

KMG Chemicals, Inc. Corporate Governance Guidelines

Director Qualification Standards

Under our corporate governance guidelines and the listing requirements of the New York Stock Exchange, at least a majority of our Board of Directors must be independent (non-employee and non-consultant).

KMG believes that our Board of Directors should possess the highest personal and professional integrity. We endeavor to have a Board with diverse backgrounds and experience. In light of our business and structure, we believe that the following are among the important experience and skills our directors bring to the Board:

- Leadership and corporate governance experience
- Financial experience
- Industry and acquisitions experience; and
- Public company experience.

The experience and skills of each director were considered by the Board in their nomination. In making nominations to the Board, the Governance Committee first evaluates the current Board members. The process the Governance Committee uses to accomplish its responsibilities includes having each current director complete a self-evaluation, a peer evaluation, an evaluation of the Board of Directors as a whole and evaluation of each committee of the Board of Directors. The committee has developed a matrix of desirable skills and experience to apply to director candidates and in the appropriate case has retained a third party consulting firm that specializes in locating candidates for the boards of directors for public companies. The objective of this selection process is to assemble a group of Directors with diverse backgrounds and experience that can represent shareholder interest through the exercise of sound judgment.

Director Responsibilities

The responsibilities of all directors are to:

- Serve as fiduciaries for all shareholders and shareholders' interests.
- Direct the business and affairs of the Company within the law.
- Oversee Company performance.
- Select and evaluate the CEO and ratify the selection of officers of the Company.
- Review and confirm basic Company strategic plans.
- Approve major policy and management decisions.
- Assess major risks facing the Company, and review options for their mitigation.
- Adopt or change bylaws of the Company.
- Approve changes in policies of the company and its subsidiaries.
- Bring perspective and fresh point of view to the board's deliberations.
- Provide general guidance based upon experience in special areas of expertise.

Directors are also responsible for:

Planning

- Approve the short- and long-term objectives, strategies and plans recommended by management and advise management regarding the planning process. Periodically evaluate progress against such plans.
- Identify any barriers to the Company's progress and sense the timing for change.

Management

- Elect the officers of the Company and delegate management responsibility and authority to them.
- Authorize necessary officer signatory authorities on behalf of the Company.

Financial Structure

- Approve overall capital structure of the Company.
- Approve overall financing programs and policies.
- Authorize appropriate officers of the Company to take actions as may be required to implement such programs.
- Approve all asset distribution actions.
- Establish regulations and controls concerning issues, transfer, and registration of securities.
- Ensure that there is a specific financial program designed to properly support the Company's long-term plan for growth by reviewing long-term plans and financing to prepare for it.

Controls

- Identify the board's needs for information and arrange for its timely supply.
- Approve annual operating and capital budgets and review performance to plan quarterly.
- Review capital expenditures.
- Review the accuracy and completeness of financial control systems through an Audit Committee composed entirely of independent directors.
- Ensure that management has adequate financial systems, including timely and accurate information.
- Inquire into major deficiencies in performance.
- Ensure existence of written policies and authorization systems for major expenditures.
- Require audited financial statements by a major public accounting firm.

Board Continuity

- Seek continuity and strengthening of the Board through identifying and attracting additional and/or replacement directors.

Expectations of Directors' Performance:

- Attend all board meetings.
- Study advance information packets and be prepared to discuss their contents.
- Be available to advise management between meetings when necessary.

Director Access to Management and Independent Advisors

Board members should have access to senior management and management information. Management shall be responsive to request for information from Board members.

The Board encourages senior management to bring (with the approval of the Chairman of the Board of Directors or CEO) other managers to Board meetings who can:

- Provide additional insight into the items being discussed because of personal involvement in these areas; and/or
- Are managers with future potential the senior management believes should be given exposure to the Board.

In performing its functions, the Board is entitled to rely in good faith on the advice, reports and opinions of officers and employees of the Company, counsel, accountants, auditors and other expert advisors. The Board, Committees thereof and the outside Directors as a group shall be entitled, at the expense of the Company, to engage such legal, financial or other advisors as they deem appropriate, without consulting or obtaining the approval of any officer of the Company, with respect to any matters subject to their respective authority.

Director Compensation

The Nominating and Corporate Governance Committee is charged with the responsibility of reviewing the compensation of Directors and recommending changes thereto to the Board from time to time. The form and amount of Director compensation and perquisites shall be determined by the Nominating and Corporate Governance Committee in accordance with the principles contained in its charter or any related policies, and such Committee shall review the form and amount of such compensation periodically as provided in its charter.

Directors are reimbursed for out-of-pocket expenses incurred in attending meetings and for other expenses incurred in performing in their capacity as directors.

The Board believes that an alignment of Director interests with those of shareholders is important. The Nominating and Corporate Governance Committee shall be sensitive to questions of independence that may be raised where Directors' fees and perquisites exceed customary levels for companies of comparable scope and size.

Director Orientation and Continuing Education

The Company has an orientation program for new Directors that includes providing core materials relating to the Company's business, operations, strategy, core values, financial matters, corporate governance practices and other key policies and procedures. Briefings

with senior management, visits to Company facilities and other informational sessions may be conducted.

The Board also recognizes the importance of continuing education for Directors. Briefing or educational sessions on new industry, financial, legal, regulatory and other developments and other continuing educational opportunities are available to Directors. The Company encourages participation in continuing educational sessions that are relevant to the Company, its business plan and risk profile.

CEO Performance Review and Management Succession Planning

Strategic goals and personal goals for the CEO and other named executive officers are selected by the Compensation Committee based on input from the CEO, as to other executive officers, and the input of other Board members. Independent Directors should evaluate the CEO annually, and such evaluation should be communicated to the CEO by the Chairperson of the Compensation Committee.

The Nominating and Corporate Governance Committee reviews succession plans for the Company on an annual basis, including procedures for the selection of a CEO in the case of an emergency. The formal succession review process includes identifying back-up individuals who could assume key positions on an interim basis if an executive were to die, become incapacitated or leave unexpectedly. During this process, Board members have ongoing contact with senior executives and other members of management and may take into account their experiences with management, as well as management's opinions, with respect to individuals qualified to succeed the CEO and other executives.

Annual Performance Evaluation of the Board

The Nominating and Corporate Governance Committee shall conduct an assessment of the performance of the Board, its members and committees on an annual basis. The Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluation.