

**BALCHEM CORPORATION**

**CORPORATE GOVERNANCE GUIDELINES**

**Effective February 21, 2018**

The Board of Directors of Balchem Corporation (the “Board”) has developed corporate governance practices in an effort to fulfill its responsibilities to shareholders to oversee the work of management and Balchem’s business results. The governance practices are memorialized in these guidelines to assure that the Board will have the necessary authority and practices in place to review and evaluate Balchem’s business operations and organizational objectives, and to make decisions that are independent of Balchem’s management. The guidelines are also intended to align the interests of directors and management with the long-term interests of Balchem’s shareholders.

The guidelines are subject to future refinement or changes as the Board may find necessary or advisable.

**Board Composition and Selection; Independent Directors**

**1. Board Size.** The Board believes 5 to 7 independent directors is an appropriate size based on Balchem’s present size and circumstances. The Board periodically evaluates the preferable size of the Board, given on-going changes to the business or general governance guidance.

**2. Selection of Board Members.** Balchem’s shareholders elect Board members, by class, annually, except as noted below with respect to vacancies. The Corporate Governance and Nominating Committee is responsible for recommending director candidates to the Board. The Board may fill vacancies in existing or new director positions, however, such directors elected by the Board serve only until the next election of the applicable class of directors, unless elected by the shareholders to a further term at that time.

**3. Board Membership Criteria.** The Corporate Governance and Nominating Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Board takes into account many factors, including demonstrated high ethical standards, general understanding of finance and other disciplines relevant to the success of a publicly-traded company in today’s business environment; understanding of Balchem’s business on a practical level, including international aspects thereof; educational and professional background and the ability to devote sufficient time to prepare and attend Board of Directors meetings. If incumbent directors are not nominated for re-election or if there is otherwise a vacancy on the Board, the Corporate Governance and Nominating Committee will solicit recommendations for nominees from persons that they believe are likely to be familiar with qualified candidates, including members of the Board and management. In addition to the guidelines set forth herein, the Board believes that diversity within a Board

promotes the inclusion of different perspectives and ideas, mitigates against group think and ensures that the Company has the opportunity to benefit from all available talent. The promotion of a diverse Board makes prudent business sense and makes for better corporate governance. Therefore, the Board evaluates each candidate in the context of the Board as a whole, with the objective of recommending an individual that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment based upon a diversity of background, experience and perspectives. For purposes of Board composition, diversity includes, but is not limited to, business experience, geographic origin, age, gender, and ethnicity. In determining whether to recommend a director for re-election, the Corporate Governance and Nominating Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board. The Corporate Governance and Nominating Committee may retain a professional search firm to identify director candidates.

The Corporate Governance and Nominating Committee may also consider independent director candidates recommended by one or more substantial, long-term stockholders. Generally, stockholders who individually or as a group hold 5% or more of Balchem's common stock and have continued to do so for over one year, will be considered substantial, long-term stockholders. The Committee will consider stockholder recommendations regarding potential nominees for director election at Balchem's annual meeting of shareholders, consistent with the policy described above, if the Corporate Governance and Nominating Committee receives such recommendations as required prior to the deadline for stockholder proposal submissions.

**4. Board Composition** – The Board believes that a majority of its directors should be independent. In determining the independence of a director, the Board will apply the definition of "independent director" in the listing standards of the NASDAQ Global Market and applicable laws and regulations.

**5. Term Limits.** 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 Balchem, based on their experience with and understanding of Balchem'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.

**6. Retirement Policy.** The Board has adopted a policy requiring directors retire at the conclusion of his or her term in which he or she reaches the age of 70.

**7. Conflicts of Interest.** Potential or apparent director conflicts of interest will be submitted to the Governance Committee and counsel for review. The Board believes that a director, whose business or personal relationships change in such a manner so as to give rise to potential conflicts of interest with Balchem or to a loss of independence, should bring such matters to the attention of the Board. The Board, and specifically the Corporate Governance and Nominating Committee, would then evaluate whether the

individual continues to satisfy the Board's membership criteria in light of his or her new changed status.

**8. Selection of CEO, Chairman and Lead Director.** The Board selects Balchem's CEO, the Chairman and Lead Director on recommendation of the Corporate Governance and Nominating Committee, in the manner that it determines to be in the best interests of Balchem's shareholders.

**9. Lead Director.** The Board has no formal policy whether the Chairman should be an independent director or member of management, however, the Board appoints a Lead Director, who functions, in general, to reinforce the independence of the Board of Directors, and is appointed from the independent Directors. The Lead Director provides a source of Board leadership complementary to that of the Chairman, especially when the Chairman is a member of management. Amongst other things, the Lead Director is responsible for: working with the Chairman and other directors to set agendas for Board meetings; providing leadership in times of crisis together with the Executive Committee; for reviewing the individual performance of each of the Directors with the Chair of the Corporate Governance and Nominating Committee; chairing regular meetings of independent Board members without management present (executive sessions); acting as liaison between the independent Directors and the Chairman; and chairing Board meetings when the Chairman is not in attendance.

**10. Limitation on Other Board Service.** Directors may not serve on more than three other public company boards, without the approval of the Board. The Corporate Governance and Nominating 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. Service on boards of other organizations must be consistent with Balchem's conflict of interest policies.

**11. Resignation.** A Director, who desires to resign from the Board, must submit a written letter of resignation for the Board's consideration.

#### **Board Meetings; Involvement of Senior Management**

**12. Board Meetings – Frequency.** The Board will generally hold five regularly scheduled meetings per year and will hold additional special meetings, as necessary. Each director is expected to attend both scheduled and special meetings, except if unusual circumstances make attendance impractical.

**13. Board Meetings – Agenda.** The Chairman of the Board, taking into account suggestions from other members of the Board (in particular from the Lead Director), will set the agenda for each Board meeting, and will cause this agenda to be distributed, in advance, to each director.

**14. Advance Distribution of Materials.** All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting should be distributed in writing or electronically to all members in advance, whenever feasible and

appropriate. This will help facilitate the efficient use of meeting time. In preparing this information, management should ensure that the materials distributed are as concise as possible, yet give directors sufficient information to make informed decisions. The Board acknowledges that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.

**15. Access to Employees.** The Board has complete access to the CEO, but must obtain the CEO's permission to contact other Balchem employees, which will not be unreasonably withheld. The Board and the CEO may specify a protocol for making such inquiries. Management is expected to invite to any Board meeting any Balchem personnel, whose presence and expertise would help the Board have a better understanding of matters being considered.

**16. Access to Independent Advisors.** The Board and its committees have the right, at any time, to retain independent outside auditors and financial, legal, or other advisors. Balchem will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

**17. Executive Sessions of Non-Management Directors.** The non-management directors of Balchem will meet regularly in executive session, i.e. with no management directors or management present, following each regularly scheduled Board meeting. Executive sessions of the independent directors will be called and chaired by the Lead Director. These executive session discussions may include such topics as the independent directors determine.

### **Communication with Shareholders**

**18. Shareholder Communications to the Board.** Shareholders may contact an individual director, the Board as a group or a specified Board committee or group, including the independent directors as a group, by mail, addressed to:

- Balchem Corporation Board of Directors or Lead Director, c/o General Counsel, Balchem Corporation, 52 Sunrise Park Road, New Hampton, NY 10958

The General Counsel will review all such correspondence and forward it (or a summary) to the appropriate parties. Correspondence regarding accounting, internal accounting controls or auditing matters will be forwarded to the chair of the Audit Committee.

**19. Attendance at Annual Meeting.** Each director is encouraged to attend Balchem's annual meeting of shareholders.

### **Performance Evaluation; Succession Planning**

**20. Annual CEO Evaluation.** The Board, in executive session, conducts an annual review of the performance of the CEO and communicates the results of the review to the

CEO. The Compensation Committee (with potential assistance from the Executive Committee) establishes the evaluation process and determines the specific criteria on which the performance of the CEO is evaluated, taking into account the strategic and other objectives for Balchem set by the Board.

**21. Succession Planning.** As part of an annual review process, the Corporate Governance and Nominating Committee works with the CEO and the Executive Committee to plan for CEO succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.

**22. Board and Committee Self-Evaluation.** The Corporate Governance and Nominating Committee is responsible for leading an annual evaluation of the performance of the full Board, preferably in February, including an assessment of the Board's compliance with the principles set forth in these guidelines, as well as identification of areas in which the Board could improve its performance. Each committee of the Board is responsible for conducting a biennial self-evaluation at a time determined by each applicable committee.

### **Compensation**

**23. Board Compensation Review.** The Compensation Committee periodically reviews Balchem's director compensation practices in comparison with those of comparable public corporations. The Board should make changes in Balchem's director compensation practices only upon the recommendation of the Compensation Committee and following discussion and concurrence by the Board.

**24. Director Stock Ownership.** Balchem has adopted a Stock Ownership Policy applicable to directors, which is available on the Corporate Governance page in the Investor Relations section of Balchem's website, [www.balchem.com](http://www.balchem.com).

### **Committees**

**25. Number and Type of Committees.** The Board has four committees - an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee and an Executive Committee. The Board may add new committees or remove existing committees as it deems advisable in the fulfillment of its primary responsibilities. The Corporate Governance and Nominating Committee reviews the structure of Board committees no less than once every two years. Each committee will perform its duties as assigned by the Board of Directors in compliance with Balchem bylaws and the Committee's charter. Committee duties may be described briefly as follows:

- **Audit Committee.** The Audit Committee monitors the work of Balchem's internal accounting and control processes. The committee is directly responsible for the appointment, compensation, retention and oversight of Balchem's independent auditors.

- **Compensation Committee.** The Compensation Committee determines the compensation of Balchem's CEO and other executive officers. It administers Balchem's equity compensation plans and recommends new compensation plans and amendments for adoption by the Board.
- **Corporate Governance and Nominating Committee.** The Corporate Governance and Nominating Committee is responsible for recommending to the Board individuals to be nominated as directors. The committee also reviews Balchem's corporate governance policies and documents, and performs other duties as described elsewhere in these guidelines.
- **Executive Committee.** The Executive Committee is, in coordination with the Corporate Governance and Nominating Committee, responsible for the recruitment, evaluation and selection of suitable candidates for CEO, for approval by the full Board; for the preparation, together with the Compensation Committee, of objective criteria for the evaluation of the performance of the CEO; and for reviewing the CEO's plan of succession, for the CEO and key executives of Balchem.

**26. Composition of Committees; Committee Chairs.** The Audit, Compensation, Corporate Governance and Nominating and Executive Committees consist solely of independent directors. The Board is responsible for the appointment of committee members and committee chairs, on recommendation of the Corporate Governance and Nominating Committee, according to criteria that it determines to be in the best interest of Balchem and its shareholders.

**27. Committee Meetings and Agenda.** The chair of each committee is responsible for developing, together with relevant Balchem managers, the committee's general agenda and objectives and for setting the specific agenda for committee meetings. The committee chair and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

### **Miscellaneous**

**28. Director Orientation and Education.** The Corporate Governance and Nominating Committee and management are responsible for director orientation programs and materials. Balchem encourages directors to attend continuing education programs to assist, as necessary, in maintaining/developing skills for the performance of their responsibilities.

**29. Review of Governance Guidelines.** The practices memorialized in these guidelines have developed over a period of years. The Corporate Governance and Nominating Committee and the Board of Directors review these guidelines annually.

**30. Website Posting of Governance Documents.** These Guidelines, charters of the Audit, Compensation, and Corporate Governance and Nominating Committee, and

Balchem's General Ethics and Business Policies and Code of Ethics for Senior Financial Officers are posted on Balchem's website.

**31. Directors Receiving Majority Withhold Votes.** If an incumbent director receives a majority of withhold votes in any uncontested election as a director, the director shall promptly offer his or her resignation to the Board for consideration. The Corporate Governance and Nominating Committee (CG&N) will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action is recommended. In reaching its decision, the Board will consider CG&N's recommendation and may consider any other factors it deems relevant, which may include the director's qualifications, the director's past and expected future contributions to the Corporation, the overall composition of the Board and Committees of the Board, whether accepting the tendered resignation would cause the Corporation to fail to meet any applicable rule or regulation (including the NASDAQ rules and the requirements of the federal securities laws) and the percentage of outstanding shares represented by the votes cast at the meeting. The Board will act on the resignation within 90 days following certification of the stockholder vote for the meeting and will promptly disclose its decision and rationale as to whether to accept the resignation (or the reasons for rejecting the resignation, if applicable) in a press release, in a filing with the Securities and Exchange Commission or by other public announcement, including a posting on the Company's website.

A director who has offered to resign will not participate in the deliberations of the CG&N Committee or in the Board's consideration of the Committee's recommendation with respect to that director. If a director's resignation is accepted by the Board pursuant to this Guideline 31, or if a nominee for director who is not an incumbent director is not elected, the Board may fill the resulting vacancy or may decrease the size of the Board pursuant to the Corporation's Bylaws.

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