



## **BMC STOCK HOLDINGS, INC.**

### **CORPORATE GOVERNANCE GUIDELINES**

**Revised on February 22, 2018**

The following Corporate Governance Guidelines (these “Guidelines”) have been adopted by the Board of Directors (the “Board”) of BMC Stock Holdings, Inc., a Delaware corporation (the “Company”), to assist the Board in the exercise of its duties and responsibilities. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision-making, both at the Board and management level, with a view to enhancing long-term stockholder value. The Board intends for these Guidelines to serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. Accordingly, these Guidelines should be interpreted in the context of, but are not intended to change, applicable federal and state laws, rules and regulations, including but not limited to the General Corporation Law of the State of Delaware, the listing rules and requirements of the Nasdaq Stock Market (“Nasdaq”), and the Company’s Certificate of Incorporation (“Certificate”) and Bylaws (“Bylaws”), each as amended and in effect from time to time. These Guidelines are subject to modification by the Board.

#### **A. Board Structure, Membership and Service**

1. **Size of the Board.** The Board, with the assistance and recommendations of the Corporate Governance and Nominating Committee, will periodically review the size of the Board to determine whether any changes are appropriate, with the goal of maintaining a Board membership that provides the necessary expertise and independence but that is not too large to function efficiently. Any change to the size of the Board, however, must be made in accordance with the Certificate and the Bylaws.

2. **Independent Directors.** At all times, at least a majority of the members of the Board will be independent directors as such term is defined by the rules of Nasdaq. In determining independence, the Board will consider the definition of “independent” in the corporate governance standards of Nasdaq. Because it is not possible to anticipate or explicitly provide for all circumstances that might signal potential conflicts of interest or bear on the materiality of a director’s relationship with the Company, the Board, when making its independence determinations, will broadly consider all relevant facts and circumstances. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Corporate Governance and Nominating Committee.

When a director’s principal occupation or business association changes substantially during the director’s tenure on the Board, the director must submit an offer to resign for consideration by the Corporate Governance and Nominating Committee. The Corporate

Governance and Nominating Committee recommends to the Board the action, if any, to be taken with respect to the offer to resign.

3. **Selection of Director Nominees.** All candidates for director shall be evaluated and recommended for nomination by the Corporate Governance and Nominating Committee, except as otherwise provided in the Certificate or Bylaws. The Corporate Governance and Nominating Committee is responsible for developing and periodically reviewing the selection criteria for director candidates. At a minimum, the Corporate Governance and Nominating Committee must be satisfied that each director has, among other qualifications, (a) experience as a senior officer in a public or substantial private company or other comparable experience, (b) breadth of knowledge about issues affecting the Company's industry and/or business experience relevant to the Company, (c) expertise in finance, logistics, manufacturing, law, human resources or marketing or other areas that the Board determines are important areas of needed expertise, and (d) personal attributes that include integrity and sound ethical character, absence of legal or regulatory impediments, absence of conflicts of interest, demonstrated track record of achievement, ability to act in an oversight capacity, appreciation for the issues confronting a public company, adequate time to devote to the Board and its committees and willingness to assume broad/fiduciary responsibilities on behalf of all stockholders. In addition, the Corporate Governance and Nominating Committee considers all other factors it deems appropriate, which may include consideration of diverse characteristics as well as the size, composition and combined expertise of the existing Board.

The Corporate Governance and Nominating Committee evaluates the composition of the Board annually to assess the skills, qualifications and experience that are currently represented on the Board as a whole, and in individual directors, as well as the skills, qualifications and experience that the Board may find valuable in the future. The Board and the Corporate Governance and Nominating Committee seek to achieve diversity of occupational and personal backgrounds on the Board.

The Corporate Governance and Nominating Committee reviews the qualifications of director candidates and incumbent directors in light of criteria approved by the Board and recommends the Company's candidates to the Board for election by the Company's stockholders at the annual meeting. The Committee also considers director candidates recommended by Company stockholders in accordance with the procedures set forth in the proxy statement. The Corporate Governance and Nominating Committee uses the same criteria for evaluating candidates regardless of the source of the referral.

4. **Individual Director Responsibilities.** All directors are expected to set aside sufficient time in their schedules to fulfill their duties to the Company and its stockholders. All directors are expected to comply with the Company's policies, procedures, practices and codes of conduct, including, without limitation, the Company's Code of Business Conduct and Ethics, Policy on Insider Trading and any and all guidelines for the avoidance of conflicts of interest.

5. **Service Limits on Boards and Committees.** The Board does not believe that it should establish term limits with respect to service on the Board or any committee of the Board (each a "Committee"), as it believes there is a significant advantage in maintaining the experience and insight into the Company and its operations that directors gain over time. In

addition, the Board does not believe that a fixed retirement age for directors is appropriate. Term limits and mandatory retirement policies hold the disadvantage of forcing the Board to lose the contributions of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, have provided an increasing contribution to the Board as a whole. As an alternative to term limits and a mandatory retirement age, the Corporate Governance and Nominating Committee, in conjunction with the Chairman of the Board and the Chief Executive Officer, will evaluate, subject to any applicable provisions set forth in the Certificate or Bylaws each director in connection with whether such director should be re-nominated to the Board, and at such other times as may be appropriate. This will also allow each director the opportunity to confirm his or her desire to continue as a member of the Board.

Ordinarily, directors may not serve on the boards of more than five public companies, including the Company's Board. Directors who are chief executive officers of public companies may not serve on the boards of more than two other public companies, in addition to the Company's Board. Service on the boards of subsidiary companies with no publicly traded stock (or that issue only debt), non-profit organizations and private companies is not included in this calculation. Moreover, if a director sits on several mutual fund boards within the same fund family, it will count as one board for purposes of this calculation.

To enable the Corporate Governance and Nominating Committee to review other directorships and assess potential conflicts of interest, if any, or potential interlocking directorships, each director must notify and receive approval from the Corporate Governance and Nominating Committee in advance of accepting an invitation to serve as a member on another board of directors.

6. **New Director Orientation.** The Company has an orientation process for Board members that is designed to familiarize new directors with various aspects of the Company's business, including the Company's strategy, operations, finances, risk management processes, compliance program and governance practices.

7. **Director Education.** The Company shall provide appropriate information to directors regarding changes in the Company's business and industry as well as the responsibilities of directors in fulfilling their duties. The Board also encourages directors to participate in education programs to assist them in performing their responsibilities as directors.

8. **Change in Principal Occupation.** Unless otherwise approved by the Board, officers who also serve as directors must tender their resignations from the Board at the same time that they retire or resign from the Company.

## **B. Board Leadership**

1. **Leadership Structure.** The Board periodically reviews its leadership structure to evaluate whether the structure remains appropriate for the Company. Currently, the roles of Chairman of the Board and Chief Executive Officer are separate, and the Chairman is an independent director.

2. **Role of Chairman of the Board.** The Chairman of the Board shall chair each Board meeting. In his or her absence, the Bylaws shall govern who will chair the Board meeting.

3. **Meetings of Independent Directors.** The independent directors will meet separately, in executive session, without management directors as often as they deem necessary or appropriate, but not less than quarterly, to discuss such matters as they deem appropriate. The Chairman of the Board will chair such executive sessions of the independent directors and lead such discussions. The independent directors may request that Company personnel, consultants and other advisors make presentations or participate in discussions at any such executive sessions.

### C. Board Procedures

1. **Access to Information, Management and Employees.** The directors shall have complete access to the Company's executive officers, senior management and other employees. In addition, the directors shall have complete access to any information about the Company that they deem necessary or appropriate to carry out their duties. The directors will use proper judgment and discretion to ensure that such access is not unnecessarily distracting to the business operations of the Company.

2. **Access to Advisors.** The Board and its Committees shall have complete access to the Company's outside legal, accounting, financial and other advisors. In addition, the Board and its Committees shall have the authority, at the expense of the Company, to retain such independent legal, accounting, financial and other advisors as they deem appropriate without management approval.

3. **Conflicts of Interest.** A director's other relationships, including business, family or those with non-profit entities, may occasionally give rise to the perception that the director has a material, personal interest in a particular issue involving the Company. If a director becomes involved in activities or interests that conflict or appear to conflict with the interests of the Company and these activities result in an actual or potential conflict of interest, then the director is required to disclose such conflict promptly to the Board. The Board will determine an appropriate resolution on a case-by-case basis. Directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests.

4. **No Loans or Personal Services.** The Company will not make any personal loans or extensions of credit to directors or executive officers in accordance with applicable law. No director (other than management directors) or family member may provide personal services to the Company for compensation.

5. **Self-Evaluation.** The Board and each Committee will perform a self-evaluation on an annual basis. In accordance with the terms of its charter (as may be amended from time to time), the Corporate Governance and Nominating Committee is responsible for overseeing the evaluation process, as well as for reporting annually to the Board an assessment of the Board's performance. The assessment will include a review of the Board's overall effectiveness and the areas in which the Board or management believes the Board can make an impact on the Company.

6. **Compensation.** The Organization and Compensation Committee annually reviews the compensation of directors. Director compensation is set by the Board based upon the

recommendation of the Committee. Compensation consists of a combination of cash and equity. Management directors do not receive compensation for service on the Board. The Company believes that compensation for non-employee directors should be competitive in order to attract and maintain a qualified Board. Independent directors may not receive consulting, advisory or other compensatory fees from the Company in addition to their Board compensation, except as permitted under by the rules of Nasdaq.

**D. Board and Committee Meetings**

1. **Attendance and Preparation.** All directors are expected to attend and actively participate in all meetings of the Board (and of any Committees on which they serve) either in person, telephonically or by any other electronic means unless exigencies prevent them from attending. Directors are expected to prepare for each meeting by reviewing materials provided to them in advance of the meeting.

2. **Schedule.** The Board and each Committee will meet as frequently and for such duration as needed for the directors to properly discharge their responsibilities. The Board believes that regular meetings of the Board and its Committees at appropriate intervals are desirable for the performance of their responsibilities. The Board shall have regularly scheduled meetings at least quarterly and each Committee shall set up regularly scheduled meetings as appropriate and in accordance with its charter. The Board and each Committee shall annually prepare a schedule of regular Board and Committee meetings and timely notify the Board or Committee members of any changes in the schedule.

3. **Agendas and Minutes.** The Chairman of the Board, with the recommendations and assistance of the Chief Executive Officer, shall establish the agenda for each Board meeting and distribute the agenda in advance of the meeting to each member of the Board. Board members are encouraged to add items to be included on the agenda for any meeting and may raise at any meeting subjects that are not on the agenda for that meeting.

The chairperson of each Committee shall establish and arrange for the distribution of an agenda to each Committee member in advance of a Committee meeting. Committee members are encouraged to add items to be included on the agenda for any meeting of their respective Committee and may raise at any meeting subjects that are not on the agenda for that meeting, provided that such items or subjects must be consistent with the purpose, duties and responsibilities of such Committee.

Minutes shall be kept of each meeting of the Board and each Committee. The Chairman of the Board and the chairperson of each Committee shall designate a person to act as secretary of each meeting upon the commencement of such meeting; in the absence of such designation, the Secretary of the Company shall act as the secretary of each meeting of the Board and the Committees.

4. **Advance Materials.** To the extent practicable, the Company shall deliver to each member of the Board or any Committee, in advance of each meeting of the Board or such Committee, all materials and information relating to the matters to be considered at that meeting.

5. **Attendance of Senior Management Personnel.** Senior management personnel, and other non-directors, may attend meetings, or portions of meetings, of the Board or any Committee at the invitation of the Chairman of the Board or the Chief Executive Officer, or the chairperson of that Committee, as appropriate. The Board encourages the Chairman of the Board and the Chief Executive Officer to bring managers into Board meetings who can provide additional insights into the items being discussed and will enhance the flow of meaningful financial and business information to the directors.

## **E. Committees**

1. **Standing Committees.** The Board currently has three standing Committees: the Audit Committee, the Organization and Compensation Committee, and the Corporate Governance and Nominating Committee. The Audit, Compensation, and Corporate Governance and Nominating Committees consist solely of independent directors. In addition, directors who serve on the Audit Committee, and the Organization and Compensation Committee, must meet additional, heightened independence criteria applicable to directors serving on these committees under Nasdaq listing standards. The Corporate Governance and Nominating Committee periodically reviews and, if desirable, recommends to the Board changes in the number, responsibilities and operation of the Board committees. In addition, the Corporate Governance and Nominating Committee may recommend that the Board establish and maintain additional committees as it deems necessary and appropriate from time to time to facilitate and assist in the execution of its responsibilities. These additional committees shall generally address issues that, because of their complexity, technical nature, time requirements or corporate governance principles, cannot be adequately or appropriately addressed at meetings of the entire Board.

2. **Responsibilities of Committees.** Each Committee shall regularly inform the Board of the actions taken or issues discussed at its meetings. This will generally take place at the next Board meeting following a committee meeting. The purposes, duties and responsibilities of each Committee shall be as set forth in the charter for such committee approved by the Board. Each Committee assesses the adequacy of its charter annually and recommends changes to the Board as appropriate. These charters, along with these Corporate Governance Guidelines, will be posted on the Company's website at <http://ir.buildwithbmc.com/investors/corporate-governance/default.aspx>.

3. **Assignment of Committee Members.** The Corporate Governance and Nominating Committee recommends candidates to the Board to serve as members and chairpersons of each of the Board's committees in accordance with the terms of the Company's certificate of incorporation and bylaws.

## **F. Responsibilities of the Board**

1. **Generally.** The Company's business is conducted by its employees, officers and managers, under the management and direction of the Chief Executive Officer. The primary responsibilities of the Board are to exercise its business judgment to act in what it reasonably believes to be the best interests of the Company and its stockholders through the oversight of the Company's management and the monitoring of the Company's business for the enhancement of

the long-term interests of the Company and its stockholders. In addition, the Board performs a number of specific functions, including:

- reviewing and, where appropriate, approving the Company's fundamental long-term business and financial objectives and strategies and major business and operating plans, and monitoring the implementation and execution thereof;
- providing advice and counsel to management regarding significant issues facing the Company, and reviewing and, where appropriate, approving significant actions and transactions by the Company;
- nominating directors, reviewing the structure and operation of the Board, and overseeing and shaping effective corporate governance;
- selecting, appointing, assessing the performance of, and, if necessary, replacing the Chief Executive Officer and the other officers of the Company in accordance with the Bylaws;
- selecting, evaluating and approving, through the Organization and Compensation Committee, the compensation of the Company's Chief Executive Officer and the other executive officers;
- selecting, evaluating and compensating the Company's independent auditors and pre-approving the engagement terms and the provision of any audit and non-audit services provided by such firm for the Company, through the Audit Committee;
- assuring processes are in place for maintaining the integrity of the Company, including the integrity of its financial statements and other public disclosures and compliance with law, regulations and ethics;
- overseeing the Company's processes for assessing and managing risk; and
- considering the impact of Company actions and Board decisions on the Company's other stakeholders, including its customers, employees, suppliers and the communities where it operates.

2. **Management Succession.** The Board plans for succession to the positions of the Chief Executive Officer as well as certain other senior management positions. The succession planning process includes consideration of both ordinary course succession, in the event of planned promotions and retirements, and planning for situations where the Chief Executive Officer or another member of senior management unexpectedly become unable to perform the duties of their positions. To assist the Board, the Organization and Compensation Committee reviews the Company's succession plans, monitors development of qualified candidates for principal positions in the Company, and reviews succession planning and management development at least annually with the Board.

3. **Annual Meeting Attendance.** All members of the Board are encouraged to attend the Company's Annual Meeting of Stockholders unless an emergency or other urgent, unexpected circumstance prevents them from doing so.

4. **Stock Ownership Guidelines.** In order to align the interests of directors and executive officers with the long-term interests of the Company's stockholders, the Board has adopted stock ownership guidelines, which are set forth in a separate policy. The Organization and Compensation Committee annually reviews compliance by executives and directors with the Company's stock ownership guidelines.

5. **Communications by Stockholders.** Any stockholder who wishes to communicate directly with the Board, any Committee or any specific director may do so by directing a written request addressed to such director or directors through the Chairman of the Corporate Governance and Nominating Committee, in care of the Company's General Counsel at the Company's principal executive offices.

6. **Communications with Institutional Investors, Analysts, Press and Customers.** The Board believes that management has the primary responsibility to communicate with investors, the press, employees, stockholders and other constituencies that are involved with the Company, and to set policies for those communications. Individual directors may, from time to time, meet or otherwise communicate with stockholders and other constituencies on issues where Board-level involvement is appropriate. In addition, the Board oversees the Company's stockholder engagement efforts, with assistance from the Corporate Governance and Nominating Committee, and the Organization and Compensation Committee, which oversees stockholder engagement on the subject of executive compensation.

**G. Review of These Guidelines**

The Corporate Governance and Nominating Committee shall periodically, but no less than annually, review these Guidelines and recommend appropriate changes to the Board.

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