

# VERSO CORPORATION

## CORPORATE GOVERNANCE GUIDELINES

### Purpose

The Board of Directors (the “Board”) of Verso Corporation, a Delaware corporation (the “Company”), has adopted these Corporate Governance Guidelines (these “Guidelines”) to assist the Board in the exercise of its responsibilities and to serve the interests of the Company and its stockholders.

### Introduction

These Guidelines are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. These Guidelines should be interpreted in the context of all applicable laws and regulations, the Company’s Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”), the Company’s Amended and Restated Bylaws (the “Bylaws”), and other corporate governance documents, in each case as the same may be amended and supplemented from time to time.

### Board of Directors

1. Size of the Board. The Certificate of Incorporation provides that subject to the rights of the holders of any preferred stock issued by the Company, the Board shall consist of two or more directors, the exact number of which shall be fixed by, or in the manner provided in, the Bylaws. The Bylaws, in turn, provide that the Board will fix the number of directors by resolution from time to time. The Board will periodically review the size of the Board and determine the size that is most effective in relation to future operations.

2. Independence of the Board. A majority of the directors comprising the Board will qualify as independent directors under the New York Stock Exchange’s corporate governance standards (“Independent Directors”), subject to any applicable cure periods for Board membership requirements permitted under the rules of the New York Stock Exchange. The Corporate Governance and Nominating Committee of the Board (the “CG&N Committee”) will review annually the relationships that each director has with the Company either directly or as a partner, member, stockholder, or officer of an entity or organization that has a relationship with the Company.

3. Lead Independent Director. The Board will exercise its discretion in combining or separating the offices of Chairman of the Board and Chief Executive Officer. This determination will be based on the Board’s judgment of the best interests of the Company and its stockholders from time to time. In the event that the Chairman of the Board is also the Chief Executive Officer or is not an Independent Director, the Board considers it to be useful and appropriate that the Independent Directors appoint from among themselves a lead independent director of the Board (the “Lead Independent Director”). The Lead Independent Director shall be elected annually by, and may be replaced or removed from, such position upon the majority vote of the Independent Directors. If the Board elects a Lead Independent Director, such Lead Independent Director will have the following duties and responsibilities:

- serve as liaison between the Chairman of the Board and the Independent Directors;
- approve, in consultation with the Chairman of the Board, agendas for meetings of the Board;
- approve, in consultation with the Chairman of the Board, an appropriate schedule for meetings of the Board and its committees, seeking to ensure that there is sufficient time for discussion of all agenda items so that the Independent Directors can perform their duties responsibly;
- preside at all meetings of the Board at which the Chairman of the Board is not present;

- call meetings of the Independent Directors when necessary or appropriate;
- develop agendas for meetings of the Independent Directors;
- preside at all meetings of the Independent Directors, including executive sessions of the Independent Directors held in conjunction with Board meetings;
- recommend to the Board, in concert with the chairpersons of the respective Board committees, the retention of outside advisors and consultants, as appropriate or needed, who report directly to the Board on board-wide issues;
- be available for consultation and direct communication, if required, by major stockholders; and
- perform such other duties and have such other responsibilities as the Board or the Independent Directors may delegate to the Lead Independent Director from time to time.

The compensation, if any, for fulfilling the role of Lead Independent Director shall be determined by the Board upon the recommendation of the Compensation Committee of the Board.

4. Executive Sessions of Non-Management Directors and Independent Directors. The directors who are not executive officers of the Company (the “Non-Management Directors”) will meet regularly in executive session without management directors or management present. Non-Management Directors include such directors who are not Independent Directors by virtue of a material relationship, former status or family membership, or for any other reason. The Chairman of the Board, if he or she is an Independent Director, or the Lead Independent Director, as applicable, will preside over executive sessions of Non-Management Directors. The Non-Management Directors will review the Company’s implementation of, and compliance with, these Guidelines and consider such other matters as they may deem appropriate at such meetings. In addition, if the Non-Management Directors include directors who are not also Independent Directors, the Independent Directors shall meet separately at least one time per year in executive session.

5. Director Qualification Standards. The CG&N Committee is responsible for reviewing with the Board, on an annual basis, the appropriate characteristics, skills and experience required for the Board as a whole and its individual members. In evaluating the suitability of individual director candidates (both new candidates and current directors), the CG&N Committee, in recommending candidates for appointment or re-election, as applicable, and the Board, in approving (and, in the case of new candidates, appointing) such candidates, takes into account many factors, including the ability to make independent analytical inquiries, general understanding of marketing, finance and other elements relevant to the success of a publicly traded company in today’s business environment, understanding of the Company’s business on a technical level, other board service and educational and professional background. Each director candidate also must possess fundamental qualities of intelligence, honesty, good judgment, high ethics and standards of integrity, fairness and responsibility. The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend a director for re-election, the CG&N Committee also considers the director’s past attendance at meetings, participation in and contributions to the activities of the Board, and the results of the most recent Board evaluation.

6. Selection of New Directors. Each year, at the annual meeting, the Board will recommend a slate of directors for election by the stockholders. In accordance with the Certificate of Incorporation and the Bylaws, the Board also will be responsible for filling vacancies or newly created directorships on the Board that may occur between annual meetings of stockholders. The CG&N Committee is responsible for identifying, screening and recommending to the Board candidates to serve as directors of the Company.

7. Limits on Board Membership and Other Significant Activities. Service on the Board requires significant time and attention. Generally, directors should not serve simultaneously on more than five public company boards, including the Company's Board, except with the prior approval of the Board. In addition, directors who also serve as Chief Executive Officer, Chief Financial Officer or other "named executive officer" of a company generally should not serve simultaneously on more than one public company board in addition to the Company's Board, except with the prior approval of the Board. Also, due to the demanding nature of service on the Audit Committee, the members of the Audit Committee may not simultaneously serve on the audit committees of the boards of directors of more than two other public companies except with the prior approval of the Board. Directors should advise the Chair of the CG&N Committee before accepting membership on other boards or significant commitments involving affiliation with other businesses, non-profit entities or governmental units. Service on other boards and/or committees should be consistent with the Company's conflict of interest policies set forth in the Company's Code of Conduct (the "Code of Conduct").

8. Directors with Material Employment Changes. When a director, including any director who is currently an officer or employee of the Company, resigns or materially changes his or her position with his or her employer, the director shall promptly notify the Board of his or her resignation or change in employment position. The CG&N Committee will evaluate whether the director continues to satisfy the Board's criteria for service as a director of the Company in light of the director's new employment status and will make a recommendation to the Board as to the director's continued suitability to serve in such capacity. The Board, with the director in question abstaining, will make a determination as to the director's continued suitability to serve in such capacity based on its evaluation of the recommendation of the CG&N Committee. If the Board determines that the director no longer is suitable to serve in such capacity, the Board will request that the director resign from the Board, and the director thereafter shall promptly tender his or her resignation from the Board.

9. Term Limits. The Board does not believe that it is in the best interests of the Company to establish term limits for directors at this time. Additionally, such term limits may cause the Company to lose the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company's business and therefore can provide an increasingly significant contribution to the Board.

10. Director Responsibilities. The business and affairs of the Company will be managed by or under the direction of the Board, including through one or more of its committees as set forth in the Bylaws and committee charters. Each director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. These responsibilities include:

(a) overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;

(b) reviewing and, where appropriate, approving the Company's major financial objectives, plans and actions;

(c) together with the Audit Committee, reviewing and, where appropriate, approving major changes in, and determinations of other major issues respecting, the appropriate auditing and accounting principles and practices to be used in the preparation of the Company's financial statements;

(d) reviewing and, where appropriate, approving major changes in, and determinations under these Guidelines, the Code of Conduct and other Company policies;

(e) reviewing and, where appropriate, approving actions to be undertaken by the Company that would result in a material change in the financial structure or control of the Company, the acquisition or disposition of any businesses or assets material to the Company, or the entry of the Company into any major new line of business;

(f) together with the Compensation Committee, regularly evaluating the performance of the Chief Executive Officer of the Company;

(g) with the input of the Chief Executive Officer and the Compensation Committee, regularly evaluating the performance of the other executive officers of the Company;

(h) together with the CG&N Committee, planning for succession with respect to the position of Chief Executive Officer in the event of an emergency or retirement, and monitoring management's succession planning for other key executive officers;

(i) oversee the Company's enterprise risk management, including reviewing with management the categories of risk the Company faces, as well as the likelihood of occurrence, the potential impact of those risks, mitigating measures and action plans to be employed if a given risk materializes; and

(j) ensuring that the Company's business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations.

11. Compensation. The Company's executive officers shall not receive additional compensation for their service as directors. Upon the request of the Compensation Committee, senior management of the Company or a third party consultant will report to the Compensation Committee regarding the status of the Company's nonemployee director compensation in relation to the Company's peer groups. Such report will include consideration of both direct and indirect forms of compensation to the Company's directors, including any charitable contributions by the Company to organizations in which a director is involved. Following a review of the report, the Compensation Committee will recommend any changes in director compensation to the Board, which changes will be approved or disapproved by the Board after a full discussion.

12. Stock Ownership. The Company encourages directors and executive officers to purchase shares of the Company's stock and has adopted stock ownership guidelines for its directors and executive officers, to further align their interests with those of the Company's stockholders.

13. Code of Conduct. The Board has adopted the Code of Conduct which applies to all directors, officers, employees and other persons associated with the Company. The most fundamental principle of the Code of Conduct is that all business conducted by the Company and the people employed or retained by the Company must meet the highest standards of business and personal ethics.

14. Board Orientation and Continuing Education of Directors. The Company provides new directors with a director orientation program to familiarize them with, among other things, the Company's business, strategic plans, significant financial, accounting and management issues, compliance programs, Code of Conduct, principal officers, internal auditors and independent auditors. The Company will make available to directors continuing education programs, and each director is expected to participate in such programs, as management or the Board determines desirable.

15. Interaction with Investors, Press and Customers. The Board believes that management speaks for the Company. Each director should refer all inquiries from investors, the press or customers to management. Individual directors may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Company.

16. Board Access to Senior Management. The Board will have complete access to the Company's management in order to ensure that directors can ask any questions and receive all information necessary to perform their duties. Directors should exercise judgment to ensure that their contact with management does not distract the managers from their jobs or disturb the business operations of the Company. Such contact, if in writing, should be copied to the Chief Executive Officer of the Company.

17. Board Access to Independent Advisors. The Board's committees may hire independent advisors as set forth in their applicable charters. The Board as a whole shall have access to such advisors and such other independent advisors that the Company retains or that the Board considers necessary or desirable to discharge its responsibilities.

18. Annual Self-Evaluation. Following the end of each fiscal year, the CG&N will oversee an annual assessment by the Board of the Board's performance. The CG&N Committee will be responsible for establishing the evaluation criteria and implementing the process for such evaluation, as well as considering other corporate governance principles that may, from time to time, merit consideration by the Board. The assessment should include a review of any areas in which the Board or management believes that the Board can make a better contribution to the governance of the Company, as well as a review of the committee structure and an assessment of the Board's compliance with the principles set forth in these Guidelines. The purpose of the review will be to improve the performance of the Board as a unit, and not to target the performance of any individual director. The CG&N Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

### **Board and Committee Meetings and Stockholder Meetings**

1. Frequency of Board Meetings. The Board will meet at least four times annually. In addition, special meetings of the Board may be held from time to time as determined by the needs of the business. It is the responsibility of the directors to attend meetings.

2. Frequency of Committee Meetings. Each committee will meet at least as frequently as specified in such committee's charter. Notwithstanding the foregoing, each committee will meet at least two times annually, and the Audit Committee will meet at least quarterly to review the Company's financial results for the quarter under consideration. In addition, special meetings may be called from time to time, as determined by the needs of the business, by the chairperson of the committee, such number of committee members as specified in such committee's charter, or the Chairman of the Board. It is the responsibility of the directors to attend the meetings of the committees on which they serve.

3. Director and Committee Member Attendance. A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a director is expected to regularly prepare for and attend meetings of the Board and all committees on which the director sits (including separate meetings of Non-Management Directors or Independent Directors), 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, the Lead Independent Director, or the chairperson of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

4. Attendance of Non-Directors. The Board encourages the directors and members of the committees to bring the Company's management and outside advisors or consultants from time to time into Board and committee meetings to (a) provide insight into items being discussed by the Board or committee that involve the manager, advisor or consultant, (b) make presentations to the Board or committee on matters that involve the manager, advisor or consultant, and (c) bring managers with high potential into contact with the Board. Attendance of non-directors at Board and committee meetings is at the discretion of the Board.

5. Annual Meetings of Stockholders. Directors are invited and encouraged to attend the Company's annual meeting of stockholders, either in person or telephonically.

6. Advance Receipt of Meeting Materials. Information regarding the topics to be considered at a meeting is essential to the Board's and its committees' understanding of the business and the preparation of

the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board and committee meeting will be prepared and distributed to the directors and committee members sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors and committee members. Directors and committee members are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

## **Committees of the Board**

1. Number, Names and Responsibilities of Committees. To assist the Board in performing its duties, the Board has established the following three standing committees: (a) the Audit Committee; (b) the Compensation Committee; and (c) the CG&N Committee. From time to time, the Board may form a new committee or disband a current committee, depending upon the circumstances. Each committee will perform its duties as assigned by the Board in compliance with applicable laws and regulations, the Bylaws and the committee's charter. Each committee will provide regular reports to the Board.

2. Assignment and Rotation of Committee Members. Based on the recommendations of the CG&N Committee, the Board appoints committee members and committee chairpersons according to criteria set forth in the applicable committee charter and such other criteria that the Board determines to be appropriate in light of the responsibilities of each committee. Committee membership and the position of committee chairperson will not be rotated on a mandatory basis unless the Board determines that rotation is in the best interest of the Company.

3. Audit Committee Members. Each member of the Audit Committee must be financially literate, as determined by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment. At least one member of the Audit Committee must have accounting or related financial management expertise as determined by the Board in its business judgment.

4. Committee Self-Evaluations. Following the end of each fiscal year, each committee will review its performance and charter and recommend to the Board any changes that it deems necessary.

## **Leadership Development**

1. Annual Review of Chief Executive Officer. The Board, with input from the Chief Executive Officer, shall annually establish the performance criteria (including both long-term and short-term goals) to be considered in connection with the Chief Executive Officer's next annual performance evaluation. At the end of each year, the Chief Executive Officer shall make a presentation or furnish a written report to the Board indicating his or her progress against such established performance criteria. Thereafter, with the Chief Executive Officer absent, the Compensation Committee shall meet to review the Chief Executive Officer's performance. The results of the review and evaluation shall be communicated to the Chief Executive Officer by the chairperson of the Compensation Committee.

2. Succession Planning. The Board, together with the CG&N Committee, shall work on a periodic basis with the Chief Executive Officer to review, maintain and revise, if necessary, the Company's succession plan upon the Chief Executive Officer's retirement and in the event of an unexpected occurrence. The Chief Executive Officer shall report annually to the Board on succession planning for the Chief Executive Officer and senior management positions, including a discussion of assessments, leadership development plans and other relevant factors. There should also be available to the CG&N Committee, on a continuing basis, the Chief Executive Officer's recommendations regarding his or her successor should he or she become unexpectedly disabled.

3. Management Development. The Board will determine that a satisfactory system is in effect for the education, development and orderly succession of senior and mid-level managers throughout the Company.

## **Communications to the Board**

Stockholders and other interested parties wishing to communicate with the Board, the Non-Management Directors, or a specific director may do so by delivering the written communication in person or mailing it to Board of Directors, c/o Secretary, Verso Corporation, 8540 Gander Creek Drive, Miamisburg, Ohio 45342. Communications will be distributed to specific directors as directed in the communication. If addressed generally to the Board, communications may be distributed to specific members of the Board as appropriate, depending on the topic of the communication. For example, if a communication relates to accounting, internal controls or auditing matters, unless otherwise specified, the communication will be forwarded to the chairperson of the Audit Committee. From time to time, the Board may change the process by which stockholders and others may communicate with the Board or its members.

## **Administration**

1. Availability of Guidelines. The Company will make these Guidelines available on its web site at *www.versoco.com* and to any stockholder who requests a copy.
2. Amendments to Guidelines. These Guidelines may be amended at any time by the Board, as the Board may deem appropriate in the best interests of the Company and its stockholders or as required by applicable laws and regulations, and any such amendment will become effective immediately. These Guidelines supersede all prior versions hereof.