

# NCI BUILDING SYSTEMS, INC.

## Corporate Governance Guidelines

**Amended and Restated as of October 20, 2009**

The Board of Directors (the “Board”) of NCI Building Systems, Inc. (the “Company”) has adopted these guidelines to promote the effective functioning of the Board and its committees.

### **1. Director Qualification and Board Composition**

- (a) Board Size: Subject to Section 6.1 of the Stockholders Agreement, dated as of October 20, 2009, by and among the Company and certain of its stockholders, as the same may be amended or waived from time to time (the “Stockholders Agreement”), if then in effect, the Board has the authority to set the number of directors in accordance with Section 2 of Article III of the Company’s Second Amended and Restated By-Laws (the “By-Laws”). The Board believes that six to ten members is an appropriate size based on the Company’s present circumstances. The Board will periodically evaluate whether a larger or smaller number of directors would better serve the Company.
- (b) Board Election and Vacancies: The Company’s Board is divided into three classes which serve staggered terms. One class of directors is elected annually by the Company’s stockholders to serve a three-year term, except as noted below. Each year, at the Company’s annual meeting of stockholders, the Board recommends a class of directors for election by the stockholders. Such recommendation, and the composition of the Board, is subject to the Stockholders Agreement, if then in effect. The Board’s recommendations are based on the recommendation of the Nominating and Corporate Governance Committee as to the suitability of each individual to serve as a director of the Company, taking into account the membership criteria set forth herein and the Company’s obligations under the Stockholders Agreement, if then in effect.

The Board may fill vacancies in existing or new director positions in accordance with the Stockholders Agreement, if then in effect, and, to the extent that such positions must be filled by directors other than Unaffiliated Shareholder Directors or Investor Directors (as defined in the Stockholders Agreement), based on the recommendation of the Nominating and Corporate Governance Committee. Such directors elected by the Board serve only until the next election of directors unless elected by the stockholders to a further term at that time.

- (c) Board Membership Criteria: The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics that the Board seeks in Board members, including without limitation, the characteristics attached hereto as Exhibit A, as well as the composition of the Board as a whole, in each case, in accordance with the Stockholders Agreement, if then in effect. The Nominating and Corporate Governance Committee is responsible for identifying, screening and

recommending the Board candidates for membership on the Board, except as otherwise provided in the Stockholders Agreement, if then in effect (including without limitation, Section 3.1(b) and Section 3.1(c) of the Stockholders Agreement).

- (d) Lead Director. The Nominating and Corporate Governance Committee may designate a Lead Director; provided, however, that so long as CD&R (as defined in the Stockholders Agreement) has the right to designate the Chairman of the Executive Committee or the Lead Director pursuant to the Stockholders Agreement, (i) in the event that CD&R designates the Chairman of the Executive Committee, there shall be no Lead Director and (ii) in the event that CD&R designates a Lead Director, the Nominating and Corporate Governance Committee shall designate the Lead Director in accordance with CD&R's designation pursuant to the Stockholders Agreement.
- (e) Term Limits; Mandatory Retirement: The Board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and nomination process described in these guidelines. Under the Company's By-Laws, no person may stand for election as a director after such person shall have surpassed the age of 78.
- (f) Limitation on Other Board Service: The Board does not believe that its members should be prohibited from serving on boards and/or committees of other organizations, and the Board has not adopted any guidelines limiting such activities; provided, however, that members of the Company's Audit Committee may not simultaneously serve on the audit committee of more than two other public companies without prior review and approval of the Board (with proper disclosure of such approval to the fullest extent required by the rules and regulations of the NYSE). The Nominating and Corporate Governance Committee and the Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to Company stockholders. Service on boards and/or committees of other organizations should be consistent with the Company's conflict of interest policies set forth in the Company's Code of Business Conduct and Ethics.

## **2. Director Responsibilities**

- (a) Responsibilities: The director's primary responsibility is to provide effective governance over the Company's affairs for the benefit of its stockholders. In all actions taken by a director, the director is expected to exercise his or her business judgment in what he or she believes to be in the best interests of the Company. In

discharging this obligation, directors are entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors.

- (b) Attendance at Meetings: The Board has five regularly scheduled meetings per year. The Chairman of the Board shall distribute to each director a calendar of the regularly scheduled Board meetings before the start of each calendar year. Special meetings are called as necessary. It is the responsibility of the directors to attend the meetings. In addition, members of the Board are expected to attend the Company's Annual Planning Conference, at which long-term strategic and business plans will be reviewed.
- (c) Executive Sessions: The independent directors will meet in executive sessions without the Company's management before or after each of the Board's regularly scheduled meetings. The Chairman of the Nominating and Corporate Governance Committee, if such person is an independent director, shall serve as the presiding director at each executive session of the independent directors; otherwise, the Chairman of the Audit Committee shall so serve. The name of the presiding director will be disclosed in the manner required by the NYSE and applicable federal securities laws.

The Audit Committee will maintain procedures for interested parties to communicate directly with the non-employee directors, both on a confidential and non-confidential basis. These procedures will be published in the Company's proxy statement for each annual meeting of stockholders and posted on the Company's internet website.

- (d) Selection of Agenda: The Chairman of the Board establishes the agenda for each Board meeting, although other Board members are free to suggest items for inclusion on the agenda. Each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting.
- (e) Distribution of Materials: In advance of each Board or Committee meeting, an agenda will be distributed to each member. In addition, to the extent feasible or appropriate, information and data important to the members' understanding of the matters to be considered, including background summaries of presentations to be made at the meeting, will be distributed in advance of the meeting. Directors shall also routinely receive internal financial statements, earnings reports, press releases, analyst reports, copies of filings made with the Securities and Exchange Commission and other information designed to keep them informed of the material aspects of the Company's business, performance and prospects.
- (f) Board Committees: The Board has established the following committees to assist the Board in discharging its responsibilities:
- Audit Committee
  - Compensation Committee

- Nominating and Corporate Governance Committee
- Executive Committee
- Affiliate Transactions Committee

The Audit, Compensation, Nominating and Corporate Governance, Executive and Affiliate Transaction Committees each have Charters establishing their authority and responsibilities. The current Charters of these committees shall be published on the Company's website.

- (g) Committee Members: The composition of each committee of the Board is subject to the Stockholders Agreement, if then in effect. Each member of the Audit Committee will meet the criteria for independence set by the NYSE and any other applicable rules and regulations. Members of the Audit Committee shall also satisfy any additional legal or NYSE requirements regarding financial literacy and expertise.

Committee meetings will generally be held on the same day as Board meetings. However, during the course of each year, some committee meetings, especially Audit Committee meetings, may be held on days that do not coincide with regularly scheduled Board meetings. At each Board meeting, the Chairman of each committee shall report to the full Board with respect to any meetings held by the Committee since the last Board meeting, if any. In addition, each committee shall distribute to the full Board copies of the minutes of any committee meeting.

### **3. Access to Management and Outside Advisors**

- (a) Access to Management: The Board shall have full and free access to senior management and all other employees of the Company in order to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. Any meetings or contacts that a director wishes to initiate may be arranged through the Chairman of the Board or the Chief Executive Officer of the Company; provided, however, that any director has the right to directly contact the Company's internal auditor (or persons performing the internal audit function) without informing senior management. The Board may specify a protocol for making such inquiries.

Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board have a full understanding of matters being considered.

- (b) Access to Outside Advisors: The Board and each committee of the Board shall have the right to retain such outside advisors, including, without limitation, accountants, legal counsel or other experts or consultants, as the Board and such committee, in its sole and absolute discretion, deems advisable or appropriate. The Company shall pay all of the fees and expenses of any such advisors.

#### **4. Director Compensation**

- (a) Non-Employee Directors: The form and amount of director compensation is determined by the Board upon the recommendation of the Compensation Committee in accordance with the policies and principles set forth in its charter and applicable legal and regulatory guidelines. The Compensation Committee will conduct reviews, from time to time, of director compensation. With regards to directors who serve on the Audit Committee, the Compensation Committee will consider that a director's independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into a consulting contract with (or provides other indirect forms of compensation to) an organization with which the director is affiliated.
- (b) Employee Directors: Employees of the Company who serve as a director do not receive compensation for serving as a director.

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

- (a) Initial Orientation: New non-employee directors will receive a comprehensive orientation from appropriate senior management of the Company regarding the Company's business and affairs.

All directors will receive a director fact book, which shall contain such information the Board requests or as the Chairman of the Board deems appropriate, including, without limitation, copies of the Company's organizational documents, equity compensation plans, material agreements and a list of other items that directors may request if they deem it advisable.

- (b) Continuing Education: The Board expects that, at least annually, all directors will participate in a continuing education event (which may coincide with a regular Board meeting) addressing among other things, current developments and best practices in corporate governance. Members of the Company's senior management may also review with the Board from time to time certain aspects of the Company's operations as part of regularly scheduled Board meetings. In addition, the Board will also normally conduct an on-site visit to one of the Company's manufacturing facilities in conjunction with a regular Board meeting at least once every other year.

#### **6. Management Succession Planning**

- (a) Annual Performance Review: At least annually, the non-employee directors will, in conjunction with the Compensation Committee, review the performance of the Company's Chief Executive Officer and other senior management in light of the Company's goals and objectives.

- (b) Succession Planning: At least annually, the Board will review succession plans for the Company's Chief Executive Officer and other senior management. The Chairman of the Nominating and Corporate Governance Committee shall chair any Board session called for the purpose of discussing succession issues. Succession planning will address both succession in the ordinary course of business and contingency planning in case of unexpected events. The offices of Chairman of the Board and Chief Executive Officer have been at times combined and at times separated. The Board has the discretion to combine or separate these positions as it deems appropriate in light of prevailing circumstances. The Board believes that the combination or separation of these offices should be considered as part of the succession planning process. The Board further believes that it is in the best interests of the Company for the Board to make a determination as to the combination or separation of the offices of Chairman of the Board and the Chief Executive Officer each time it elects a new Chief Executive Officer.

## **7. Annual Performance Evaluation**

- (a) Board and Committees: The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This report will be discussed at the first Board meeting immediately following the end of the Company's fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.
- (b) Corporate Governance Guidelines: In addition, the Board will conduct an annual review of the corporate governance principles and make such changes, modifications and amendments as the Board determines.

## **8. Code of Business Conduct and Ethics**

The Company has adopted a Code of Business Conduct and Ethics that applies to the Company's directors, management and all employees. Each director is expected to be familiar with and to follow these policies. Pursuant to the Code of Business Conduct and Ethics, directors must avoid any conflict between their own interests and the interests of the Company in dealing with suppliers, customers and other third parties, and in the conduct of their personal affairs, including transactions in the Company's securities, with any affiliate or with any non-affiliated organization.

The Nominating and Corporate Governance Committee will review any allegation that a director or executive officer may have violated the Code of Business Conduct and Ethics and will report its findings to the full Board.

**Exhibit A**  
**CRITERIA FOR THE SELECTION OF DIRECTORS**

1. The nominee shall have the highest personal and professional ethics, strength of character, integrity and values.
2. The nominee shall be, about to be or have been a senior manager, chief operating officer, chief financial officer or chief executive officer of a relatively complex organization such as a corporation, university, foundation or unit of government with a proven record of success or, if in a professional or scientific capacity, be accustomed to dealing with complex problems, or otherwise shall have obtained and excelled in a position of leadership.
3. The nominee shall have the education, experience, intelligence, independence, fairness, reasoning ability, practical wisdom and vision to exercise sound, mature judgments on a macro and entrepreneurial basis on matters which relate to the current and long-term objectives of the Company.
4. The nominee shall have the competence and willingness to learn the Company's business and confidence to express his/her personal views.
5. The nominee shall be free and willing to attend regularly scheduled meetings of the board of directors and its committees over a sustained period and otherwise able to contribute a reasonable amount of time to the affairs of the Company and its affiliates. Participation on other boards is desirable in providing a breadth of experience to the board.
6. The nominee shall have the breadth of viewpoint and experience necessary for an understanding of the diverse and sometimes conflicting interests of stockholders and other constituencies, while still recognizing the particular responsibilities of the board of directors.
7. The nominee should be of such an age at the time of election to assure a minimum of three years of service as a director.
8. The nominee shall have the personality, tact, sensitivity and perspective to work well with others.
9. The nominee shall have the stature and capability to represent the corporation before the public, stockholders and other various individuals and groups that affect the Company. The nominee should have the capability to "network" with others for the benefit of the corporation.
10. The nominee shall be willing to appraise objectively the performance of management in the interest of the stockholders. The nominee shall possess an inquiring and independent mind willing to question management's assumptions when inquiry is appropriate.