

# **CORPORATE GOVERNANCE GUIDELINES**

## **BOARD OF DIRECTORS POTLATCH CORPORATION**

### **Purpose of the Potlatch Corporation Corporate Governance Guidelines**

The purpose of the Guidelines is to set forth effective standards and practices of corporate governance that contribute to the success of and public confidence in Potlatch Corporation (the “Company”). These Guidelines have been approved by the Board of Directors (the “Board”) of the Company. These Guidelines, in conjunction with the Company’s current Certificate of Incorporation, Bylaws and Board Committee Charters, as they may hereafter be amended or restated, form the framework for governance of the Company.

### **Role of the Board of the Company**

The Board oversees and provides policy guidance on the business and affairs of the Company. It monitors overall corporate performance, the integrity of the Company’s financial controls and the effectiveness of its legal compliance programs. The Board oversees management and plans for the succession of key executives. The Board oversees the Company’s strategic and business planning process.

### **Board Independence**

The Board believes that the stockholders are best served if a majority of its members are independent Directors. In order to achieve the independence of the Board, the following structures and processes exist:

- a. The Board is comprised of a majority of individuals who qualify as “independent” Directors. Those Directors who are independent shall meet the objective test of “independence” which has been established by the Board or, in the absence of such a test, the Board shall have made an individual determination that such Director is independent within the meaning of any applicable law or any listing standard or rule established by the New York Stock Exchange (“Listing Standard”).
- b. The principal committees of the Board are the Audit Committee, the Executive Compensation and Personnel Policies Committee, and the Nominating and Corporate Governance Committee, which are composed entirely of independent Directors (the “Committees” or singularly, a “Committee”). The authority of each Committee is set forth in a written Charter approved by the Board.
- c. The Board shall elect a Chairman of the Board (“Chairman”) who may also serve as the Chief Executive Officer of the Company. The Board shall also elect an independent director as Vice Chair of the Board (the “Vice Chair”). When the Chairman is an independent director, he or she shall act as chair or designate another independent director to act as chair when the Board meets in non-management executive session and in other appropriate situations, and shall lead the Board in its

evaluation of the Chief Executive Officer's performance on an annual basis. When the Chairman is not an independent director, the Vice Chair shall act as chair or designate another independent director to act as chair when the Board meets in non-management executive session and in other appropriate situations, and shall lead the Board in its evaluation of the Chief Executive Officer's performance on an annual basis. The Vice Chair's principal responsibility is to contribute to the independence of the Board in the discharge of its responsibilities. The Vice Chair also performs the duties and exercises the powers customarily performed by the Chairman, at either the request of, or in the absence or disability of, the Chairman. The Vice Chair consults with the Chairman in the development of meeting agendas.

- d. The Board has a regular opportunity to meet without management in "executive session" for non-management Directors. Any non-management Director can request that an executive session be scheduled. Committees of the Board also schedule non-management executive sessions as necessary and appropriate. Advisors may be invited to attend non-management executive sessions.

### **Selection of Chairman of the Board and Chief Executive Officer**

The Chairman and the Chief Executive Officer are elected by the Board. As a general matter of practice, the Chief Executive Officer may also be the Chairman. The Board may separate these two offices, if it appears in the best interests of the Company to do so.

### **Size of the Board**

The Board is composed of no fewer than seven and no more than fifteen members. The size of the Board is reviewed from time to time by the Nominating and Corporate Governance Committee and changes are recommended to the Board when appropriate.

### **Director Qualification Standards for the Selection of New Directors**

It is the objective of the Board that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives, and skills. Each Director must be committed to enhancing stockholder value and must have sufficient time to effectively carry out his or her duties as a Director.

The Board nominates Directors for election at the annual meeting of stockholders and elects new Directors as needed to fill vacancies between annual meetings. The Nominating and Corporate Governance Committee has the responsibility to identify, evaluate, recruit and recommend qualified candidates to the Board for nomination or election.

In addition, Director candidates are selected for their character, judgment, diversity of experience, business acumen and ability to act on behalf of stockholders. They should be able to provide insights and practical wisdom based on their experience and expertise.

## Succession Policies of the Board

- a. *Change in Primary Job-Resignation Offer.* It is expected that a Director who changes his or her primary job responsibility, other than as a result of normal retirement, to offer to resign from the Board so that the Nominating and Corporate Governance Committee can evaluate the appropriateness of that Director's continued service and recommend to the Board acceptance or rejection of the resignation offer.
- b. *Uncontested Elections-Resignation Policy.* In accordance with the Company's Bylaws, in order for a nominee to be elected at a meeting of the Company's stockholders in an "uncontested election," the nominee must receive the vote of a majority of the voting power of the capital stock issued and outstanding and present in person or represented by proxy at the meeting and entitled to vote for the election of directors. The Nominating and Corporate Governance Committee shall recommend to the Board for nomination or election, and the Board shall nominate or elect, only candidates who agree to tender, promptly following his or her election or re-election to the Board, an irrevocable resignation that will be effective upon (i) the failure of the candidate to receive the required vote at the next annual meeting at which he or she faces re-election and (ii) the acceptance by the Board of such resignation. The Board expects each Director to have tendered such an irrevocable resignation.

If an incumbent Director fails to receive the required vote for re-election in an "uncontested election," the Nominating and Corporate Governance Committee will determine whether the Director's resignation should be accepted and make a recommendation to the Board, which shall make the final determination whether to accept the resignation. In making such recommendation and final determination, members of the Nominating and Corporate Governance Committee and the Board shall be entitled to consider all factors they believe are relevant, including any stated reasons for stockholders' "withhold" votes, whether the underlying cause or causes of the "withhold" votes are curable, and the factors, if any, set forth in these Corporate Governance Guidelines or other policies that are to be considered by the Nominating and Corporate Governance Committee in evaluating potential candidates for the Board as such factors relate to the Director who has so offered his or her resignation.

The Board will act on the Nominating and Corporate Governance Committee's recommendation and publicly disclose the Board's decision within 90 days from the date of the certification of the election results. Such disclosure shall be made within four business days following the Board's acceptance or rejection of a Director's resignation, and will be reported in a filing with the U.S. Securities and Exchange Commission on Form 8-K.

The Board expects the incumbent director whose resignation is under consideration to abstain from participating in any decision regarding such resignation. If such incumbent Director is a member of the Nominating and Corporate Governance Committee and does not agree to abstain from participating in the Committee's deliberations and decision regarding such resignation, then the Committee shall act

through a sub-committee consisting of one or more members who did not fail to receive the required vote in the election. If such incumbent director does not agree to abstain from participating in the Board's deliberations and decision regarding such resignation, then the Board shall act through a special committee consisting entirely of Directors who did not fail to receive the required vote in the election.

If a Director's resignation is accepted by the Board, or if a nominee for Director is not elected and the nominee is not an incumbent Director, then the Board may fill the resulting vacancy pursuant to the provisions of paragraph B of Article Ninth of the Company's Certificate of Incorporation or may decrease the size of the Board pursuant to the provisions of paragraph A of Article Ninth of the Certificate of Incorporation.

- c. *Resignation due to Age.* Directors may serve until the end of the calendar year in which they attain the age of 72.

### **Performance Expectations and Director Compensation**

Directors are expected to review in advance meeting materials and to use their best efforts to attend and fully participate in meetings of the Board and the committees of which they are members.

The Board sets the level and form of compensation for Directors based on the recommendation of the Nominating and Corporate Governance Committee.

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

- a. Members of the Board have complete access to Company management.
- b. The Board and the Committees have full authority to retain, oversee and terminate advisors (including the approval of fees), who may be required to assist the Board, a Committee or a Director engaged in conducting the Board's or a Committee's activities.

### **Performance Evaluation of the Chief Executive Officer**

The Board annually reviews the Chief Executive Officer's performance. To conduct this review, the Vice Chair solicits input from all Directors and reviews the performance of the Chief Executive Officer as measured against corporate and other goals and objectives established by the Board. The information assembled by the Vice Chair is reviewed by the Board in a non-management executive session. The results of the review are discussed with the Chief Executive Officer.

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

The Chief Executive Officer reports annually to the Executive Compensation and Personnel Policies Committee on management development and succession planning.

At the invitation of the Chairman, officers and non-management personnel make presentations to the Board to permit the Board to meet and observe these individuals in person for management development and succession planning purposes.

Annually, taking into account the recommendation of the Executive Compensation and Personnel Policies Committee, the Board determines a temporary successor to the Chief Executive Officer in the case of his or her absence or disability.

### **Business Conduct and Ethics**

All employees and Directors are required to abide by the Company's Corporate Conduct and Ethics Policy for Directors and Employees. Any waiver of the Policy for executive officers or Directors may be made only by the Board upon the recommendation of the Audit Committee.

### **Meetings of the Board and Committees**

- a. Meetings of the Board: The Board meets regularly on previously determined dates. Special meetings of the Board may be called by the Chairman, the Vice Chair, or by any officer who is a Director. Special meetings will also be called by the Chairman or the Corporate Secretary upon the written request of one-third of the entire Board plus one Director.
- b. Agenda Items for Meetings of the Board and Committees: The Chairman, in consultation with the Vice Chair and other Directors and members of management, as appropriate, establishes the agenda for each meeting of the Board. At least once each year, the Board focuses on the Company's strategic plan and on the following year's capital and operating budgets. Members of the Board are encouraged to suggest the inclusion of items on any Board or committee agenda.
- c. Material for Meetings of the Board and Committees: Meeting agendas and, as a general rule, written material on matters to be presented, are sent to the Board and committee members in advance of the meetings. In appropriate cases, written materials may be distributed at the meeting.
- d. Committees: It is the general policy of the Board that significant decisions be considered by the Board as a whole, except as required by law or by a Listing Standard. In addition to the Committees, the Board has formed a Finance Committee. Other committees may be established from time to time as appropriate. The committees review their Charters from time to time and recommend to the Board any changes deemed appropriate by the respective committee.
- e. Assignment of Committee Members: The Board determines committee membership. The Nominating and Corporate Governance Committee, after consultation with the Chairman, the Vice Chair and the individual Directors involved, makes recommendations on committee membership and committee

chair assignments to the Board. A Director may serve on or chair more than one committee.

- f. Committee Reports: The chairs of the committees report to the Board on the activities of their respective committees and any recommendations of such committees.

### **Communications with External Entities**

The Chief Executive Officer is responsible for establishing effective communications with the Company's stockholders, the media, the financial community, and other external entities pertaining to the affairs of the Company. The Vice Chair is responsible for communications between the non-management members of the Board and stockholders and other interested parties.

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

Management is responsible for orientation and education programs for its new and current Directors for the purpose of developing and updating the skills and qualifications required by the Board to function as effective Directors. The Nominating and Corporate Governance Committee reviews from time to time the New Director Orientation Program and Continuing Director Development Program and recommends to the Board any changes deemed appropriate by such Committee.

### **Evaluation of the Performance of the Board of Directors and Committees of the Board**

The Board and the Committees conduct annual self-evaluations. The Nominating and Corporate Governance Committee, in conjunction with the Vice Chair, conducts the annual self-evaluation of the full Board and recommends changes to improve Board effectiveness.