

**COMPASS DIVERSIFIED HOLDINGS  
COMPASS GROUP DIVERSIFIED HOLDINGS LLC**

**CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors (the “Board”) of Compass Group Diversified Holdings LLC (the “Company”) has adopted the following guidelines to promote effective governance, and to comply with NYSE and other legal requirements. In furtherance of these goals the Board has also adopted a Code of Ethics and written charters for each of its Nominating and Corporate Governance Committee, Compensation Committee and Audit Committee. The Nominating and Corporate Governance Committee will periodically review these guidelines and propose modification to the Board for consideration as appropriate.

The Board sets high standards for the Company’s employees, officers and directors. Implicit in this philosophy is the importance of sound corporate governance. It is the duty of the Board to serve as a fiduciary for the Company and its members (including the holders (the “Shareholders”) of publicly traded shares (the “Shares”) of Compass Diversified Holdings (the “Trust”)) and to oversee the management of the Company’s business. To fulfill its responsibilities and to discharge its duty, the Board follows the procedures and standards that are set forth in these guidelines. The Board acts as the ultimate decision-making body of the Company, except on those matters reserved to or shared with the Shareholders.

**I. Director Responsibilities**

**A. *Basic Responsibilities***

The business affairs of the Company are managed by or under the direction of the Board. The Board’s responsibilities are active and not passive and include the responsibility to regularly establish broad objectives and the general course of the Company’s business, determine basic policies, approve the adequacy of overall results, and generally represent and further the interests of the Shareholders.

The basic responsibility of each director is to act in good faith with due care so as to exercise his or her business judgment on an informed basis in what he or she honestly believes to be in the best interests of the Company and the Shareholders. In discharging that obligation, the directors are expected to devote the time and effort necessary to carry out their responsibilities as directors.

**B. *Board, Committee and Shareholder Meetings***

Directors are expected to prepare for and use reasonable efforts to participate in Board meetings and meetings of committees on which they serve. The Board and each committee will meet as frequently as necessary to properly discharge their responsibilities and at least quarterly. In addition, directors are expected to use reasonable efforts to attend annual meetings of shareholders.

The Chairman of the Board and the Chief Executive Officer of the Company will prepare the agenda for each Board meeting. While the Chairman of the Board will set the

agenda initially, each director is free to suggest the inclusion of items on the agenda and to raise at any Board meeting subjects that are not on the agenda. The Chairman of each committee, after consultation with the appropriate members of management and staff, will prepare the agenda for each committee meeting.

Information and data that are important to the Board's understanding of the business to be conducted at a Board meeting should, to the extent practical, be distributed in writing to the directors sufficiently in advance of the meeting to permit meaningful review. Directors are expected to review in detail the provided materials in advance of each meeting.

### ***C. Meetings of Non-Management Directors***

The non-management directors will meet without management directors at regularly scheduled executive sessions at least quarterly and at such other times as they deem appropriate. To the extent that any non-management directors are not independent directors, as discussed below, the independent directors of the Company will meet in regularly scheduled executive session at least once annually.

The Chairman of the Audit Committee, Nominating and Corporate Governance Committee or Compensation Committee, will preside at executive sessions of non-management directors as determined by the non-executive directors based upon the subject matter to be discussed.

### ***D. Board Interaction with Institutional Investors, Research Analysts and the Media***

As a general rule, management will speak on behalf of the Company. In addition, the Company has established guidelines to ensure compliance with Regulation FD, and avoid selective disclosure of material non-public information. A copy of the Company's Regulation FD Disclosure Policy is available on the Trust's website.

## **II. Composition and Selection of Board**

### ***A. Size and Composition of Board***

The current size of the Board is seven (two management directors and five independent directors), which the Board believes is appropriate. The Board is presently divided into three classes, Class I, Class II and Class III, serving staggered three year terms. Each term of office of Class I, Class II and Class III expires at a different time in annual succession, with one class being elected at each annual meeting of Shareholders. The director appointed by the Company's Manager is not required to stand for election by the Shareholders. The Board will assess its size from time to time to determine whether its size continues to be appropriate. Under the Company's governing documents, the Board has the authority to change its size, provided the number of directors shall be not less than five nor more than thirteen.

### ***B. Board Membership Criteria***

The Board will have a majority of directors who meet the criteria for independence required by the NYSE. In addition, the Board will have a sufficient number of independent directors to meet the requirements of applicable law. The nominating and Corporate Governance Committee will monitor compliance with the NYSE requirements for director independence on an ongoing basis. Each independent director is expected to notify the General Counsel of the Company and the Chairman of the Nominating and Corporate Governance Committee as soon as reasonably practicable in the event that his or her personal circumstances change in a manner that may affect the Board's evaluation of such director's independence. In accordance with the terms of the LLC Agreement, an independent director who at any time ceases to be independent shall resign to the extent required for the Company, the Trust or the Manager to comply with applicable laws, rules and regulations.

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the composition of the Board as a whole, and whether the Company is being well served by the directors taking into account each director's respective independence, age, skills, experience and availability for service.

With the exception of the director appointed by the Manager of the Company, the Nominating and Corporate Governance Committee will recommend director nominees to the Board in accordance with the policies and principles in its Charter and any other procedures or criteria it may establish from time to time. The Nominating and Corporate Governance Committee will review all candidates for nomination to the Board submitted by Shareholders and shall periodically review the Company's procedures for Shareholder nominations of directors. In furtherance of such Shareholder action, the Company shall designate in its proxy statement and on the Trust's website a means for Shareholders to recommend director nominees to the Nominating and Corporate Governance Committee.

#### ***C. Membership on Other Boards***

Directors must inform the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board or any committee thereof.

No director may sit on the board of any competitor of the Company in its principal lines of business to the extent any such service would constitute a violation of U.S. antitrust law.

#### ***D. Changes in Current Job Responsibility***

With the exception of the Manager-appointed director, all directors, including employee directors, who retire from or change the job or the principal responsibility they held when they were selected for the Board will advise the Nominating and Corporate Governance Committee of such retirement or change in order to give the Board an opportunity, through the Nominating and Corporate Governance Committee, to review whether it is appropriate for such director to continue to be a member of the Board under these circumstances.

### **III. Board Committees**

**A. *Composition and Responsibilities***

The Board will have at all times an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and any other committees the Board deems appropriate. All of the members of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee will be independent directors under the criteria for independence required by law and the NYSE. At least one member of the Audit Committee shall meet both the applicable definition of a financial expert under both the U.S. federal securities laws and the requirements of the NYSE. The members of the Compensation Committee, the Nominating and Corporate Governance Committee, and the Audit Committee will be appointed by the Board upon recommendation of the Nominating and Corporate Governance. Unless the Chairman of each committee is elected by the Board, the members of each committee may designate a Chairman consistent with any recommendation of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee will submit to the Board annually (and at any additional times that any committee members are to be selected) recommendations regarding candidates for membership on each committee of the Board.

**B. *Charters***

The Board has adopted charters setting forth the purposes, goals and responsibilities of each of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and will adopt charters for any other committees the Board deems appropriate, as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

**IV. *Director Access to Officers, Employees and Independent Advisors***

**A. *Access to Management and Employees***

Directors have meaningful access to officers and employees of the Company, its subsidiaries and the Company's Manager. The Board encourages management to, from time to time, bring into meetings of the Board officers, employees and representatives of the Company, its subsidiaries and the Company's Manager.

**B. *Access to Independent Advisors***

The Board and each committee may hire independent legal, financial or other advisors as they may deem necessary in the performance of their duties. The Company will provide sufficient funding to the Board and to each committee, as determined by the Board and each of its committees, to exercise their functions and provide compensation for the services of advisors and, in the case of the Audit Committee, independent auditors.

**C. *Internal Reporting***

The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company or its subsidiaries of concerns regarding questionable accounting or auditing matters pertaining to the Company or its Subsidiaries and shall review reports regarding alleged violations of the Code of Ethics or other Company policies.

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

All new directors receive an orientation from management and appropriate outside advisors as appropriate as soon as practicable after the annual meeting at which new directors are elected. The Company conducts director continuing education programs from time to time and regularly seeks the input of outside advisors in connection with current developments in applicable law, including the U.S. federal securities laws and the requirements of the NYSE. Moreover, management is responsible for advising the Board on an ongoing basis of significant changes in the Company's business and in assisting the Board in keeping abreast of developments in applicable law, as well as their fiduciary duties and responsibilities as directors. All other directors are also invited to attend any orientation initiatives.

The Nominating and Corporate Governance Committee and management of the Company as well as appropriate outside advisors will periodically report to the Board on any significant developments in the law and practice of corporate governance and other matters relating to the duties and responsibilities of directors in general.

## **VI. Director Compensation**

Only directors who are not employees of the Company, a subsidiary of the Company or the Company's Manager receive compensation for serving on the Board. The Compensation Committee will recommend, and the Board will approve, the form and amount of director compensation, if any, in accordance with the corporate policies and principles relevant to director compensation. In order to align the interests of directors with the interests of Shareholders, the Board expects all directors to display confidence in the Company by ownership of Shares. Consequently, the Board has structured its compensation to facilitate annual purchases of Shares of the Company on each non-management director's behalf so that each director has the opportunity to achieve such expectation.

The Compensation Committee will consider that directors' independence may be jeopardized if director compensation exceeds customary levels, if substantial charitable contributions are made to organizations with which a director is affiliated, or if other indirect forms of compensational are made to a director or an organization with which the director is affiliated.

## **VII. Manager Evaluation and Succession Policies**

The Compensation Committee will review the performance of the Manger under the Management Services Agreement, review and approve the calculations of fees and components thereof payable under the Management Services Agreement to the Manager and evaluate and make recommendations to the Board regarding director compensation and equity plans.

In the event the Management Services Agreement is terminated, the Nominating and corporate Governance Committee shall develop a policy regarding succession planning for senior management. In addition, the Chief Executive Officer of the Company reports periodically to the Board on succession planning and makes available to the Board, on a continuing basis, his recommendation on succession in the event of his death or disability.

#### **VIII. Annual Performance Evaluation**

The Nominating and Corporate Governance Committee shall conduct an annual performance evaluation of the Board and each of its committees and shall report to the Board the results of such evaluation.

Each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall conduct an annual performance self-evaluation of its performance relative to the requirements of its charter. Each performance self-evaluation shall be discussed with the Board following the end of each fiscal year.

#### **IX. Director Insurance, Indemnification and Exculpation**

The Company has purchased, and the directors will be entitled to have the Company purchase, reasonable directors' and officers' liability insurance on behalf of the directors to the extent reasonably available. In addition, the directors will receive the benefits of indemnification provided by the Company's LLC Agreement, as well as the provisions regarding absence of personal liability contained in the Company's LLC Agreement.