

# Synalloy Corporation

## BOARD OF DIRECTORS' CHARTER AND

## CORPORATE GOVERNANCE GUIDELINES

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(EFFECTIVE MARCH 3, 2016; UPDATED AUGUST 2018)

These Charter and Corporate Governance Guidelines (the "Charter") have been adopted by Synalloy Corporation's (the "Company") Board of Directors (the "Board", or when referring to its members individually, a "Director", or collectively, the "Directors"), acting on the recommendation of its Corporate Governance Committee (the "Corporate Governance Committee"), to assist the Board and its committees in the exercise of their responsibilities. This Charter is not intended to change or interpret any federal or state law, rule or regulation, including the Delaware General Corporation Law, or the Certificate of Incorporation or Bylaws of the Company. The Corporate Governance Committee will review this Charter at least annually to ensure that it continues to serve its purpose and reflects the Board's objectives.

### I. OPERATION OF THE BOARD

#### 1. Director Responsibilities

The basic responsibility of the Board is to exercise its business judgment to act in what it reasonably believes to be in the best interests of the Company and its shareholders. In discharging that obligation, the Board is entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors.

In furtherance of its responsibilities, the Board of Directors, among other things, will:

- Review, evaluate and approve, on an appropriate periodic basis, short- and long-range plans for the Company.
- Review, evaluate and approve the Company's budget and forecasts.
- Review, evaluate and approve major resource allocations and capital investments.
- Review the financial and operating results of the Company.
- Review, evaluate and approve the overall corporate organizational structure and the assignment of senior management responsibilities.
- Review, evaluate and approve compensation strategy as it relates to senior management of the Company.
- Adopt, implement and monitor compliance with the Company's Code of Conduct.

## **2. Board and Committee Meetings; Attendance at Annual Shareholder Meetings**

Regular Board meetings will be held no less than four times per year, and special meetings will be called as necessary. A schedule of locations of the regular meetings will be provided to the Directors well in advance. Directors are expected to attend Board meetings and meetings of the committees on which they serve. Directors should spend the time necessary and meet as frequently as necessary to discharge their responsibilities properly.

Executive sessions of the Board will generally be held in conjunction with each Board meeting and the Directors will be provided the time and place in advance. Executive sessions are designed to provide the Directors an opportunity to discuss matters that do not require formal Board action.

The Chairman of the Board, Chief Executive Officer (the "CEO") or Committee Chairpersons may from time to time invite corporate officers, other employees and advisors to attend Board and/or committee meetings whenever deemed appropriate.

Directors are expected to attend all annual meetings of shareholders, in the absence of exigent circumstances.

## **3. Agenda Items for Board and Committee Meetings**

The CEO and Chairman along with input from the Corporate Secretary will establish the agenda for each Board meeting. Each Director is free to suggest the inclusion of items on the agenda. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions will be provided to the Directors approximately one week prior to each Board meeting. Directors should review these materials in advance of the meeting. Subject to any applicable notice requirements, Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman well in advance of such meetings.

The Chairperson of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions will be provided to the committee members approximately one week prior to each committee meeting. Committee members should review these materials in advance of the meeting.

## **4. Director Compensation**

Non-employee Directors shall receive reasonable compensation for their services as such. Directors who are employees of the Company or any of its subsidiaries shall receive no additional compensation for serving as Directors.

The form and amount of Director compensation will be determined by the Board based on director compensation of other similar-sized public companies and other appropriate compensation survey data, as well as company specific circumstances. The Board will review and approve Director compensation at

its February quarterly meeting to be effective upon the election of Directors at the next Annual Meeting of Shareholders.

## **5. Director Orientation and Education**

Management will provide new Directors with an initial orientation in order to familiarize them with their responsibilities as Directors under law and the applicable rules of the NASDAQ Stock Market LLC (the “NASDAQ Rules”) and with the Company and its strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct, its senior management, and its internal and independent auditors.

In order to facilitate the Directors’ fulfillment of their responsibilities regarding continuing education and to enhance each Director’s knowledge of the Company, the Company’s business operations and the latest developments in corporate governance, it is appropriate for management to provide Directors with the following, among other things:

- Educational programs supplemental to the initial orientation to explain the Company’s business operations, including its technology, products and market position.
- Access to, or notice of, continuing educational programs that are designed to keep Directors abreast of the latest developments in corporate governance matters and critical issues relating to the operation of public company boards.
- Material that contains information pertaining to (i) the Company’s industry and (ii) comparisons of the Company with its major competitors.
- Periodic visits to operating units, plants and laboratories, normally as part of regularly scheduled Board meetings.
- A legal review for the Board, at least annually, of (i) the status of major litigation, (ii) compliance with significant regulatory requirements affecting the Company, and (iii) corporate governance matters.

## **6. CEO Evaluation and Management Succession**

The Chairman of the Board, in consultation with the Compensation & Long-Term Incentive Committee (the “Compensation Committee”), will conduct an annual review of the CEO’s performance. The Board will review the Chairman’s report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Board will evaluate potential successors and approve management succession strategies and plans for the CEO and other executive officers of the Company. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

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

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Corporate Secretary.. The Directors will use their judgment to ensure that any such contact is not disruptive to the business

operations of the Company and will, to the extent not inappropriate, copy the CEO on any written communications between a Director and an officer or employee of the Company.

## **8. Independent Advisors**

The Board and each committee have the power to engage experts or advisors, including independent legal counsel, deemed appropriate by the Board or the committee, without consulting or obtaining the approval of any officer of the Company. The Company will provide for appropriate funding, as determined by the Board or committee, for payment of compensation to any such counsel, experts or advisors retained by the Board or a committee.

## **II. BOARD STRUCTURE**

### **1. Size of the Board**

The Company's Bylaws prescribe that the number of Directors of the Company which shall constitute the whole Board shall not be less than three nor more than 15. The exact number of Directors within such range shall be fixed from time to time by resolution of the Board. Further, 65% of the whole Board must meet the criteria for independence required by the NASDAQ Rules so as to ensure the effectiveness and integrity of the Committees of the Board (as defined in Section III – Committees of the Board).

### **2. Selection of Directors**

Nominees for directorship will be recommended to the Board by the Corporate Governance Committee in accordance with the policies and principles set forth in its charter. The invitation to join the Board should be extended by the Board itself, by the Chairman of the Corporate Governance Committee and the Chairman of the Board.

The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders, in each case based upon the recommendation of the Corporate Governance Committee.

### **3. Director Qualifications**

A majority of the members of the Board should be Directors who meet the criteria for independence required by the NASDAQ Rules, as further supplemented by the Board's additional criteria, as set forth in Exhibits A and B of this Charter. The Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of potential new Board members as well as the composition of the Board as a whole. This assessment will include evaluation of the potential new members' independence, as well as consideration of diversity (including gender, age, ethnic background, geographic origin and professional experience), talent, skills, and other experience in the context of the needs of the Board.

The Board's standards for determining the independence of a Director are set forth in Attachment A to this Charter. The Corporate Governance Committee will review such standards at least annually and recommend any appropriate changes to the Board for consideration.

A description of the desirable characteristics that the Corporate Governance Committee and the Board should evaluate when considering candidates for nomination as Directors are set forth on Attachment B to this Charter. The Corporate Governance Committee will review such characteristics at least annually and recommend any appropriate changes to the Board for consideration.

#### **4. Resignation from the Board**

Any Director may resign at any time by giving notice in writing or by electronic transmission to the Chairman of the Board, the President or the Corporate Secretary of the Company. Such resignation shall take effect upon receipt thereof or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

#### **5. Term Limits**

The Board does not believe it should establish term limits. Term limits hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

#### **6. Retirement Age**

At its August 15, 2018 Meeting, the Board of Directors unanimously resolved to establish a required retirement age of 75 years on the date of the Company's Annual Meeting of Shareholders.

#### **7. Stock Ownership Guidelines for Directors**

The Board believes that it is important for its members to own Company stock, thereby creating a direct linkage with corporate performance. The Board requires that within five years of joining the Board, such ownership should be a minimum net (cost basis) investment of \$250,000. To facilitate this objective, the Company will provide a mechanism by which a Board member can receive some or all of his or her Board compensation in restricted Company stock. Once a director meets the net investment minimum set forth above, the minimum ownership level is considered satisfied, regardless of whether the value of the Company's stock subsequently decreases causing the director's aggregate ownership level to fall below the minimum targeted level.

#### **8. Role of Chairman and Chief Executive Officer**

The Board does not have a specific policy as to whether the role of Chairman of the Board and CEO should be held by separate people, but rather makes an assessment of the appropriate form of leadership structure on a case-by-case basis. The Chairman of the Board will be elected annually at the first Board meeting after the Annual Meeting by the majority vote of all Board members present at such Board meeting.

### **III. COMMITTEES OF THE BOARD**

A substantial portion of the analysis and work of the Board is done by standing Board committees.

The Board has established the following standing committees: Audit, Compensation and Corporate Governance. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

Committee members will be appointed by the Board with consideration of the desires and areas of expertise of individual Directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and committee reporting to the Board.

The Board will have at all times an Audit Committee, a Compensation Committee and a Corporate Governance Committee. All of the members of these committees will be independent Directors under the criteria established by the NASDAQ Rules. In addition, the members of the Audit Committee will also meet the independence requirements of the Securities and Exchange Commission.

#### **IV. OTHER BOARD PRACTICES**

##### **1. Review of Roles and Responsibilities of Directors**

The Chairman of the Board will review with each Director on an annual basis the performance of each Director's duties as well as the role and responsibilities of each Director.

##### **2. Board Interaction with Institutional Investors, Analysts, Media, Customers and Members of the Public**

Except where directed by the CEO or the Chief Financial Officer ("CFO") of the Company, communications on behalf of the Company with the media, securities analysts, stockbrokers and investors must be made only by specifically designated representatives of the Company. If a Director receives any inquiry relating to the Company from the media, securities analysts, brokers or investors, including informal social contacts, he or she should decline to comment and ask them to contact the Company's CEO or CFO.

##### **3. Limitation of Liability**

To the extent permitted by Delaware General Corporation Law, a Director will not be liable to the Company or its shareholders. Delaware law currently permits eliminating liability for monetary damages for breach of a Director's fiduciary duty; it does not permit limiting liability for breach of a Director's duty of loyalty to the Company or its shareholders or for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law.

##### **4. Performance Evaluation of the Board**

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve. Self-Assessment Questionnaires ("SAQs") will be distributed to Board members by the Corporate Secretary. Board members complete the paper SAQs and send them to the Company's counsel who will tally the results and send them to the Board Chair. When possible and pragmatic, the Board Chair will present a summary of the results of the SAQs in Executive Session at the first Board meeting of the year.

Each standing committee shall review and reassess the adequacy of its charter annually and recommend any proposed changes to the Board of Directors for approval.

## **5. Outside Directorships**

The Corporate Governance Committee guidelines limit serving on more than two publicly traded company boards. Directors should carefully consider the number of other boards on which they can serve consistent with the time and energy necessary to satisfy the requirements of Board and committee memberships. Directors should also carefully consider any actual or apparent conflicts of interest and impairments to independence that service on other boards may create. In furtherance of these considerations, outside directors must notify the Chairman of the Board or the General Counsel of the Company in a timely fashion before accepting an invitation to serve on the board of another public company. This prior notice is to allow discussion with the Chairman of the Board and/or the General Counsel to review whether such other service will interfere with the outside Director's service on the Company's Board, impact the Director's status as an independent Director, or create an actual or apparent conflict of interest for the Director.

## **ATTACHMENT A**

to

### **BOARD OF DIRECTORS' CHARTER AND CORPORATE GOVERNANCE GUIDELINES**

#### **INDEPENDENCE STANDARDS**

An independent Director is one whom the Board affirmatively determines 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). The Board has adopted the following categorical standards to assist it in the determination of each Director's independence. The Board will determine the independence of any Director with a relationship to the Company that is not covered by these standards, and the Company will disclose the basis of such determinations and the identity of all Directors who have been determined to be independent in the Company's annual proxy statements.

If a non-employee director loses his/her independence during the term following election, as confirmed by counsel, the Board shall have the discretion to eliminate the non-independent director from consideration for nomination at the next election of directors after taking into account all of the circumstances, including, but not limited to, the Board's objective to be comprised of a minimum of 65% independent directors.

A Director will be presumed to be independent if the Director:

- 1) Has not been an employee of the Company for at least three years; provided, however, this three-year rule, to the extent permitted under SEC and NASDAQ Rules, shall not apply to former executive officers of the Company including the CEO.
- 2) Has not, within the past three years, worked on the Company's audit as a partner or employee of a firm that is the Company's internal or external auditor, and is not a current partner or employee of such a firm;
- 3) Has not, 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 no immediate family members (i.e., 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 the Director's home) who did not satisfy the foregoing criteria; provided, however, that, with respect to the employment criteria, such Director's immediate family member may (i) currently serve or have served as an employee (other than as a partner) in a firm that is the Company's internal or external auditor, unless such family member has personally worked on the Company's audit during that time; and (ii) currently serve or have served as an employee but not as an executive officer of the Company during such period;

5) Has not received, and has no 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 dividends, director and committee meeting fees and pension or other deferred compensation for prior service, provided that such compensation is not contingent in any way on continued service); provided, however, that neither compensation received by a Director for former service as an interim Chairman or CEO or other executive officer nor compensation received by a Director's immediate family member for service as a non-executive employee shall be considered in determining independence;

6) Is not a current executive officer or employee, and has no 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 fiscal 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 as measured against the most recent completed fiscal year;

7) Has not been, and has no immediate family member who has been, an executive officer of a foundation, university, non-profit trust or other charitable organization, for which charitable contributions from the Company and its respective trusts or foundations, account or accounted for more than 2% or \$1 million, whichever is greater, of such charitable organization's consolidated gross revenues, in any single of the last three fiscal years, unless the Company discloses all contributions made to the recipient organization in its annual proxy statement; and

8) Does not serve, and has no immediate family member who has served, as an executive officer or general partner of an entity that has received an investment from the Company or any of its subsidiaries, unless such investment is less than \$1 million or 2% of such entity's total invested capital, whichever is greater, in any of the last three years.

In addition to the foregoing, in order to be considered independent for purposes of serving on the Company's Audit Committee, a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board or any other Board committee:

1) Accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary of the Company, other than in the Director's capacity as a Director or committee member or any pension or other deferred compensation for prior service, provided that such compensation is not contingent in any way on continued service; or

2) Be an "affiliated person" of the Company or any subsidiary of the Company, as such term is defined by the Securities and Exchange Commission.

## **ATTACHMENT B**

to

### **BOARD OF DIRECTORS' CHARTER**

#### **AND CORPORATE GOVERNANCE GUIDELINES**

#### **DESIRABLE CHARACTERISTICS OF DIRECTORS**

##### **1. Personal Characteristics**

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| • <b><i>Integrity and Accountability:</i></b> | High ethical standards, integrity and strength of character in his or her personal and professional dealings and a willingness to act on and be accountable for his or her decisions.        |
| • <b><i>Informed Judgment:</i></b>            | Demonstrate intelligence, wisdom and thoughtfulness in decision-making. Demonstrate a willingness to thoroughly discuss issues, ask questions, express reservations and voice dissent.       |
| • <b><i>Financial Literacy:</i></b>           | An ability to read and understand balance sheets, income and cash flow statements. Understand financial ratios and other indices for evaluating Company performance.                         |
| • <b><i>Strong Interpersonal Skills</i></b>   | Assertive, responsible and supportive in dealing with others. Respect for others, openness to others' opinions and the willingness to listen. Able to work in a collegial board environment. |
| • <b><i>High Standards:</i></b>               | History of achievements that reflect high standards for himself or herself and others.   |

##### **2. Core Competencies<sup>1</sup>**

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| • <b><i>Accounting and Finance:</i></b> | Experience in financial accounting and corporate finance, especially with respect to trends in debt and equity markets. Familiarity with internal financial controls.                                   |
| • <b><i>Business Judgment:</i></b>      | Broad experience and ability to exercise sound business decisions and evidence that duties as a Director will be discharged in good faith and in a manner that is in the best interests of the Company. |
| • <b><i>Management:</i></b>             | Experience in corporate management. Understand management trends in general and in the areas in which the Company conducts its business.  |

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- ***Crisis Response:*** Ability and time to perform during periods of both short-term and prolonged crisis.

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  - ***Industry/Technology:*** Unique experience and skills in an area in which the Company conducts its business, including manufacturing and technology relevant to the Company.

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  - ***Leadership:*** Show evidence of leadership in his/her particular field. Understand and possess skills and have a history of motivating high-performing, talented managers. Skills and capacity to provide strategic insight and direction, conceptualizing key trends, evaluating strategic decisions, and challenging the Company to sharpen its vision.

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### 3. Commitment to the Company

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- ***Time and Effort:*** Willing to commit the time and energy necessary to satisfy the requirements of Board and Board committee membership. Expected to attend and participate in all Board meetings and Board committee meetings in which he/she is a member. Expected to attend all annual meetings of shareholders. Stay informed about the Company and its businesses, comply with applicable Company policies as set for in the Corporate Code of Conduct. A willingness to rigorously prepare prior to each meeting and actively participate in the meeting. Willingness to make himself or herself available to management upon request to provide advice and counsel.

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- ***Limit Service to Other For-Profit Board*** Limit serving on more than two publicly traded company boards.

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- ***Awareness and Ongoing Education:*** Possess, or be willing to develop, a broad knowledge of both critical issues affecting the Company (including industry-, technology- and market-specific information), and Director's roles and responsibilities.

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- ***Stock Ownership:*** Complies with the Synalloy Company Executive and Director Stock Ownership Requirements.

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#### 4. Team and Company Considerations

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- ***Balancing the Board:*** Contributes talent, skills and experience that the Board needs as a team to supplement existing resources and provide talent for future needs. Able to work in a collegial board environment.
  - ***Diversity:*** Contributes to the Board in a way that can enhance perspective and judgment through diversity in gender, age, ethnic background, geographic origin, and professional experience (public, private, and non-profit sectors). Nomination of a candidate should not be based solely on these factors.
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#### 5. Independence

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- ***Independence Standards*** Comply with independence standards set forth in Exhibit A of the Board of Directors' Charter and Corporate Governance Guidelines.
  - ***Conflicts of Interest*** Disclose whether, personally or through his/her firm, any ties to the Company or any transactions with the Company, its senior executives, shareholders, customers or suppliers that may be perceived to be a conflict of interest.
  - ***Antitrust Requirements*** Must satisfy the requirements of Section 8 of the Clayton Act, specifically "interlocks" between competing companies.
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<sup>1</sup> The Board as a whole needs the core competencies represented by at least several directors.