by the Chairman of the Board and Governance Committee Chair on behalf of the Board.

**4. Director Nominee Disclosures.** The Board of Directors seeks to promote a cohesive Board environment that promotes candid discussions. The Board believes candor is fostered by a thorough understanding of relationships and financial interests that might affect a Director's opinions or actions. Accordingly, the Board expects each Board-nominated candidate for election or reelection to the Board to complete and sign a written questionnaire in the form provided by the Company disclosing information about his or her background and qualifications, including questions about:

- A. The age, business address, residence address and record address of the nominee and any Associated Person of the nominee,
- B. The principal occupation or employment of the nominee and any Associated Person of the nominee,
- C. The class and number of shares of the Company which are beneficially owned and/or owned of record by the nominee and by any Associated Person of the nominee,
- D. The nominee holder for, and number of, shares beneficially owned but not owned of record by the nominee and by any Associated Person of the nominee,
- E. A description of all transactions or proposed transactions that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K if the nominee or any Related Person of the nominee were a director or executive officer of the Company,
- F. Whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the nominee or any Associated Person of the nominee in respect of shares of stock of the Company, or any other agreement, arrangement or understanding (including any derivative or short positions, swaps, warrants, hedges, profit interests, options or borrowed or loaned shares of the stock of the Company) has been made by or on behalf of the nominee or any Associated Person of the nominee, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power or pecuniary or economic interest of, the nominee or any Associated Person of the nominee with respect to any shares of stock of the Company,
- G. A description of the terms of and number of shares subject to any arrangements, rights, or other interests described in clause (E) or clause (F) of this sentence held by any Immediate Family Member of the nominee or any Associated Person of the nominee, and

- H. Any other information relating to the nominee or any Associated Person of the nominee that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including, without limitation, the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected).

For purposes of these Principles, "Associated Person" of any nominee shall mean (i) any person acting in concert, directly or indirectly, with such nominee, (ii) any person controlling, controlled by or under common control with such nominee or any Associated Person of such nominee. For purposes of these Principles, "Immediate Family Member" shall mean, in respect of any person, any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such person, and any person (other than a tenant or employee) sharing the household of such person.

The Board also expects each Board-nominated candidate for election or reelection to the Board to complete and sign a written representation and agreement in the form provided by the Company that he or she:

- A. Is not and will not become a party to:
  - 1. Any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person as to how the nominee, if elected as a director of the Company, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Secretary of the Company in writing, or
  - 2. Any Voting Commitment that could limit or interfere with the person's ability to comply, if elected as a director of the Company, with the person's fiduciary duties under applicable law.
- B. Is not and will not become a party to any agreement, arrangement or understanding with any person other than the Company with respect to any direct or indirect compensation, reimbursement, or indemnification in connection with service or action as a director that has not been disclosed to the Secretary of the Company in writing.
- C. In the person's individual capacity and on behalf of any person on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Company, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, Regulation FD, confidentiality, code of conduct, and stock ownership and trading policies and guidelines of the Company.

**5. Majority Vote Requirement in Uncontested Director Election.** Any incumbent Director who receives a greater number of votes "withheld" from his or her election than votes "for" in an uncontested director election is expected to tender his or her written

resignation to the Chairman of the Board within five days following certification of the stockholder vote.

The Governance Committee shall consider such tendered resignation and, within 45 days following the date of the stockholders meeting at which the election occurred, shall make a recommendation to the Board concerning the acceptance or rejection of such resignation. The Board shall take formal action on the Governance Committee's recommendation no later than 90 days following the date of the stockholders meeting at which the election occurred.

Following the Board's decision on the Governance Committee's recommendation, the Company, within four business days after such decision is made, shall publicly disclose, in a Form 8-K filed with the Securities and Exchange Commission, the Board's decision and, if applicable, the Board's reason or reasons for rejecting the tendered resignation.

A Director who offers his or her resignation pursuant to these Principles shall not participate in a Committee or Board decision regarding it.

**6. Board Composition; Mix of Management and Independent Directors.** The Board expects that in most circumstances the only member of the Company's management who would be invited to serve on the Board would be the Company's chief executive officer. It is the Board's policy that a substantial majority of the Directors on the Board should be independent Directors. In determining the independence of a Director, the Board will comply with definitions of "independence" included in relevant listing standards of The Nasdaq Stock Market or in any applicable regulations, including any adopted by the Securities and Exchange Commission ("SEC"). In addition, the Board should consider other factors deemed to contribute to effective oversight and decision-making.

**7. Director Orientation and Continuing Education.** The Company will offer a Director orientation program to familiarize new Directors with these Principles, as well as matters such as the Company's business, strategic plans, significant financial, accounting and risk management issues, code of conduct, conflict of interest policies and compliance programs, principal officers and independent auditors. The Company will make continuing education available to Directors, and encourage their attendance at an educational program at least once every 5 years, in such area(s) as the Board or Director from time to time determines may (i) contribute to their enhanced understanding of the Company, its industry, its financial position and its current and future opportunities and challenges or (ii) enable the Board, as a whole, to make a better contribution to the governance of the Company.

**8. Term Limits.** The Board does not believe it should establish term limits for Directors. Directors who serve on the Board for an extended period of time are able to provide valuable insight into the operations and future direction of the Company, based on their experience with and understanding of the Company's history, policies and objectives, and therefore can provide an increasing contribution to the Board as a whole. The Board believes that, as an alternative to term limits, the Board can continue to evolve

and adopt new viewpoints through the other procedures described in these Principles, including the Director nomination, education and evaluation processes.

**9. Limits on Other Board Positions.** It is the sense of the Board that Company Directors who have other full-time employment generally should not serve on more than three other public company boards. However, the Board recognizes that individual Director circumstances may vary considerably, and there may be situations in which service on a greater number of public company boards would not affect the Director's ability to fulfill his responsibilities as a Director of the Company.

**10. General Retirement Policy.** In general, any person who has reached the age of 70 at or before the time for his election or appointment (including any reelection or reappointment) to the Board will not be eligible for election or appointment to the Board, and the Board will not nominate for election or appoint (or reelect or reappoint) any such person as a Director. However, the Board may determine under certain circumstances that the value of a particular Director's contribution makes it advisable to continue to nominate or appoint him after he has reached the age of 70. A Director need not resign before the scheduled end of his term upon attaining the age of 70.

**11. Additional Policy for Management Directors.** In addition to the general Director retirement policy, inside Directors (those who are Company employees) will be expected to resign from the Board at the same time as they relinquish their corporate officer position, whether by resignation, removal or retirement.

**12. Directors with Significant Job Responsibility Changes.** The Board believes that it, through its Governance Committee, should have an opportunity to review the continued appropriateness of Board membership of any Directors who retire from or otherwise change the principal positions they held when they became members of the Board. The Board does not believe, however, that Directors who retire from or otherwise change the position they held when they became a member of the Board should necessarily leave the Board as a result. Accordingly, the Board expects that an affected Director in such circumstances would tender his resignation to the Chairman of the Board for referral to the Governance Committee and would respect the Governance Committee's recommendation as to whether or not to accept such tendered resignation in light of the particular circumstances.

**13. Director Stock Ownership.** The Board strongly encourages ownership by Company Directors of a meaningful number of shares of the Company's Common Stock. The Board has established stock ownership guidelines to guide each director in maintaining meaningful ownership levels.

### **Board Leadership, Performance and Compensation**

**14. Selection of Chairman of the Board.** The Company's Bylaws call for the Chairman of the Board to be elected by the Board from among its members and to have the powers and duties customarily associated with the position of a non-executive

Chairman. The Company's Bylaws also provide that, while the Chairman may hold an officer position, under no circumstances may the Chairman also serve as the President or Chief Executive Officer of the Company. The Chairman of the Board normally will serve as the Company's lead independent Director.

**15. Director Responsibilities.** The business and affairs of the Company will be managed by or under the direction of the Board. Each Company Director is expected to spend the time and effort necessary to properly discharge his or her responsibilities, including that required to review materials distributed in advance of a Board or committee meeting. Accordingly, each Director is expected to prepare for, attend and participate in the meetings of the Board and Board committees of which he or she is a member, with the understanding that on occasion a Director may be unable to attend such meetings. A Director who is unable to attend a meeting is expected to notify the Chairman of the Board or the appropriate committee Chair in advance of such meeting.

**16. Evaluation of the Board.** The Board will be responsible for conducting a self-evaluation annually. The Governance Committee will advise and assist the Board in establishing the evaluation criteria and methodology, and implementing the process, for such evaluation. The assessment should include a review of any areas in which the Board or management believes the Board can enhance its contribution to the governance of the Company.

**17. Board Access to Management.** Board members will have complete access to the Company's senior management and to such other Company employees as the Directors deem necessary or advisable to fulfill their responsibilities. It is expected that Board members will use sound business judgment to ensure that this is not distracting to the Company's operations. The Board from time to time may prescribe a protocol for such access, which may include an expectation that such contacts generally would be made with the knowledge of the Company's Chairman of the Board and/or Chief Executive Officer, absent unusual circumstances or except as otherwise contemplated by charters of any Board committees.

**18. Board and Committee Access to Independent Advisors.** The Board and each Board committee may, as it deems necessary or appropriate, obtain advice and assistance from independent, outside financial, legal, accounting, human resources or other advisors. The Company will make funds available to pay for the services of any such advisors.

**19. Board Interaction with Institutional Investors, Analysts and Press.** The Board believes that management generally should speak on behalf of the Company. Accordingly, each Director is asked to refer all inquiries from institutional investors, analysts, the press or other constituencies (such as customers or employees) to the Company's Chief Executive Officer or head of Investor Relations. Individual Directors may, from time to time at the request of management, communicate or meet with various constituencies involved with the Company. If comments from the Board are deemed appropriate, they should, in most circumstances, come from the Chairman of the Board.

The Company's management will have primary responsibility for establishing such other communications policies as are deemed appropriate to facilitate compliance by the Company and its officers and employees with applicable laws and regulations.

**20. Board Compensation Review.** The Governance Committee will review annually the status of the Company's Director compensation practices, with input regarding such practices and those of other comparable companies from the Human Resources Committee of the Board and such outside advisors as the Governance Committee deems appropriate. In evaluating the Company's Director compensation practices, the Governance Committee should consider that equity-based compensation is an important component of the Company's current Director compensation practices. It is expected that any changes in Director compensation practices should be made only upon the recommendation of the Governance Committee, and following discussion and concurrence by the full Board.

**21. Board Compensation Principles.** When reviewing and determining Director compensation, the Board should critically evaluate all forms of compensation. Directors on the Company's Audit Committee may not receive any compensation from the Company other than retainer or fees for service as a Director or as a member of one or more Board committees. No Company executive officer may receive any additional compensation for his or her service as a Company Director. The Company will not extend or maintain credit, arrange for an extension of credit or renew an extension of credit, in the form of a personal loan, to any Director, consistent with applicable law.

### **Board Meetings**

**22. Meeting Scheduling and Frequency.** Regular Board meetings will be scheduled in advance and ordinarily held five times a year at the Company's principal executive offices or at other appropriate Company facilities. Although Directors are generally expected to be present in person for regular Board meetings, participation by conference telephone, videoconferencing equipment or similar means may be necessary or appropriate at times. The proposed schedule of regular Board meetings for each year generally will be sent to Directors not later than the fourth quarter of the prior year.

**23. Meeting Agenda.** The Company's President and Chief Executive Officer, in consultation with its Chairman of the Board, will have primary responsibility for preparing the agenda for each Board meeting and arranging for it to be sent to the Board members in advance of the meeting. Each Board committee, and each individual Director, is encouraged to suggest items for inclusion on the agenda.

**24. Advance Distribution of Meeting Materials.** As a general rule, whenever feasible, information and materials that are relevant and important to the Board's understanding of matters to be discussed at an upcoming Board meeting will be distributed to Board or committee members in writing or electronically in advance of their meeting. This will help facilitate the efficient use of time at Board meetings, with meeting time focused on questions, discussion and deliberation about the matters presented. Management will

make every effort to provide materials that are concise yet communicate information sufficient to make informed decisions. Advance written materials may not be provided in certain situations, such as those where there is a pressing need for the Board to meet on short notice or those in which the subject matter is extremely sensitive. In any such case, adequate time will be scheduled for the meeting to enable Directors to educate themselves on the matters to be addressed at the meeting.

**25. Attendance of Non-Directors at Board Meetings.** The Board generally supports the regular attendance at Board meetings of non-Directors in appropriate senior management positions. Should the Chairman of the Board or President and Chief Executive Officer of the Company wish to add additional attendees on a regular basis, it is expected that the Board's concurrence would be sought in advance. The Board also encourages senior management from time to time to bring managers into Board meetings who (a) can provide additional insight concerning items being discussed because of their direct involvement in those matters, or (b) represent managers with future potential that senior management believes should be given exposure to the Board.

**26. Executive Sessions of Non-Management Directors.** The non-management Directors will meet in regularly scheduled executive sessions, not less than four times per year, without any management Directors or other management present. The Chairman of the Board, if present, will preside at all meetings of the Board, including all such executive sessions, in accordance with the Company's Bylaws. In his absence, a meeting chair will be selected from among the Directors present. The Chairman of the Board or, if a matter relates to a subject within the purview of a Board committee, the Chair of the Board committee will be the primary contact person for any party seeking to communicate with the non-management Directors.

### **Board Committees**

**27. Number and Type of Committees.** The six current standing committees of the Board are the Audit Committee, the Governance Committee, the Human Resources Committee, the Finance Committee, the Technology Advisory Committee, and the Executive Committee. The responsibilities of each of these committees will be as outlined in its respective committee charter, as the same may be amended from time to time. The Board from time to time may form a new committee, form a special purpose committee (such as a pricing committee) or disband a current committee, as it deems appropriate under the circumstances, subject to applicable legal and regulatory requirements.

**28. Independence of Board Committees.** The Audit Committee, Human Resources Committee, the Finance Committee, the Technology Advisory Committee and Governance Committee will consist entirely of Directors who are independent, as determined by the Board in accordance with Principle 6 above. The members of each such committee will also meet any additional independence criteria under any Nasdaq, SEC and/or tax rules applicable to that committee.



**29. Assignment and Rotation of Committee Members and Chairs.** The Governance Committee will be responsible for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Governance Committee's recommendations, the Board will be responsible for appointing the Chairs and members of the committees on an annual basis. The Board will endeavor to match the committee's function and needs for expertise with the individual knowledge, skills, interests and experience of the committee appointees. It is the sense of the Board that consideration should be given to rotating committee members periodically at about a five-year interval. However, the Board does not favor mandatory rotation of committee assignments or Chairs. The Board believes that experience and continuity are more important than adherence to a fixed rotation schedule, and that any rotation should be likely to enhance committee performance or facilitate committee work.

**30. Committee Meetings and Agendas.** The Chair of each committee, in accordance with the committee's charter and in consultation with the members of the committee, will determine the frequency of that committee's meetings. The Chair of each committee, in consultation with other committee members and appropriate members of management, will develop that committee's meeting agenda.

**31. Evaluation of Board Committees.** Each committee will conduct, on an annual basis, a self-evaluation, review its charter and recommend to the Board any changes it deems necessary or appropriate.

### **Leadership Development/Succession Planning**

**32. Annual CEO Evaluation.** The Board, with input from the Governance and Human Resources Committees, as appropriate, and the Chief Executive Officer, will establish annual goals and objectives relative to the compensation of the Chief Executive Officer. The non-management Directors of the Board will evaluate annually the Chief Executive Officer's performance in light of those goals and objectives and present the results of its evaluation to the Governance and Human Resources Committees in connection with establishment of the Chief Executive Officer's compensation level for the ensuing year. The Chairman of the Board or the Chair of the Governance Committee will communicate the results of the evaluation to the Chief Executive Officer.

**33. Annual CEO Compensation.** The Human Resources Committee will make a recommendation to the Board of Directors as to the Chief Executive Officer's compensation, with consideration of the compensation principles and practices established by the Committee and the annual evaluation of the Chief Executive Officer's performance. The Chairman of the Board or the Chair of the Human Resources Committee will communicate the results of the approved compensation changes to the Chief Executive Officer.

**34. Succession Planning.** The Board, with general input from the Governance Committee, will work with the Company's Chief Executive Officer to establish and review annually a succession plan for the chief executive officer position, as well as to

develop plans for interim succession in the event of an unexpected occurrence. The Board may review succession planning more frequently as it deems appropriate.

**35. Management Development.** The Board, with general input from the Human Resources or Governance Committees, as appropriate, will provide general direction and oversight in the Company's establishment and management of an appropriate system for the education, training, development and orderly succession of senior and other managers throughout the Company.

### **Other Principles**

**36. Confidential Voting.** The Company's policy is that individual stockholder voting be confidential, except where disclosure may be necessary to satisfy legal requirements, where disclosure is requested by the voting stockholder or in a contested election.

**37. Governance Disclosures.** The Company will post on its website (a) these Principles, (b) the Charters of the Audit, Governance, Human Resources, Finance and Technology Advisory Committees, and (c) such other business conduct or ethics policies or codes as the Board from time to time may deem appropriate.

**38. Repricing of Stock Options.** The Board opposes repricing of stock options by a reduction in the option's exercise price. The Board supports equitable adjustment of an option's exercise price, as contemplated by the Company's management equity plans, in connection with a reclassification of the Company's stock, stock split, restructuring, merger or combination of the Company or other similar event in which it is customary to adjust the exercise price of an option and/or the number and kind of shares subject thereto.

Effective as of December 12, 2017