

## Owens-Illinois, Inc. Corporate Governance Guidelines

### Director Qualification Standards

The members of the Board of Directors (the “Board”) of Owens-Illinois, Inc. (the “Company”) should represent a diversity of backgrounds, skills, experience and expertise and each member should demonstrate a history of strong achievement as a leader of large and complex divisions of publicly held companies, or as a leader of major complex organizations, including business, government, accounting, scientific, educational or non-profit institutions. The Nominating/Corporate Governance Committee is responsible for establishing criteria for the selection of new directors, and has established threshold qualifications set forth in its Policies and Procedures Regarding the Identification and Evaluation of Candidates for Director (the “Policies and Procedures”). In addition to the threshold qualifications in the Policies and Procedures, the following criteria also apply:

- Directors are expected to possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the share owners.
- A majority of the directors shall meet the New York Stock Exchange listing standards for “independence.” All of the members of the Audit Committee, Compensation Committee and the Nominating/Corporate Governance Committee shall meet the independence requirements of the New York Stock Exchange and, in addition, for members of the Audit Committee, the rules of the Securities and Exchange Commission. No director will qualify as “independent” unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, share owner or officer of an organization that has a relationship with the Company).
- Directors are expected to advise the Chairman of the Nominating/Corporate Governance Committee and the Chairman of the Board prior to any significant change in job responsibility or significant change in professional affiliation. Changes to job responsibility or professional affiliation may include, without limitation, retirement, appointments to new positions with existing employers, changes in employers or joining the board of directors of a publicly traded company. Upon the request of the Chairman, the affected director will then be required to offer to resign from the Board and from each Board Committee on which the director serves.

When the Chairman has requested the Board member offer to resign, the Nominating/Corporate Governance Committee shall review the director’s circumstances and make a determination regarding the continued appropriateness of Board membership and make a recommendation to the full Board about whether to accept the offer of resignation. The affected director is expected to act in accordance with the Board’s determination following such review.

- Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Accordingly, directors may serve on the board of directors of other public companies, but shall limit such service to a reasonable number of companies and in a way that will not conflict with his or her responsibilities as a Company director.

- The Board believes that diversity is an important attribute of a well-functioning Board and that the benefits of diversity should be considered when identifying and evaluating Board candidates. Through the Policies and Procedures of the Nominating/Corporate Governance Committee, the Board will strive to attract and retain members with a diversity of backgrounds, skills, experience and expertise that serves the best interests of the Company. The Committee will also take into consideration the benefits of having Board members who reflect a diversity of age, gender, ethnicity and country of citizenship.

### **Director Responsibilities**

The Board's primary role is to oversee and monitor the affairs of the Company and to represent and act on behalf of, and in the best interests of, the share owners. In furtherance of that role, the directors have the following collective responsibilities:

- Review, and, where appropriate, approve of fundamental operating, financial, risk oversight, succession planning and other management activities, as well as major strategic plans and objectives, and oversee and monitor the effectiveness of management policies and decisions, including the execution of strategies.
- Review and monitor appropriate legal and regulatory compliance and internal controls.

As well as the following individual obligations:

- Prepare adequately for, and regularly attend, meetings of the Board and Board committees on which they serve.
- Make themselves available for special meetings and to address situations requiring prompt Board action.
- Disclose to the rest of the members of the Board any potential conflict of interest they may have with respect to a matter under discussion and, if appropriate, refrain from voting on a matter on which they may have a conflict.
- The Company does not have a policy with regard to Board Members' attendance at Annual Meetings, although members of the Board are encouraged to attend.

### **Director Access to Management and, as Necessary and Appropriate, Independent Advisors**

Each director shall have complete access to the Company's management to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. The Company's management will make itself available to answer the directors' questions about the Company's business and operations. The Board may specify a protocol for making such inquiries. The Board and Board committees have the authority to engage and consult with financial, legal or other independent advisors at the Company's expense. The Company shall provide appropriate funding, as determined by the Board or any Board committee, to compensate such advisors, as well as to cover administrative expenses incurred by the Board or any Board committee in carrying out their responsibilities.

### **Board Leadership**

The Company's Bylaws provide that the Board has the discretion to appoint a chairman of the

board. At such times as the Board has elected to have in place a non-executive chairman of the board, the guidelines contained herein regarding the role of the Independent Board Chair shall apply. At such times as the Board has elected to have in place an executive chairman of the board, the Board will appoint a Lead Director, at which time the guidelines contained herein regarding the role of the Lead Director shall apply.

### **Independent Board Chair (IBC)**

At such times as the position of Chairman of the Board is held by an independent member of the Board, the person appointed by the Board as Chair shall have the role of the Independent Board Chair (“IBC”), with the expectation that the IBC will serve a three year term. The IBC will be subject to an annual performance evaluation and the Board will also, on an annual basis, confirm that the IBC can and intends to serve out his/her term.

The primary responsibility of the IBC will be to make the Board as effective as possible in fulfilling its oversight responsibility for the Company and to ensure that the Company derives the most benefit from the experience, education and skills of the individual Board members.

In fulfilling this primary responsibility, the IBC will be expected to be a leader of his/her peers by taking personal responsibility for delivering excellence in the boardroom. This will mean helping shape meeting agendas, ensuring open communication, meaningful participation and constructive debate and focusing on appropriate follow through regarding Board conclusions and recommendations.

It is expected that the IBC will maintain regular communications with other Board members, with the frequency and depth of communications dependent on the issues that are the current focus of the Company. In addition, the IBC will act as a sounding board for the Chief Executive Officer (“CEO”), as well as other members of senior management.

The IBC will have the following responsibilities, as well as other responsibilities delegated to the IBC by the Board:

- Act as a key liaison with the CEO;
- Work with the CEO and Secretary to set the Board agenda and determine what materials will be provided to directors in advance of Board meetings;
- Review the Board agenda to ensure the agenda items receive adequate time for discussion and deliberation;
- Direct management to distribute to directors materials that contribute to the Board’s understanding of the Company’s business or its oversight responsibilities;
- Determine when the Board should meet in executive session without management present; and
- Chair executive sessions of the Board without management present, and communicate Board member feedback to the CEO.
- Chair meetings of the Board. In the event the IBC is not present at the meeting, the chair of the Nominating/Corporate Governance Committee shall chair the meeting.

## **Lead Director**

So long as the positions of Chairman of the Board and the CEO are held by the same person, the Board shall elect a Lead Director from among the independent directors, with the expectation that such Lead Director will serve a three year term. In addition, the Board will, on an annual basis, confirm that the Lead Director can and intends to serve out his/her term. The Lead Director will have the following responsibilities, as well as other responsibilities delegated to the Lead Director by the Board:

- Act as a key liaison with the CEO;
- Assist the Chairman of the Board and Secretary in setting the Board agenda and determining what materials will be provided to directors in advance of Board meetings;
- Review the Board agenda to ensure the agenda items receive adequate time for discussion and deliberation;
- Direct management to distribute to directors materials that contribute to the Board's understanding of the Company's business or its oversight responsibilities;
- Determine when the Board should meet in executive session without management present; and
- Chair executive sessions of the Board without management present, and communicate Board member feedback to the CEO.

Chair meetings of the Board when the Chairman of the Board/CEO is absent.

## **Director Compensation**

Each year, in accordance with the terms of its charter, the Compensation Committee shall review the compensation paid to the members of the Board and give its recommendations to the Board regarding both the amount of director compensation and the allocation of that compensation between equity based awards and cash. In discharging this duty, the Compensation Committee shall be guided by four goals:

- Compensation should fairly pay directors for work required in a company of similar size and complexity as the Company;
- Compensation should align directors' interests with the long-term interests of share owners;
- Compensation should be sufficient to continue to attract and retain directors who satisfy the qualifications described elsewhere in these guidelines and in the Policies and Procedures; and
- The structure of the compensation should be simple, transparent and easy for share owners to understand.

### **Stock Ownership Guidelines for Directors**

Each member of the Board is required to own shares of the Company's Common Stock having a value equal to five times the director's annual cash retainer. The directors shall have four years from the date of joining the Board to attain the required stock ownership guideline. Until the stock ownership guidelines are met, directors are required to retain 100% of the "net profit shares" acquired from grants of restricted stock or exercises of stock options. Net profit shares are those shares remaining after payment of tax obligations relating to these shares.

### **Director Orientation and Continuing Education**

Following their election, every newly elected member of the Board shall participate in an orientation program established by the Company. This orientation program shall include presentations designed to familiarize directors with the Company and its strategic plans, its significant financial, accounting and risk oversight issues, the Company's Code of Business Conduct and Ethics, compliance programs and other controls, its senior management, and its internal and independent auditors. The program shall also address procedures of the Board, director's collective and individual responsibilities, the Board's Corporate Governance Guidelines and Board committee charters.

The Board encourages its members to participate in continuing education programs sponsored by universities, stock exchanges or other organizations or consultants specializing in director education. Directors may attend continuing education programs at the Company's expense.

### **Voting for Directors**

Each director to be elected by the share owners of the Company shall be elected by the affirmative vote of a majority of the votes cast with respect to such director by the shares represented and entitled to vote therefore at a meeting of the share owners for the election of directors at which a quorum is present (an "Election Meeting"); provided, however, that if the Board determines that the number of nominees exceeds the number of directors to be elected at such meeting (a "Contested Election"), whether or not the election becomes an uncontested election after such determination, each of the directors to be elected at the Election Meeting shall be elected by the affirmative vote of a plurality of the votes cast by the shares represented and entitled to vote at such meeting with respect to the election of such director.

For purposes hereof, a "majority of the votes cast" means that the number of votes cast "for" a candidate for director exceeds the number of votes cast "against" that director (with "abstentions" and "broker non-votes" not counted as votes cast as either "for" or "against" such director's election). In an election other than a Contested Election, share owners will be given the choice to cast votes "for" or "against" the election of directors or to "abstain" from such vote and shall not have the ability to cast any other vote with respect to such election of directors. In a Contested Election, share owners will be given the choice to cast "for" or "withhold" votes for the election of directors and shall not have the ability to cast any other vote with respect to such election of directors.

### **Annual Performance Evaluation of the Board**

Each year, the Board will conduct a self-evaluation to determine whether it and its committees are functioning effectively. The Nominating/Corporate Governance Committee shall be responsible for overseeing such evaluations and reporting its findings to the Board on an annual basis. The full Board will discuss the evaluation report to determine what, if any, action could improve Board and Board committee performance.

### **Rotation of Committee Members**

The Board will consider rotating committee members periodically at three to five year intervals, but the Board does not believe that rotation should be mandated as a policy since there are often compelling reasons relating to the director's experience and expertise to maintain an individual director's committee membership for a longer period.

### **Management Succession Planning and Development**

The Board will meet at least annually with the CEO to review planning for succession to the CEO and other senior management positions. As part of this review, the Board will also discuss the management development progress of the Company's key executives, including management development plans for those executives. The Board will also maintain a short-term succession strategy in the event any senior officer of the Company unexpectedly becomes unable to fulfill his or her duties.

### **Board Contact with Share Owners/Media**

Directors are encouraged to bring to the Board and management substantive, constructive communications from the share owners, including those providing information, suggestions or comments on the operation of the Company and its business. Each director will refer all inquiries from share owners or from institutional investors, the media, or customers to management.

The Board believes that management should speak for the Company. However, the IBC or the Lead Director, as the case may be, may, upon request by the Board or CEO, meet or speak with share owners or with other outside individuals involved with the Company.

### **Agendas**

The CEO, in consultation with the IBC or the Lead Director, as the case may be, and the Secretary, shall draft the agenda for each meeting and distribute it in advance of any Board meeting. Each director may propose the inclusion of items on the agenda, request the presence of, or a report by, any member of the Company's management, or, at any Board meeting, raise subjects that are not on the agenda for that meeting.

### **Board Materials**

Information that is important to the Board's understanding of the business and its meeting agenda items will be distributed to the Board before its meetings. Supplemental materials will be provided to the Board on a periodic basis and at any time upon request of Board members. As a general rule, materials on specific subjects will be sent to the Board members sufficiently in advance of its meetings so that Board meeting time may be conserved and discussion time focused on key issues. Sensitive subject matters may be discussed at any meeting without materials being distributed in advance or at the meeting, or after "for directors' eyes only" distribution of such materials.

## **Review and Recommend the Approval or Ratification of Transactions with Related Persons**

The Nominating/Corporate Governance Committee shall review and recommend to the full Board the approval or ratification of any transaction between the Company and a related person that is required to be disclosed under the rules of the United States Securities and Exchange Commission. For purposes of this requirement, the terms “transaction” and “related person” have the meanings contained in Item 404 of Regulation S-K.

In conducting its review of such a transaction, the Nominating/Corporate Governance Committee will consider: (a) the basis on which the person is a related person, (b) the related person’s interest in the transaction, (c) the approximate dollar value of the transaction, (d) the importance of the transaction to the related person, (e) the importance of the transaction to the Company, (f) whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company, and (g) any other information regarding the transaction or the related person the Nominating/Corporate Governance Committee deems appropriate.

Any Nominating/Corporate Governance Committee member who is a related person with respect to a transaction may not participate in the deliberations, review, recommendation, approval or ratification of the transaction.

## **Executive Sessions**

- The non-management directors shall meet at each regularly scheduled Board meeting in executive session without management present and the IBC or the Lead Director, as the case may be, has the authority to hold such additional executive sessions as he/she determines necessary or appropriate.
- The independent directors shall meet at least once a year in executive session.
- The IBC or the Lead Director, as the case may be, or his/her designee shall preside at these executive sessions.

## **Evaluation of Corporate Governance Guidelines**

The Board recognizes that these Corporate Governance Guidelines must evolve to meet the changing needs of the Company and its share owners and best practices in corporate governance. The Board, with the assistance of the Nominating/Corporate Governance Committee, will periodically review these Corporate Governance Guidelines to determine whether any changes are appropriate.