

# **MSA SAFETY INCORPORATED**

## **Corporate Governance Guidelines**

**March 7, 2014**

These Corporate Governance Guidelines ("Guidelines") have been adopted by the Board of Directors ("Board") of MSA Safety Incorporated ("Company") to assist the Board in the execution of its responsibilities. Rather than placing a set of fixed obligations upon the Board, these Guidelines are intended to serve as a flexible set of best practices as the Board carries out its affairs. These Guidelines may be subject to modification at the Board's discretion, as deemed necessary to fulfill the best interests of the Company.

### **I. The Role of the Board of Directors and its Responsibilities**

(a) The business of the Company is managed under the direction of the Board, selected by the Company's shareholders. The Board delegates to the Chief Executive Officer ("CEO"), and through the CEO to other executive management, the day-to-day responsibility and authority for managing the affairs of the Company. In turn, the Board evaluates the CEO and monitors key company officers on behalf of the Company's shareholders.

(b) The fundamental responsibility of the Board is to exercise its business judgment to act in what it reasonably believes to be the best interests of the Company and its shareholders.

(c) The Board is responsible for the selection and annual performance evaluation of the CEO.

(d) The Board approves and oversees the strategic direction and important business and financial initiatives of the Company and monitors their progress and completion.

(e) The Board, directly and through its Audit Committee, provides oversight with respect to a variety of matters relating to the financial reporting process including (1) the integrity of the Company's financial statements, (2) the qualifications and independence of the Company's independent auditors, (3) the integrity of the Company's systems of internal accounting and financial controls, (4) the integrity and performance of the Company's annual independent audit of financial statements; (5) the Company's compliance with applicable legal and regulatory requirements; and, (6) the Company's risk management policies and procedures.

(f) The Board, directly and through its Compensation Committee, provides oversight with respect to a variety of matters including (1) CEO compensation and performance, (2) compensation policies for executive officers and other key executive

management, (3) the effectiveness of employee benefit plan offerings; and, (4) the preparation of the Company's annual executive officers' Compensation Discussion and Analysis.

(g) The Board, directly and through its Nominating and Corporate Governance Committee, provides oversight with respect to a variety of matters including (1) identifying appropriate candidates for Board membership, (2) director compensation and performance; and, (3) executive management development and succession planning.

(h) The Board, directly and through its Finance Committee, provides oversight with respect to a variety of matters including (1) the Company's capital structure, (2) the Company's dividend policy, (3) the Company's financing activities, (4) funding of the Company's employee benefit plan; and, (5) liquidity management.

(i) In carrying out its responsibilities, the Board relies upon the aptitude and integrity of executive management as well as outside auditors and other advisors which it consults. The Board also considers MSA's ethical behavior and the interests of MSA customers, suppliers, employees, and the communities in which MSA operates.

## **II. Board Composition and Election**

(a) The size and make-up of the Board is based upon the Company's needs. While the Board believes that eight to ten directors currently is the most effective and appropriate number, it reserves the right to consider changes in size at any such time that doing so would in its opinion serve the best interests of the Company.

(b) A majority of directors must be "Independent" in accordance with applicable laws, the regulations of the U.S. Securities and Exchange Commission, and the listing standards of the New York Stock Exchange, as determined by the Board. Providing independent judgment is fundamental to the Board's oversight function. The Board annually determines and identifies its independent directors in accordance with the criteria set forth in its Independence Standards for Directors, which can be found on the MSA website.

(c) The Board may, at its discretion, appoint a Lead Director to be selected from the independent directors. The duties and responsibilities of the Lead Director will be determined by the Board.

(d) The responsibility for recommending to the Board, nominees for membership on the Board, rests with the Nominating and Corporate Governance Committee. The fundamental criterion for selecting a prospective director is the ability to contribute to the well-being of the Company and its shareholders. Good judgment, integrity and a commitment to the mission of the Company are essential. Among other factors, directors are also selected on the basis of business and professional experience, public service, diversity, the ability to regularly attend Board meetings, and

a commitment to spend the necessary amount of time in carrying out their duties as directors.

(e) Directors experiencing or planning a significant change in principal occupation or qualifications shall immediately offer a letter of resignation to the Board. The Board will evaluate the Director's continued suitability for service on the Board and will accept the Director's resignation, if warranted.

(f) Ethical conduct is of absolute importance in carrying out the affairs of MSA, and the Board expects all directors, officers, and employees, to always act with integrity and comply with the MSA Code of Business Conduct and Ethics. The Board will resolve potential conflicts of interest involving a director and will not permit a waiver of the MSA Code of Business Conduct and Ethics for a director or executive officer, except with the express consent of the Board. In the event of such a waiver, prompt disclosure will be made via our website or other appropriate means.

(g) Directors may serve on no more than two other boards of listed companies, and the CEO may serve on no more than one other board of a listed company. A director who is invited to join the board of any other listed company shall notify the Chairman of the Board, the Lead Director, and the Chairman of the Nominating and Corporate Governance Committee in advance so that the Nominating and Corporate Governance Committee or its designee may determine whether any potential conflicts of interest may exist. The Chairman of the Nominating and Corporate Governance Committee shall expeditiously communicate such determination to the affected director and the Board.

(h) Directors elected by the Board between annual meetings of shareholders will stand for election at the next annual meeting of shareholders.

(i) The Company follows a plurality voting standard for the uncontested election of directors, subject to the following guidelines:

(1) If a nominee for director in an "uncontested election of directors", at a meeting for the election of directors at which a quorum is present, does not receive the vote of at least "the majority of the votes cast," the director will be required to promptly tender an offer of his or her resignation to the Board. For the purposes of this provision of the Guidelines, an "uncontested election of directors" is an election other than one in which the number of director nominees exceeds the number of directorships subject to election or proxies are being solicited by a person other than the Company, and "the majority of the votes cast" means that the number of shares voted "for" a director's election exceeds 50% of the total number of votes cast with respect to that director's election. "Votes cast with respect to that director's election" shall include votes "for" such director's election and votes to "withhold authority," for such director's election, but shall exclude any abstentions and failures to vote (e.g., brokers non-votes) with respect to that director's election.

(2) The Nominating and Corporate Governance Committee will make a recommendation to the Board as to whether to accept or reject any tendered resignation. The Board must act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee's recommendation, within 90 days from the date of the certification of the election results. The Board shall promptly publicly disclose its decision regarding the tendered resignation by furnishing a Form 8-K or other report to the U.S. Securities and Exchange Commission, including its rationale for accepting or rejecting the resignation offer. In making its recommendation the Nominating and Corporate Governance Committee, and in making its decision the Board, may each consider any factors or other information that it considers appropriate and relevant, including but not limited to (i) the stated reasons, if any, why shareholders withheld their votes, (ii) possible alternatives for curing the underlying cause of the withheld votes, (iii) the director's qualifications, (iv) the director's past and expected future contributions to the Company, and (v) the overall composition of the Board.

(3) The director who tenders his or her resignation will not participate in the recommendation of the Nominating and Corporate Governance Committee or the decision of the Board with respect to his or her resignation. If a majority of the Nominating and Corporate Governance Committee members do not receive the vote of at least the majority of the votes cast in an uncontested director election in which such members are standing for election, then the independent directors of the Board shall appoint a committee of independent directors to consider the tendered resignations and recommend to the Board whether to accept the resignations.

(4) The Board may accept a director's resignation or reject the resignation. If the Board accepts a director's resignation the Board, in its sole discretion, may fill any resulting vacancy pursuant to the provisions of Section 2.01(d) of the Bylaws or may decrease the size of the Board pursuant to the provisions of Section 2.01(a) of the Bylaws. If a director's resignation is not accepted by the Board, such director will continue to serve until the later of (i) the next annual meeting, or (ii) until his or her successor is duly elected, or until his or her earlier resignation or removal.

(j) The Board maintains a director retirement policy, which is reviewed periodically. Pursuant to the policy, each incumbent director shall retire from the Board at the annual meeting of shareholders in the year of their seventy-fifth (75<sup>th</sup>) birthday. The Policy includes an exception, pursuant to which directors beneficially owning five percent or more of the Company's common stock are exempt from the policy. Only one director presently qualifies for this exception.

### **III. Board Operations**

(a) The Board holds at least five regular meetings per calendar year. Additional meetings may be scheduled and held throughout the year as necessary for the Board to fulfill its obligations. For each board meeting, the CEO and Secretary

propose an agenda which is then confirmed by the Lead Director after soliciting comments from the Chairman of the Board and the other directors. All directors are ordinarily expected to attend the annual shareholders' meeting.

(b) Prior to each meeting, directors are provided with materials such as the meeting agenda, background information, supporting data, summaries, and other information necessary to enable them to effectively prepare for each meeting. From time to time, the Board may meet on matters for which there will be no advanced distribution of written material. The Board may also periodically receive written materials of interest between meetings.

(c) It is the Company's practice for independent directors to meet in executive session at each Board meeting, if deemed necessary, and at least one such session is held per calendar year. The Lead Director will serve as the chairperson for the execution sessions.

(d) Directors have full access to the executive management of the Company. The Board may also retain or consult with independent counsel, consultants, or other experts without first notifying, consulting with, or obtaining the approval of the executive management of the Company.

(e) It is a policy of the Board that executive management speaks for the Company. To that end, directors refer inquiries from reporters, journalists, other members of the media, or similar constituencies to the executive management of the Company.

#### **IV. Board Organization and Committees**

(a) The Board has the following standing committees: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Executive Committee, Finance Committee and Law Committee. All directors serving on the Audit, Compensation and Nominating and Corporate Governance committees are "independent", as determined by the Board, taking into consideration applicable laws, the regulations of the Securities and Exchange Commission, and the listing standards of the New York Stock Exchange. The Board may form other committees from time to time, as deemed necessary to fulfill the best interests of the Company.

(b) The purpose, scope, and authority of each committee are defined by the Company's by-laws and the applicable committee charters adopted by the Board.

(c) Each committee is led by a chairperson, who is appointed by the Board annually. All committee members are also appointed by the Board. Committee chairpersonships and memberships are based upon factors deemed appropriate by the Board, such as the member's business and professional experience, qualifications and public service.

(d) The rotation of Board committee members is considered periodically. However, the Board does not believe in rotation as a policy, since continuity and experience are important considerations for ensuring the achievement of committee goals.

(e) The chairperson of each committee, in consultation with the committee members and appropriate executive management, determines the frequency of meetings and the development of meeting agendas. Each chairperson will convene, as necessary and appropriate, executive sessions comprised of the independent directors on the committee.

## **V. Director Compensation**

(a) It is the goal of the Board to obtain and retain highly talented and qualified directors. To serve that end, director compensation is reviewed annually by the Nominating and Corporate Governance Committee. In determining appropriate compensation, the Committee will retain the services of professional consultants that will compare director compensation at companies of similar size, scope and markets to that of the Company.

(b) Notwithstanding (a) above, all changes to the compensation of directors must be approved by the Board.

(c) It is the practice of the Board that a substantial portion of each director's compensation be paid in the form of Company stock by awarding restricted shares and options. Non-management directors are required to conform with the share ownership guidelines for directors, currently a stock value equivalent to five (5) times their annual retainer. Directors are required to hold shares for at least twelve months after the lapse of a restriction or exercise of an option.

## **VI. Board, Committee and Director Evaluation**

(a) The Board and its committees annually assess their own performance based on the results of performance evaluations, the results of which are reviewed with the Board. Management, and in some cases the committees' outside advisors, participate in the assessments.

(b) The Board maintains an annual process through which directors are individually evaluated and provided feedback by other directors on a regular basis.

## **VII. Management Evaluation and Succession Planning**

(a) The Compensation Committee annually evaluates the performance of the CEO, based upon objective criteria including performance of the business, accomplishment of long-term strategic objectives, the development of management and completion of annual goals. This evaluation is then reported to the Board. The

independent directors of the Board approve the CEO's annual performance rating, taking into consideration the Compensation Committee's evaluation.

(b) The Board periodically monitors and reviews the development of potential internal candidates, to ensure a plan of succession is in place in the event of a planned or unplanned departure of the current CEO or other executive officer.

#### **VIII. Director Orientation and Training**

(a) Company management provides orientation to its new directors. Among other things, orientation consists of written materials and briefings as well as in-person sessions regarding the Company's corporate structure, organizational hierarchy, business unit operations, significant financial and accounting issues, Code of Business Conduct and Ethics, and risk management issues.

(b) The Nominating and Corporate Governance Committee oversees and encourages continuing education for all directors and recommends applicable educational opportunities as appropriate.

#### **IX. Communication of Concerns**

(a) Any interested party may report concerns to the Board or the Audit Committee by contacting the Office of the Vice President, Secretary and General Counsel at 1000 Cranberry Woods Drive, Cranberry Township, Pennsylvania 16066 (724/741/8222) or the MSA Ethics Guideline toll free reporting resource at 1-800-205-5119 or <http://www.msasafety.com/msaethicsguideline>. All concerns will be addressed promptly.

#### **X. Availability and Review**

(a) These Guidelines are publicly available on the MSA web site by visiting <http://www.msasafety.com> or by contacting the Office of the Vice President, Secretary and General Counsel at 1000 Cranberry Woods Drive, Cranberry Township, Pennsylvania 16066 (724/741/8222).

(b) The Nominating and Corporate Governance Committee periodically reviews these Guidelines and recommends any changes to the Board.