



## CORPORATE GOVERNANCE GUIDELINES

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### **PURPOSE**

The Board of Directors (the “Board”) of Griffon Corporation (“Griffon”) has adopted these Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of its responsibilities to Griffon and its shareholders. These Guidelines, along with the charters and key practices of the Board committees, provide the framework for the corporate governance of Griffon. The Guidelines should be interpreted in the context of all applicable laws and Griffon’s certificate of incorporation, bylaws and other corporate governance documents.

These Guidelines are intended to serve as a flexible framework within which the Board may operate and not as a set of legally binding obligations, and are not intended to create a right of action on the part of any third party. Any action or failure to act by the Board which is contrary to these Guidelines shall not affect the validity of any actions otherwise validly taken by the Board.

### **ROLE OF THE BOARD**

The business and affairs of Griffon are managed by or under the direction of the Board in accordance with Delaware law. The directors’ fiduciary duty is to exercise their business judgment in the best interests of Griffon’s shareholders.

### **STRATEGIC DIRECTION OF THE COMPANY**

It is management’s responsibility to formalize, propose and implement strategic choices and it is the Board’s responsibility to review and assess strategic direction and to evaluate strategic results.

### **SIZE OF THE BOARD**

The size of the Board will be set by the Board on recommendation of the Nominating and Corporate Governance Committee, and within the limits prescribed by Griffon’s certificate of incorporation and bylaws.

### **INDEPENDENCE OF THE BOARD**

A majority of the Board will consist of directors whom the Board has affirmatively determined to be independent. For this purpose, Griffon will ensure that it complies with the rules governing independence adopted by the New York Stock Exchange (the “NYSE”) and the Securities and Exchange Commission (the “SEC”).

To be considered independent under the NYSE rules, the Board must determine that a director does not have any direct or indirect material relationship with Griffon. Materiality for this purpose will be evaluated both from the standpoint of Griffon and from the standpoint of the director or the persons or entities with which the director is affiliated. The Board has established the following guidelines to assist it in determining director independence in accordance with that proposed rule.

The following persons will not be considered to be “independent”:

(i) A director who is, or has been within the last three years, an employee of Griffon, or whose immediate family member is, or has been within the last three years, an executive officer of Griffon;

(ii) A director who has received, or who has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from Griffon, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(iii) (A) A director who is a current partner or employee of a firm that is Griffon’s internal or external auditor; (B) a director who has an immediate family member who is a current partner at such a firm; (C) a director who has an immediate family member who is a current employee of such a firm and personally works on Griffon’s audit; or (D) a director who was, or has an immediate family member who was, within the last three years a partner or employee of such a firm and personally worked on Griffon’s audit within that time;

(iv) A director who is, or who has been in the last three years, or who has an immediate family member who is, or has been in the last three years, employed as an executive officer of another company where any of Griffon’s present executive officers at the same time serves or served on that company’s compensation committee;

(v) A director who is a current employee, or whose immediate family member is a current executive officer, of a company that has made payments to, or received payments from, Griffon for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

For the purpose of determining independence, a person's "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

#### **TERM LIMITS**

The Board does not believe that it is in the best interests of Griffon to establish term limits on directors' service at this time. Term limits may cause Griffon to lose the contribution of directors who have developed valuable insight, over a period of time, into Griffon's business and operations.

#### **OTHER DIRECTORSHIPS**

Recognizing the substantial time commitment required of directors, it is expected that a non-employee director will serve on the boards of other public and private companies and not-for-profit entities only to the extent that, in the judgment of the Board, such services do not detract from the directors' ability to devote the necessary time and attention to Griffon. No member of the Audit Committee may serve on more than two other public company audit committees without first obtaining the prior approval of the Board. The Nominating and Corporate Governance Committee will periodically review all non-employee directors' service on the boards of other public companies.

#### **CHANGE IN STATUS**

To avoid any potential for a conflict of interest, directors will not accept a seat on any additional public company board or any governmental position, or a board seat or other position with any company or organization that could reasonably be deemed to have a conflict with any of Griffon's businesses, without first reviewing the matter with the Nominating and Corporate Governance Committee. Before a director accepts a board seat or other position of any type, the director is encouraged to consult with Griffon's General Counsel to assess any potential conflict with Griffon's businesses and to determine whether the Nominating and Governance Committee should first review the potential board seat or position to confirm the absence of any conflict with Griffon's businesses.

**DIRECTOR  
SELECTION;  
QUALIFICATIONS;  
EDUCATION**

*Director Candidates.* The Nominating and Corporate Governance Committee will identify individuals qualified to become Board members, and recommend to the Board the director nominees for each annual meeting of shareholders. The Nominating and Corporate Governance Committee will review suggestions of candidates for director made by directors and others.

*Qualifications.* The Nominating and Corporate Governance Committee, in consultation with the Board, shall determine the appropriate characteristics, skills and experience required for the individual directors and the Board as a whole. The Nominating and Corporate Governance Committee, in evaluating and recommending individuals to the Board for nomination as directors, and the Board, in approving director nominees, shall consider, among other factors: character; business judgment; business knowledge; leadership; business, financial, educational and industry-specific experience and expertise; personal and professional integrity; time availability in light of other commitments; diversity; dedication; and such other factors that the Committee deems appropriate, from time to time, in the context of the needs or stated requirements of the Board. The Committee shall also take into account the qualification requirements imposed by law and the regulations of the New York Stock Exchange in determining an individual's qualification for Board and committee membership.

In determining composition of the Board, the Nominating and Corporate Governance Committee shall evaluate each individual in the context of the Board as a whole and the mix of background, skills and experience possessed by the various members of the Board, with the goal of recommending a group that can effectively serve the long-term interests of Griffon and its stockholders.

*Orientation.* New directors will receive a comprehensive orientation regarding Griffon's business and affairs.

*Continuing Education.* Reviews of particular aspects of Griffon's operations will be presented from time to time as part of the agenda of regular Board meetings.

**BOARD MEETINGS**

*Number of Regular Meetings.* The Board will hold regular meetings as necessary to enable it to discharge its responsibilities.

*Briefing Material.* Briefing materials will, to the extent necessary in light of the timing of matters that require Board attention, be distributed to each director prior to each meeting. Briefing materials should be concise yet sufficiently detailed to permit directors to make informed judgments. The Chairman will normally determine the agenda for Board meetings, but any director may request the inclusion of particular items.

*Meeting Attendance.* Directors are expected to attend all meetings of the Board and of committees on which they serve and the annual meeting of shareholders with the understanding that, on occasion, a director may be unable to attend a meeting. For meetings conducted in person, directors shall make every effort to attend the meeting in person or, if he or she is unable to do so, he or she shall notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting and make every effort to participate in the meeting telephonically. For meetings conducted telephonically, directors shall make every effort to participate telephonically and, if the director is unable to do so, he or she shall notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting.

*Director Preparedness.* Each director should be familiar with any briefing materials distributed in advance of the meeting, and should be prepared to participate meaningfully in the meeting and to discuss all scheduled items of business.

*Attendance of Non-Directors.* The Chairman of the Board or of any committee, the Lead Independent Director or the Chief Executive Officer may, from time to time, invite members of Griffon's management and outside advisors to attend Board or committee meetings to provide additional insight into matters being discussed by the Board or any committee, or to give managers with significant potential access to the Board or any committee.

*Confidentiality.* Open and forthright conversations and deliberations are necessary for the Board and committees of the Board to best fulfill their role as the overseers of Griffon and its affairs on behalf of the stockholders. Deliberations of the Board or any such committee shall be held in strict confidence by the participants in those deliberations. Except as expressly authorized by the Board or the committee in question, or as may be required by law, such deliberations may not be shared with anyone other than members of the Board. Without express authorization, no director shall provide information to, or act as a spokesman for Griffon with, the media, whether on or off the record. The Board may designate individuals to communicate with the media, including, without limitation, to provide information to the media and act as a spokesperson for Griffon. Notwithstanding the foregoing, participants in deliberations of the Board or any committee may discuss such deliberations with their advisors, counsel or other professionals in the conduct of their duties.

*Minutes.* Minutes of each meeting of the Board shall be kept and maintained with the books and records of Griffon.

**LEAD  
INDEPENDENT  
DIRECTOR**

The independent members of the Board shall elect a Lead Independent Director on an annual basis. The Lead Independent Director shall meet the independence requirements of the New York Stock Exchange

The authority and responsibilities of the Lead Independent Director shall be as follows:

- Preside at all meetings of the Board at which the Chairman is not present, including executive sessions of independent directors.
- Serve as a liaison between the Chairman and the independent directors.
- Review all information to be sent to the Board and coordinate with the independent directors to ensure they have access to any requested information.
- Work with the Chairman and management to develop the agenda for Board meetings
- Oversee the Board and committee annual self-evaluation process
- Collaborate with the Nominating and Corporate Governance Committee in monitoring the composition and structure of the Board

- The Lead Independent Director shall have the authority to call meetings of the independent directors.
- The Lead Independent Director shall, if requested by major shareholders, ensure that he or she is available for consultation and direct communication.

### **INDEPENDENT DIRECTOR SESSIONS**

Executive sessions of Griffon’s independent directors will be held regularly, at least once a year. The Lead Independent Director shall preside at such executive sessions.

### **BOARD SELF- EVALUATION**

The Board, under the direction of the Nominating and Corporate Governance Committee, shall conduct a self-evaluation annually. The assessment shall include a review of the Board’s overall effectiveness and specific areas in which the Board or management believes the Board or committees can make a better contribution to Griffon. The purpose of the assessment is to improve the effectiveness of the Board. The Nominating and Corporate Governance Committee shall utilize the results of the evaluation process in reviewing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

### **COMMITTEES**

The Board will appoint from among its members committees it determines are necessary or appropriate to conduct its business and to comply with NYSE rules. Currently, the standing committees of the Board are the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation Committee and the Finance Committee.

*Committee Composition.* The Nominating and Corporate Governance Committee, Audit Committee, and Compensation Committee will consist solely of independent directors, in accordance with NYSE and SEC rules and regulations.

In addition:

- the members of the Audit Committee must meet such additional requirements as may apply under applicable NYSE and SEC rules;

- the members of the Compensation Committee must meet such additional requirements as may apply under NYSE rules and must qualify as independent “non-employee directors” for purposes of Rule 16b-3 of the Securities Exchange Act of 1934; and
- no member of the Compensation committee may be part of a “compensation committee interlock” within the meaning of Regulation S-K of the SEC.

*Committee Charters.* Each of the committees of the Board will have a written charter setting forth its purpose and responsibilities. Charters will be adopted by the Board based on the recommendation of the applicable committee.

*Committee Assignments.* Membership of each committee will be determined by the Board.

*Committee Self-evaluation.* Annually, each of the Board committees will conduct an evaluation of its performance and effectiveness and will periodically consider whether any changes to the committee’s charter are appropriate.

*Committee Reports.* The Chair of each Board committee will report to the full Board on the activities of his or her committee, including the results of the committee’s self-evaluations and any recommended changes to the committee’s charter.

**SELECTION OF  
THE CHIEF  
EXECUTIVE  
OFFICER**

In identifying potential candidates for, and selecting, the Chief Executive Officer, the Board shall consider, among other things, a candidate's experience, understanding of the Company’s business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

**CEO  
PERFORMANCE  
REVIEW**

At least annually, the Compensation Committee will review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of those goals and objectives and, subject to the terms of any employment agreement between the CEO and Griffon, shall determine and approve the CEO’s compensation based on this evaluation.

**SUCCESSION  
PLANNING**

The Board shall plan for CEO succession and develop plans for interim succession for the CEO in the event of an unexpected

occurrence. The Board shall also plan for the succession of other senior management positions.

**BOARD  
RESOURCES**

*Access to Employees.* Non-employee directors will have full access to senior management of Griffon and other employees. The Board expects that there will be regular opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

*Authority to Retain Advisors.* It is normally expected that information regarding Griffon's business and affairs will be provided to the Board by Griffon's management and staff and by Griffon's independent auditor. However, the Board and each committee have the authority to retain such outside advisors, including accountants, legal counsel, or other experts, as it deems appropriate. The fees and expenses of any such advisors will be paid by Griffon.

**CODE OF  
CONDUCT**

Griffon has adopted a Code of Business Conduct and Ethics. This Code includes, among other things, policies calling for strict observance of all laws applicable to Griffon's businesses and describes Griffon's conflict of interest policies. Each director is expected to be familiar with and to follow these policies to the extent applicable to them and to execute annually an acknowledgment of such policies.

**COMMUNICATION  
BY INTERESTED  
PARTIES WITH  
THE NON-  
EMPLOYEE  
DIRECTORS**

The Nominating and Corporate Governance Committee maintains procedures for interested parties to communicate directly with the non-employee directors. Shareholders, employees and others may contact Griffon's non-employee directors or any of its directors by writing to them at: Office of the Secretary, Griffon Corporation, 712 Fifth Avenue, New York, New York 10019.

**DIRECTOR  
COMPENSATION**

Compensation for non-employee directors will be determined by the Board on the recommendation of the Compensation Committee, and will be reviewed periodically. Non-employee director compensation will be set after taking into account a variety of factors including market practice, the size, scope and complexity of Griffon's business, and the responsibilities of its directors. Directors who are employees of Griffon shall not receive additional compensation for their services as directors.

Non-employee director compensation should encourage increased ownership of the Company's stock through the payment of a portion of director compensation as equity compensation.

**STOCK  
OWNERSHIP  
REQUIREMENTS**

The Board shall adopt and maintain stock ownership guidelines that require our non-employee directors, senior executives and business unit presidents to acquire and own specified minimum amounts of Griffon stock.

**SHAREHOLDER  
MATTERS**

Shareholder matters such as voting rights, nomination of directors, confidential voting, shareholder proposals and others are contained within, and governed by, Griffon's certificate of incorporation and bylaws.

**RE-EVALUATION  
OF CORPORATE  
GOVERNANCE  
GUIDELINES**

The Board will periodically review and assess these Guidelines and, based on the recommendation of the Nominating and Corporate Governance Committee, consider adopting changes as appropriate.