

## HOUGHTON MIFFLIN HARCOURT COMPANY

### BOARD OF DIRECTORS CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines (these “Guidelines”) have been adopted by the Board of Directors (the “Board”) of Houghton Mifflin Harcourt Company, a Delaware corporation (the “Company”), to assist the Board and its directors in the exercise of their responsibilities. These Guidelines reflect the commitment of the Board to monitor the effectiveness of policy and decision-making, both at the Board and senior management levels, and to enhance stockholder value over the long term. These Guidelines are a statement of policy and are not intended to change or interpret any federal or state law or regulation, including the Delaware General Corporation Law, or the Amended and Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Company (together and as amended from time to time, the “Charter Documents”). These Guidelines will be superseded by the Charter Documents in the event of conflict. The Guidelines are intended to serve as a flexible framework for the conduct of the Board’s business and not as a set of legally binding obligations. The Board may modify or make exceptions to the Guidelines from time to time in its discretion and consistent with its duties and responsibilities to the Company and its stockholders.

#### **I. Board Membership:**

1. Size of Board. The Board’s optimum size is between 5 and 10 members.
2. Majority of Independent Directors. The Board will have a majority of directors who meet the criteria for independence required by The Nasdaq Stock Market (“Nasdaq”). In addition, Audit and Compensation Committee members are subject to heightened independence requirements pursuant to the rules of the Securities and Exchange Commission and Nasdaq. The Board must determine, based on all of the relevant facts and circumstances, whether each director satisfies these criteria for independence and will disclose each of these determinations. The Board may adopt and disclose categorical standards to assist it in making such determinations and may make a general disclosure if each director meets these standards.

Each “independent” director will promptly notify the Chairman of the Board, the chair of the Nominating, Ethics & Governance Committee and the Company’s General Counsel of any developments that may impair such director’s independence. If a conflict exists and cannot be resolved, such director is expected to submit to the Chairman of the Board and the chair of the Nominating, Ethics & Governance Committee (copying the Company’s General Counsel) an offer of resignation from the Board and each of the committees on which such director serves. The Board need not accept such offer of resignation; however, the submission of such offer of resignation provides the opportunity for the Board, through the Nominating, Ethics & Governance Committee, to review the appropriateness of the continuation of such individual’s membership on the Board or any committee of the Board.

3. Board Membership Criteria.

(a) Background. The Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. This assessment will include an individual's independence, as well as consideration of age, skills and experience, and a policy of promoting diversity, in the context of the needs of the Company.

(b) Simultaneous Service. No director should serve on more than three other public company boards. No member of the Audit Committee should serve on more than two other public company audit committees. Directors will advise the Chairman of the Board, the chair of the Nominating, Ethics and Governance Committee and the Company's General Counsel in advance of accepting an invitation to serve on another public company board or audit committee. The purpose of such advance notice is to enable the Nominating, Ethics and Governance Committee to review such board or committee memberships for potential conflicts with the director's service for the Company. The Board encourages the CEO becoming a member of a public company board, but prior Board approval is required for such service and for participation on any additional for-profit company boards. With respect to other members of management, such participation is generally discouraged except in consultation with and as approved by the Board.

(c) Financial Literacy. Directors should know how to read and understand necessary financial statements in evaluating the financial performance of the Company.

(d) Character. Directors should be persons of good character, and the desired qualifications of directors are listed on Appendix A attached hereto.

(e) Expectations. Each director is expected to:

- dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties;
- comply with the duties and responsibilities set forth herein and in the By-laws of the Company;
- comply with all duties of care, loyalty and confidentiality applicable to directors of publicly traded corporations organized in the Company's jurisdiction of incorporation; and
- adhere to the Company's Code of Conduct, including, but not limited to, the policies on conflicts of interest expressed therein.

4. New Directors. The Nominating, Ethics and Governance Committee has, as one of its responsibilities, the recommendation of director candidates to the full Board. Such nominees for directorship will be selected, or recommended for selection by the Board, by the Nominating, Ethics and Governance Committee in accordance with the criteria set forth above and the policies and principles in its charter. Nominations of director candidates may also be made by the Company's stockholders in accordance with the procedures set forth in the Charter Documents.

5. Resignation from the Board.

(a) Term Limits. The Board does not favor term limits for directors, but believes that it is important to monitor overall Board performance and composition in order to well position the Board as a whole to effectively discharge its oversight role. Therefore, the Nominating, Ethics and Governance Committee will review each director's continuation on the Board annually. This will also allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

(b) Resignation Policy – Management Directors. Management directors will offer to resign from the Board upon their resignation, removal or retirement as an employee of the Company, unless their contractual agreements with the Company provide otherwise.

(c) Change in Job Responsibilities. Directors will promptly notify the Chairman of the Board, the chair of the Nominating, Ethics and Governance Committee and the Company's General Counsel, and are expected to offer to resign from the Board, upon a change in their business position including, without limitation, retirement from the business position in which they served at the time of their most recent nomination. It is not the sense of the Board that in every instance a director who retires or changes his or her business position should necessarily leave the Board. There should, however, be an opportunity for the Board, through the Nominating, Ethics and Governance Committee, to review the continued appropriateness of Board membership under the circumstances.

## **II. Board Leadership:**

1. Chairman of the Board. The Chairman of the Board will be elected by the Board. Currently, the Chairman is not the Chief Executive Officer ("CEO") of the Company. The Board believes that at this time the Company and its stockholders are best served by separating the Chairman and CEO positions and having an independent director serve as Chairman.

## **III. Board Procedures and Practices:**

1. Directors' Duties. The Board is elected by stockholders to provide oversight and strategic guidance to senior management. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stockholders. In discharging that obligation, directors

are entitled to rely on the honesty and integrity of the Company's officers, employees, outside advisors and independent auditors. The Board selects and oversees the members of senior management, to whom the Board delegates the authority and responsibility for the conduct of the day-to-day operations of the business.

Directors are expected to attend the annual meeting of stockholders, Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review meeting materials prior to Board and committee meetings and, when possible, should communicate in advance of meetings any questions or concerns that they wish to discuss so that management will be prepared to address the same. Each director's attendance at, and preparation for, Board meetings and meetings of committees on which they serve, will be considered by the Nominating, Ethics and Governance Committee when recommending director nominees.

2. Board Meetings.

(a) Selection of Agenda Items and Executive Sessions. The Chairman of the Board establishes the agenda for Board meetings although each Board member is free to suggest the inclusion of items on the agenda. The Board will meet at least quarterly, and more frequently as circumstances require. Ideally as part of every regularly scheduled Board meeting, the Board will meet in executive session without management directors and any other members of the Company's management present, unless management is specifically requested to be present. In addition, the independent directors of the Board will meet regularly in executive session without non-independent directors and any members of management present at least twice annually, but ideally as part of every regularly scheduled Board meeting.

(b) Distribution of Materials. The Company will distribute written materials sufficiently in advance of meetings to permit a meaningful review by the directors.

(c) Number of Meetings. The Board will hold a minimum of four meetings per year.

3. Conflicts of Interest. Directors will avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. The Company annually solicits information from directors in order to monitor potential conflicts of interest, and directors are expected to be mindful of their fiduciary obligations to the Company.

4. Director Compensation. The form and amount of director compensation will be determined by the Board upon the recommendation of the Nominating, Ethics and Governance Committee. The Board and the Nominating, Ethics and Governance Committee is aware that questions as to directors' independence may be raised when directors' fees and emoluments exceed what is customary. Similar concerns may be

raised when the Company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director. The Board and the Nominating, Ethics and Governance Committee will critically evaluate each of these matters when determining the form and amount of director compensation, including assessing whether any such payments would affect any director's independence under Nasdaq rules.

5. Orientation and Continuing Director Education. The Nominating, Ethics and Governance Committee will oversee the Company's orientation programs for new directors and continuing education programs for directors.
6. Assessing Board Performance. The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating, Ethics and Governance Committee will determine the format of the self-evaluation and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board.
7. Access to Officers, Employees and Advisors. Board members have complete and open access to the Company's senior management, any other employees and any Company advisors. Board members who wish to have access to such persons may coordinate such access through the Chairman or the corporate secretary or may contact such persons directly.
8. Board Communication Policy. The Board believes that management should speak for the Company and that the Chairman should speak for the Board. In order to ensure compliance with applicable securities laws and to avoid the potential detriment to the interests of the Company and its stockholders and other constituencies that could result from inconsistent communications, the members of the Board will not respond to media inquiries or make statements to the media regarding the Company and its business without consultation with, and approval by, the Chairman of the Board or the Board, and will only do so in compliance with the Company's Corporate Disclosure Procedures.

Notwithstanding the foregoing, the Audit Committee and the independent directors have established procedures to enable anyone who has a concern about the Company's conduct or about the Company's accounting, internal accounting controls or auditing matters to communicate those concerns directly to the Audit Committee. Such communications may be confidential or anonymous and may be submitted electronically, by phone or in writing to the addresses, phone number or website on the Company's website.

9. Board Authority. The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.
10. Confidentiality. The Board believes maintaining confidentiality of information and deliberations is an imperative. Information learned during the course of service on the Board is to be held confidential and used solely in furtherance of the Company's business.

11. Code of Conduct. The Company has adopted a Code of Conduct and other internal policies and guidelines designed to support these Guidelines and to comply with applicable law. The directors are expected to comply fully with that Code of Conduct and any other applicable policies and guidelines.

#### **IV. Committee Issues**

1. Board Committees. The Board will have an Audit Committee, a Compensation Committee and a Nominating, Ethics and Governance Committee. Each of these committees will consist solely of independent directors as required by the Securities Exchange Act of 1934 and Nasdaq rules, subject to applicable permitted exceptions. Committee members will be appointed by the Board upon the recommendation of the Nominating, Ethics and Governance Committee with consideration of the desires of individual directors. Each committee will have its own charter, which will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its own performance and will be posted on the Company's website. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.
2. Rotation of Committee Assignments and Chairs. Committee assignments and the designation of committee chairs should be based on the director's knowledge, interests and areas of expertise as well as the needs of the Company and the Board. The Board generally does not favor mandatory rotation of committee assignments or chairs because of its belief that experience and continuity are more important than rotation. Committee members and chairs may, however, be rotated in response to changes in membership of the Board but only if rotation is expected to increase committee performance.

#### **V. Executive Officer Evaluation, Compensation and Management Succession**

1. Executive Officer Evaluation and Compensation. From time to time, the Compensation Committee reviews (a) the Company's executive compensation philosophy with management, and recommends any proposed changes to the Board and (b) the Company's executive compensation strategy, structure, policies and programs with management. On an annual basis, the Compensation Committee (i) reviews and makes recommendations to the Board with respect to corporate goals and objectives relevant to the compensation of the Company's CEO, evaluates the CEO's performance in light of those goals and objectives and makes recommendations to the Board with respect to the CEO's compensation based on this evaluation and (ii) reviews the corporate goals and objectives relevant to the compensation of the Company's other executive officers with the CEO, reviews the CEO's evaluation of the other executive officers' performance in light of those goals and objectives with the CEO, and determines executive officer compensation based on this evaluation. No executive officer, including the CEO, may be present during voting or deliberations relating to his or her compensation.

2. Succession. The Nominating, Ethics and Governance Committee oversees the Company's management succession planning. The Nominating, Ethics and Governance Committee will develop and recommend to the Board for approval a CEO and executive officer succession plan as well as an interim CEO succession plan in the event of an unexpected occurrence, and will also review such plan from time to time as appropriate.

**VI. Environmental, Social and Governance Matters**

1. Environmental, Social and Governance Matters. The Nominating, Ethics and Governance Committee shall oversee and periodically review the Company's environmental, social and governance strategy, policies and programs.

Desired Individual Director Qualifications include:

1. High personal and professional ethics, integrity and values.
2. Demonstrated business acumen, experience and ability to use sound judgment to contribute to effective oversight of the business or financial affairs of the Company.
3. Ability to evaluate strategic options and risks, form independent opinions and state them in a constructive manner.
4. Active, objective and constructive participation at meeting of the Board and its committees, flexibility in approaching problems.
5. Open mindedness on policy issues and areas of activity affecting overall interests of the Company and its stockholders.
6. Stature to represent the Company before the public, stockholders and various others who affect the Company.
7. Involvement only in activities and interests that do not create a conflict with the director's responsibilities to the Company and its stockholders.
8. Willingness to objectively appraise management performance in the interest of the stockholders.
9. Interest and availability of time to be involved with the Company and its employees over a sustained period.
10. Ability to work well with others, with deep and wide perspective in dealing with people and situations, respect the views of others.
11. A reasoned and balanced commitment to the social responsibilities of the Company.
12. Contribution to the Board's desired diversity and balance.
13. Willingness of independent directors to limit public company board service to four or fewer boards. Any exceptions would require Nominating, Ethics and Governance Committee approval.