

# **MGP INGREDIENTS, INC.**

## **CORPORATE GOVERNANCE GUIDELINES**

**(Amended and Restated effective as of February 22, 2017)**

The Board of Directors (the “Board”) of MGP Ingredients, Inc. (the “Company”) has adopted these Corporate Governance Guidelines (“Guidelines”), in order to assist the Board in the exercise of its responsibilities and to serve the best interests of the Company and its stockholders.

The Guidelines are necessarily subject to review and modification from time to time by the Board as the Board may deem appropriate and in the best interests of the Company and its stockholders, and as required by applicable laws and regulations.

### **I. Role of the Board.**

The Board’s primary responsibility to the Company shall be to provide effective governance over the Company’s affairs for the benefit of the stockholders. In all actions taken by the Board, the Directors shall be expected to exercise their business judgment in what they reasonably believe to be the best interests of the Company. In discharging their obligations, the Board and each of its committees, and each member of the Board and such committees, shall be entitled to rely, in good faith, on information, opinions, reports or statements, or other information prepared or presented to them by officers and other employees of the Company or its subsidiaries, or counsel, public accountants or other persons as to matters which the Board or committee believes to be within the professional competence of such person.

### **II. Specific Functions of the Board.**

At Board meetings, the Board shall review and discuss reports by management, board committees, outside auditors, outside counsel, and other advisors or consultants. Such reports shall address the performance of the Company, its business plans and long-term strategy, potential opportunities, as well as challenges facing the Company. In addition to its general oversight of management, the Board or a committee thereof shall also perform a number of specific functions, including:

1. Selecting, evaluating and compensating the CEO, overseeing CEO succession planning, and taking other appropriate actions, including removal, when warranted;
2. Providing counsel and oversight regarding the selection, evaluation, development and compensation of senior management;
3. Reviewing, approving and overseeing corporate strategy and material corporate actions and transactions;
4. Overseeing risk assessment and risk management, including assessing material risks facing the Company, reviewing options for their mitigation, and contingency plans to manage the effects from materialization of such risks;

5. Ensuring processes, policies, procedures, and compliance systems are in place for maintaining the integrity of the Company and its business and financial statements, and compliance with law;

6. Establishing Company policies and standards on business conduct and ethics and maintaining and enhancing relationships with customers, suppliers, stockholders and other constituents;

7. Reviewing, and where appropriate, approving and evaluating the adequacy of internal controls over financial reporting and other policies for corporate conduct, including maintenance of disclosure controls and procedures, and accounting, financial and other controls; and

8. Evaluating, periodically, the overall effectiveness of the Board.

### **III. Board Committees.**

The Board has delegated certain of its responsibilities to committees, including an Audit Committee, a Human Resources and Compensation Committee, and a Nominating and Governance Committee. The Board may add committees or remove committees, as it deems advisable for purposes of fulfilling its primary responsibilities. Each of the Audit Committee, Human Resources and Compensation Committee, and Nominating and Governance Committee consists solely of independent directors. The Board shall appoint committee members and all committee chairpersons according to criteria that it determines to be in the best interest of the Company and its stockholders, upon the recommendation of the Nominating and Governance Committee. The charters of each of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee, which are published on the Company's website, are fully incorporated herein and set forth, among other things, the purposes, duties and responsibilities, composition of, and qualifications of the members of, each such committee. The Board committees should perform the functions set forth in their respective charters and annually review this performance.

### **IV. Composition of the Board.**

**A. Size of the Board.** In accordance with the Company's Articles of Incorporation, the Board shall consist of nine directors.

**B. Election of the Board.** In accordance with the Company's Articles of Incorporation and bylaws, the stockholders shall elect the members of the Board annually at each meeting of stockholders.

**C. Independent Directors.** The Board shall be comprised of at least a majority of directors who, upon the determination of the Board, are independent of the Company and its management, in accordance with the listing standards of The Nasdaq Stock Market LLC and any other applicable laws and regulations. The Nominating and Governance Committee and the Board shall review, on an annual basis, the independence of members of the Board.

**D. Qualifications.** Candidates for the Board shall be recommended annually to the Board by the Nominating and Governance Committee in accordance with the policies and criteria adopted by the Nominating and Governance Committee.

**V. Conflicts of Interest.**

The Board expects its members, as well as officers and employees of the Company, to act ethically at all times and to adhere to the Company's Code of Conduct.

**VI. Meetings of the Board of Directors.**

**A. Meetings of the Board.** The Board shall have a regular meeting at least four times a year, as determined by the Board, and may have special meetings as called pursuant to the Company's bylaws. A director is expected to regularly attend meetings of the Board, and of those committees of the Board on which a director may sit, with the understanding that on occasion a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the chairperson of the appropriate committee in advance of such meeting. Each member of the Board is expected to attend the annual meeting of stockholders.

**B. Meeting Materials.** Information, data and other materials relevant to the matters to be considered at each meeting of the Board shall be, to the extent practicable, distributed in writing or electronically to the Board sufficiently prior to the meeting to permit review by members of the Board in advance of the meeting. Directors are expected to review these materials before the meeting. The Board acknowledges that certain items to be discussed at Board meetings are of an extremely sensitive nature and that, in certain cases, the distribution of materials on these matters prior to Board meetings may not be appropriate.

**C. Meetings of Independent Directors.** The independent directors of the Company shall regularly meet in executive session, without the presence of the Company's management. These executive session discussions may include such topics as the independent directors determine.

**D. Director Access to Employees.** The Board expects that senior officers of the Company will regularly attend Board and committee meetings, present proposals and otherwise assist in the work of the Board. The Board shall have access to the Company employees for the purposes of obtaining all the information necessary for the Board to fulfill its duties. The Company's management, at the discretion of the Board, is permitted to invite any employee to any meeting of the Board at which such employee's presence and expertise would be helpful to the Board in having a full understanding of an issue under consideration.

**E. Access to Independent Advisors.** The Board shall also have the authority to obtain advice and seek assistance from internal and external legal, accounting and other advisors or consultants as it deems appropriate. The Board shall have sole authority to approve the fees of such advisors or consultants and other retention terms as it deems appropriate, all at the Company's expense.

## **VII. Compensation of Directors.**

Executive officers of the Company who serve on the Board shall not receive any additional compensation from the Company for such service. Compensation of non-employee Directors shall be determined by the Board after considering the recommendation of the Nominating and Governance Committee. The Nominating and Governance Committee shall periodically review the Company's director compensation in view of director compensation in companies deemed to be peers of the Company or that have boards of directors performing functions similar in scope or complexity to those performed by the Board.

## **VIII. Succession Planning.**

The Board shall be responsible for overseeing the preparation of a succession plan for the position of CEO and other senior officers and revising the plan on an ongoing basis, as needed.

## **IX. Director Orientation and Continuing Education.**

The Board shall be responsible for orienting new members to its practices and procedures and making continuing education programs available to all Directors.

The Nominating and Governance Committee shall create and implement a process for the Board and each Committee to annually evaluate its own performance.

## **X. Failure to Receive Majority Vote.**

If a nominee for election as a Group A director in an uncontested election of Group A directors (i.e., an election other than one in which the number of director nominees exceeds the number of directorships subject to election), does not receive the vote of at least "the majority of the votes cast" at any meeting for the election of Group A directors at which a quorum is present and no successor has been elected at such meeting, the director will promptly tender his or her resignation to the Board. For purposes of this guideline, "the majority of votes cast" means that the number of shares of common stock voted "for" a director's election exceeds 50% of the number of common stock votes cast with respect to that director's election. "Votes cast with respect to that director's election" shall include votes to withhold authority but shall exclude abstentions and failures to vote with respect to that director's election.

The Nominating and Governance Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation. The Board must act on the tendered resignation, taking into account the Nominating and Governance Committee's recommendation, within 90 days from the date of the certification of the election results. The Board shall promptly publicly disclose by furnishing a report with the Securities and Exchange Commission its decision regarding the tendered resignation, including its rationale for accepting or rejecting the resignation offer. The Nominating and Governance Committee in making its recommendation, and the Board in making its decision, 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 stockholders withheld their votes, (ii) possible alternatives for curing the underlying cause of the withheld votes, (iii) the director's tenure, (iv) the director's qualifications (including, for example, whether the director serves on the Audit Committee of the Board as an "audit

committee financial expert" and whether there are one or more other directors qualified, eligible and available to serve on the Audit Committee in such capacity), (v) the director's past and expected future contributions to the Company, and (vi) the overall composition of the Board. The director who tenders his or her resignation will not participate in the recommendation of the Nominating and Governance Committee or the decision of the Board with respect to his or her resignation. If a majority of the Nominating and Governance Committee do not receive the vote of at least "the majority of the votes cast", then the independent Directors of the Board who received the vote of at least "the majority of the votes cast" shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them. The Board may accept a director's resignation or reject the resignation. If a director's resignation is not accepted by the Board, such director will continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal. This guideline will be summarized or included in each proxy statement relating to an election of directors of the Company.