

## CSW INDUSTRIALS, INC.

### CORPORATE GOVERNANCE GUIDELINES

#### I. RESPONSIBILITY OF THE BOARD

The primary mission of the Board of Directors (the “Board”) of CSW Industrials, Inc. (the “Company”) is to advance the interests of the Company’s stockholders through oversight of the management of the Company’s business affairs. The Board believes that this mission is best served by establishing a corporate culture of accountability, responsibility and ethical behavior through the careful selection and evaluation of senior management and members of the Board and by carrying out the Board’s responsibilities with honesty and integrity.

In discharging their obligations, directors should be entitled to rely on the honesty and integrity of the Company’s senior executives, its auditors and other outside advisors. Board members are expected to devote the time necessary to appropriately discharge their responsibilities and to rigorously prepare for and, to the extent possible, attend and participate in all Board meetings and meetings of Board committees on which they serve. Each Board member is expected to ensure that other commitments do not materially interfere with the member’s service as a director.

#### II. DIRECTOR SELECTION

**1. Board Membership Criteria.** The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, at least annually, the appropriate skills and experience required of Board members. Board members are legally required to meet certain fiduciary duties in accordance with Delaware law. The Board’s effectiveness is determined by the character, competence and contributions of the individual Board members demonstrated in the fulfillment of these requirements. To promote the effectiveness of the Board, the Board expects that each Board member and each Board member nominee, will:

- Exercise diligent and constructive oversight of the Company’s business and affairs to create and sustain stockholder value through: developing a deep understanding of the Company’s business, risk profile and strategy; understanding and respecting the roles of the Board and management; offering support and guidance; and engaging and challenging the Board and management effectively and constructively.
- Maintain an independence of mind to objectively evaluate Company issues in the best interest of stockholders. Directors must not have and must take steps to avoid any possible conflict of interest with the Company and any personal interests that may impair the director’s ability to perform his/her responsibilities. If any such interest arises, a director will promptly inform the Board of such interest and abstain from any decision affected by such interest.
- Adhere to the highest standards of integrity and ethics, demonstrated through careful consideration of the effects of actions upon the Company and the Board, and acting in a manner to promote the success of the Company for the benefit of stockholders.
- Possess varied professional expertise in fields of accounting/finance, strategy and corporate development, industrial sales, manufacturing, domestic and international operations, human resources, industry/end market knowledge or professional education, for purposes of

promoting a diversity of backgrounds among the Board. Board members should bring with this professional expertise a global perspective.

- Devote sufficient time to Board service through thorough preparation for, attendance of and active participation in, all Board meetings and all meetings of committees on which he/she serves. To ensure this, directors should limit service as directors on public company boards to no more than four (including the Company's Board). Service on the boards of subsidiary companies, non-profit organizations and non-public for-profit organizations are not included in this calculation.
- Demonstrate well-developed communication and interpersonal skills, with an ability to articulate complex ideas clearly, listen to others attentively and influence effectively. This includes an ability to build a successful working rapport with other Board members. Directors also must be able to quickly "get to the heart" of complex issues and to constructively dissent without creating adversarial relationships.
- Possess a desire and willingness to take advantage of continuing education opportunities to promote continued personal development and further improvement of his or her ability to effectively discharge the responsibilities and the expectations of the Board.

**2. Selection of Director Nominees.** The Nominating and Corporate Governance Committee will recommend candidates for election to the Board in accordance with the policies and principles in its charter and the criteria described in these Guidelines. The Nominating and Corporate Governance Committee will also consider stockholder recommended director nominees submitted to the Nominating and Corporate Governance Committee in accordance with the Company's policy regarding stockholder recommended director candidates. An invitation to join the Board should be extended by the Board through the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will be responsible for recommending the nomination of those incumbent directors it deems appropriate for re-election to the Board upon expiration of such director's term. A prospective director is generally not considered for election to the Board unless the candidate expresses a clear willingness and availability to serve on the Board for at least six years.

**3. Director Orientation and Continuing Education.** The Company will establish and review periodically an orientation program for new directors that includes presentations by senior management. All directors will also be invited to participate in the orientation program. Periodically, the Company will provide opportunities for directors to visit the Company's principal facilities in order to provide greater understanding of the Company's business and operations.

### **III. BOARD COMPOSITION**

**1. Independent Directors.** A majority of the members of the Board must satisfy the applicable independence requirements set forth in the Nasdaq rules and under applicable law.

**2. Size of the Board.** The Board determines the number of directors as permitted in the Company's Certificate of Incorporation and Bylaws and will periodically review the size of the

Board based on recommendations of the Nominating and Corporate Governance Committee. The authorized number of directors may be changed only by resolution of the Board

**3. Positions of Chairman and CEO.** The Board has no policy with respect to the separation of the offices of the Chairman of the Board and the Chief Executive Officer (“CEO”). The Board believes this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to consider it each time it elects the CEO.

**4. Lead Director.** The Board will appoint an independent director to serve in a lead capacity (such person, the “Lead Director”) if and when the Chairman of the Board also serves as the CEO. The Lead Director will serve at the discretion of the Board. However, the Board expects that, once appointed, the Lead Director will serve a term of at least three years. The Lead Director will have the role and responsibilities as determined by the Board, these Guidelines and the Roles and Responsibilities of the Lead Independent Director.

**5. Service on Other Boards.** Directors must advise the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on the board of directors (or similar body) of another company. Additionally, the CEO and other executive officers must seek the approval of the Board before accepting membership on other boards (or similar bodies), including corporate and charitable boards.

**6. Changes in Professional Responsibility.** The Board should consider whether a change in an individual’s professional responsibility directly or indirectly impacts that person’s ability to fulfill his or her obligations as a director of the Company. Upon such change, the affected individual should notify the Chairman of the Board, who will review the matter with The Nominating and Corporate Governance Committee for further consideration. Any director who is an employee of the Company must submit his or her resignation as a director upon retirement, resignation or termination as an employee of the Company. The Board may accept or reject such resignation in its discretion after consultation with the Nominating and Corporate Governance Committee.

**7. Term Limits.** The Board does not believe it should establish term limits. The Board believes term limits have 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, able to provide an increasing contribution to the Board as a whole.

**8. Retirement Policy.** No individual may be nominated to stand for election or re-election after reaching the age of 73 or if he or she would reach the age of 73 before the date of the election. In addition, if a director attains the age of 73 during a term of office, he or she is expected to resign at the next annual meeting of stockholders following the date that the director reached the age of 73.

#### **IV. DIRECTOR COMPENSATION AND PERFORMANCE**

**1. Compensation Policy and Review.** It is the policy of the Board to provide non-employee/independent directors with a mix of compensation, which may include an annual cash retainer and an annual equity award. The Board will also reimburse all expenses incurred in

attending Board and committee meetings. Proposed changes in Board compensation shall initially be reviewed by the Compensation Committee, but any changes in the compensation of directors shall require the approval of the Board. The Compensation Committee shall periodically review the status of Board compensation in relation to comparable companies and other factors the Committee deems appropriate. The Committee shall discuss its review with the Board.

**2. Annual Performance Review.** At least annually, the Nominating and Corporate Governance Committee shall oversee an evaluation of the performance of the Board and the Company's management against these Guidelines. As part of this process, the Board will conduct a self-evaluation to determine whether the Board and its committees are functioning effectively.

**3. Transactions with Directors and Their Affiliates.** Transactions with directors and their affiliates are subject to the Company's related-party transaction policy. Except for employment and compensation-related arrangements with the CEO and other management directors, the Company does not engage in transactions with directors or their affiliates if a transaction would cast into doubt the independence of a director, would present the appearance of a conflict of interest or is otherwise prohibited by law, rule or regulation. This includes, directly or indirectly, any extension, maintenance or renewal of an extension of credit to any director or member of management of the Company. This prohibition also includes significant business dealings with directors or their affiliates, substantial charitable contributions to organizations in which a director is affiliated. The Audit Committee or another independent body of the Board shall conduct an appropriate review and oversight of all related-party transactions for potential conflict of interest situations on an ongoing basis.

## **V. BOARD MEETINGS**

**1. Schedule.** Board meetings are scheduled in advance and held from time to time as determined by the Board. The Board holds special meetings as required.

**2. Agendas.** The Chairman of the Board, in consultation with the Lead Director, will establish the agenda for each Board meeting. Each Board member may submit items to be included on the agenda. Board members may also raise subjects that are not on the agenda at any meeting.

**3. Distribution of Board Material.** Information that is important to the Board's understanding of the Company's business should be distributed to the directors a reasonable period of time before the Board meeting.

**4. Strategic Planning.** The Board shall hold an annual strategic planning meeting. The timing and agenda of the strategic planning meeting shall be determined by the Chairman of the Board in consultation with the Lead Director.

**5. Meetings of Independent Directors.** The Company's independent directors will meet regularly in executive sessions at which only independent directors are present. Meetings of the independent directors should generally coincide with regularly scheduled Board meetings; however, the Lead Director or a majority of the independent directors may call a meeting of

independent directors at any time. The Lead Director will preside as the chair at meetings of independent directors.

**6. Board Presentations and Access to Employees and Advisors.** Directors shall have full access to officers and employees of the Company and, as necessary and appropriate, the Company's independent advisors, including legal counsel and independent accountants. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director. Each director will use his or her judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent appropriate, provide the Chairman of the Board and the CEO with a copy of any written communications between a director and an officer or employee of, or advisor to, the Company.

The Board encourages senior management to invite to Board meetings officers, other key employees and independent advisors who can provide additional insight into the matters being discussed, or whom senior management believes should be given exposure to the Board.

**7. Board Interaction with Investors, Media and Others.** The Board believes that senior management speaks for the Company. Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do so with the knowledge of senior management and, in most instances, at the request of senior management.

## **VI. BOARD COMMITTEES**

**1. Standing Committees.** The Board has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of those committees will be required to satisfy the applicable independence requirements under the Nasdaq rules and applicable law. The Board reserves the right to disband or form new committees, including "ad hoc" committees to handle specifically designed assignments.

Committees shall receive authority exclusively through delegation from the Board through the Bylaws, Board resolutions, committee charters or as provided by these Guidelines. All committee actions must be ratified by the Board before becoming effective, which authority will be reviewed and reassessed at least annually unless taken pursuant to an express delegation of authority. In addition to the authority granted hereunder or under each committee's charter or in the case of a committee, by further resolution of the Board, the Board and each standing committee have the authority to retain and compensate independent legal, financial or other advisors as such committee may deem necessary without consulting or obtaining the approval of the Board or management of the Company.

**2. Appointment and Term of Service of Committee Members.** Committee members will be appointed by the Board after recommendations are made by the Nominating and Corporate Governance Committee, and with consideration given to the criteria set forth in the applicable committee charter, as well as the desires of individual directors. Consideration will be given to rotating committee members periodically, but the Board does not believe that rotation should be mandated as a policy. Committee chairs shall be appointed by the Board based on recommendations from the Nominating and Corporate Governance Committee and are generally rotated among independent directors approximately every five years. Committee

members shall serve until their successors are duly elected and qualified, or until their earlier resignation or removal.

**3. Committee Charters.** The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee will have a written charter approved by the Board. The charters will set forth the purposes and responsibilities of the committees as well as qualifications for committee membership, procedures for appointment and removal, structure and operations, and reporting to the Board. The charters will also provide that each committee will annually evaluate its performance. The charters will be included on the Company's website and copies of the charters will be made available upon request to the Company's Secretary.

**4. Committee Meetings and Committee Agenda.** Each committee chair, in consultation with the committee members and appropriate officers of the Company, will determine the frequency of committee meetings consistent with the committee's charter, provided that a majority of committee members may call a meeting of the committee on which they are members at any time. Additionally, each committee chair, in consultation with the other members of the committee and senior management, will develop the committee's agenda.

## **VII. DIRECTOR RESIGNATION POLICY**

In an uncontested election of directors (as defined in the Company's Certificate of Incorporation), any nominee for director who duly holds office under the Company's Bylaws and fails to receive an affirmative vote of the "majority of the votes cast" (as defined in the Company's Certificate of Incorporation) shall promptly tender his or her resignation to the Chairman of the Board (or the Board's lead independent director, if the Chairman).

The Nominating and Corporate Governance Committee will consider the nominee's tendered resignation and make a recommendation to the Board as to whether to accept or reject the tendered resignation. The Board shall make a decision regarding acceptance or rejection of the tendered resignation within 30 days after election results are certified.

In making its decision, the Board shall give due consideration to the best interests of the Company and its stockholders and may consider any other factors and information that it considers appropriate. After the Board makes its decision, the Company will promptly disclose the Board's decision regarding whether to accept or reject the tendered resignation in a Form 8-K furnished to the Securities and Exchange Commission. If the Board decides to reject a tendered resignation, the Form 8-K disclosure will include the rationale behind the decision.

Any nominee who tenders his or her resignation pursuant to this policy shall not participate in the Nominating and Corporate Governance Committee recommendation or the Board's decision regarding whether to accept or reject the tendered resignation. However, if a majority of the Nominating and Corporate Governance Committee's members are required to tender a resignation under this policy at the same election, then the independent members of the Board not required to tender a resignation in that election will consider each tendered resignation and recommend to the Board whether to accept or reject it.

The Board has the exclusive power and authority to interpret and administer this policy. All actions of the Board regarding this policy that are done or made by the Board in good faith will be final, conclusive and binding.

## VIII. COMMUNICATIONS WITH THE BOARD

**1. Receipt of Communications.** Stockholders and other interested parties may communicate with the Board as a group, the non-employee directors or specific directors by mail addressed to: Board of Directors, c/o CSW Industrials, Inc., 5420 Lyndon B. Johnson Freeway, Suite 500, Dallas, Texas 75240, Attn: Corporate Secretary. The mailing envelope should also clearly indicate whether the communication is intended for the Board as a group, the non-employee directors or a specific director.

**2. Handling of Communications.** The Corporate Secretary will review each communication subject to this policy and will, within a reasonable period of time after receiving the communication, determine whether or not the communication is appropriate for delivery to the director or group of directors to whom it is addressed. The Corporate Secretary will not forward those communications that are simple administrative requests that are appropriately addressed by the Corporate Secretary or that relate to matters that are of a type that are clearly improper or irrelevant to the functioning of the Board or the business and affairs of the Company. The Corporate Secretary may confer with other members of the Company's senior management in reviewing such communications and making such determinations. If, in the judgment of the Corporate Secretary, any communication pertains to an accounting matter, such communication shall be forwarded to the appropriate party as determined by the Audit Committee, and addressed in the manner determined by the Audit Committee.

Communications that, in the judgment of the Corporate Secretary, are not clearly improper or irrelevant to the functioning of the Board or the business and affairs of the Company shall, unless requiring immediate attention, be assembled and delivered to the intended recipients on a periodic basis, generally at or in advance of each regularly scheduled meeting of the Board, and shall be organized in a manner designated to facilitate review by the applicable director or group of directors. Any communication that, in the judgment of the Corporate Secretary, is significant or otherwise may require more immediate attention shall be promptly delivered to the director or group of directors to whom such communication is addressed. The Corporate Secretary may accompany any communications delivered to the directors with materials or analyses that the Corporate Secretary believes may be useful to the directors in the consideration of the communications. In no case shall the Corporate Secretary provide anyone but a member of the Board with access to any communication.

**3. Retention of Communications.** Copies of all documentation, in any form, that relates to a communication from a stockholder or other interested party subject to these policies will be maintained in accordance with the Company's normal business practices, other than any communication that the Corporate Secretary has determined to be of an extraneous nature.

## IX. MANAGEMENT SUCCESSION

**1. CEO Selection.** The Board shall select a CEO in a manner that is in the best interests of the Company.

**2. Evaluation and Compensation of Executive Officers.** The Compensation Committee will conduct an annual review of the performance of the CEO and the other executive officers of the Company in light of the goals and objectives of the Company. The Compensation Committee



will recommend executive officer compensation levels based on such factors set forth in its charter and otherwise as it deems appropriate to the Board.

**3. Succession Planning and Management Development.** The Nominating and Corporate Governance Committee should, at least annually, make a report to the Board on succession planning. The Company's succession plan will include appropriate contingencies in case the CEO retires, resigns or is incapacitated. The Board, with the assistance of the Nominating and Corporate Governance Committee, will evaluate potential successors to the CEO. The CEO should at all times make available their recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

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