

## BLOUNT CORPORATE GOVERNANCE GUIDELINES

First Revision, Effective April 2005

**NOTE:** At the time that these Guidelines were first issued, Blount International, Inc. (the "Corporation") was a "controlled corporation," as that term is defined for purposes of the listing standards adopted by the New York Stock Exchange (the "NYSE"). This was due to the fact that more than 50% of its authorized, issued and outstanding shares were owned by a single shareholder or affiliates of that single shareholder. As such, certain NYSE corporate governance standards concerning the make-up of the membership of the Board of Directors and its committees (other than the Audit Committee) did not apply to the Corporation. On December 20, 2004, the controlling shareholder and its affiliates participated in a secondary offering resulting in a reduction in the controlling shareholder's holdings in the Corporation to well below 50% of the total issued and outstanding (the "Change-in-Control").

Under applicable rules, immediately upon the Change-in-Control, the Corporation was required to form a Nominating & Corporate Governance Committee with at least one "independent member" (as that term is defined under applicable NYSE and United States Securities & Exchange Commission (the "SEC") rules), assure that the Compensation Committee had at least one independent member and adopt charters for both of these two committees. Within 90 days after the Change-in-Control, the Corporation was required to assure that each of the Compensation Committee and the Nominating & Corporate Governance Committees had a majority of independent members. These requirements were fulfilled through Board actions taken in December 2004 in anticipation of the Change-in-Control, special Steering Committee actions taken in January 2005, and Board actions ratifying the Steering Committee's proposals in February 2005. Still remaining, within one year of the Change-in-Control, the Corporation must assure that the membership of each of the Compensation Committee and the Nominating & Corporate Governance Committees consists entirely of independent members.

Accordingly, the Corporation issues this revised Corporate Governance Guidelines, previously issued as of April 2004, in order to reflect these changes in corporate governance matters brought about by the Change-in-Control.

### **BOARD COMPOSITION**

#### Size of the Board

The By-laws of Blount International, Inc. (the "Corporation"), which may be amended by the Board of Directors of the Corporation (the "Board"), presently provide that number of members of the Board ("Directors") that constitutes the whole Board be determined from time to time by a vote of a majority of the Board. Effective January 2, 2005, the Board set the exact number of Directors at eight.

### Independent Directors

On or before December 20, 2005, a majority of the Directors shall have been affirmatively determined by the Board to be "independent" under the listing standards of the NYSE. The Board may adopt and disclose categorical standards to assist it in determining Director independence. Also by December 20, 2005, the Corporation's Audit, Nominating & Corporate Governance and Compensation Committees shall each consist only of independent Directors. The Audit Committee has consisted only of independent Directors since April 2002.

On at least an annual basis (and whenever an individual is considered by the Board for election as a Director or appointment to the Audit Committee, Nominating & Corporate Governance Committee or Compensation Committee), management will collect information from the Corporation's records and, as appropriate, from the individual Directors, to conduct an analysis of each applicable current or prospective Director's eligibility to be classified as "independent" under the relevant Committee Charter, By-laws, and applicable statutes and regulations (including applicable listing standards set forth by the New York Stock Exchange and rules and regulations issued by the Securities and Exchange Commission and Internal Revenue Service). This analysis shall address each individual's eligibility to be classified as "independent" for purposes of serving on the Board and on each of the Board's committees. This analysis shall be submitted to the Board, which shall make the final determination of each individual's independence.

To supplement the annual process described above, it shall be the responsibility of each Director promptly to inform the Vice President, General Counsel and Secretary of any development or change in status that may affect the Director's independence.

### Chairman of the Board

The Chairman of the Board (the "Chairman") is selected by the Board from among its members. The Board has no established policy with respect to combining or separating the offices of Chairman and Chief Executive Officer ("CEO"). The decision is made depending on what is in the Corporation's best interests at any given point in time.

### Lead Director

The Lead Director is elected by the Board. The Lead Director shall be an "independent Director," as that term is used for applicable NYSE and SEC rules or regulations. The Lead Director shall act as a liaison between the Chairman and the independent Directors, and shall preside at all meetings at which the Chairman is not present. The Lead Director has the authority to convene and chair meetings of the independent Directors without management's participation and to raise matters with management or individual senior officers on behalf of the Board as he or she deems appropriate. In addition, the Lead Director, on behalf of the independent Directors, shall have the power and authority to engage the services of special counsel or other experts as he or she determines appropriate.

## **SELECTION AND ELECTION AND DIRECTOR QUALIFICATION STANDARDS**

The Board's Nominating and Governance Committee shall identify, review and recommend candidates for the Board. The Directors shall take the following factors into consideration, including such other factors as the Board may determine:

1. Regulatory Requirements. They will ensure that the Board has Directors who meet the criteria for committee or Board membership established by applicable regulatory entities, including the New York Stock Exchange, the Securities and Exchange Commission and the Internal Revenue Service.
2. Independence. They shall ensure that the required number of members of the Board will be independent under the By-laws and New York Stock Exchange regulations.
3. Overall Board Composition. They will consider the Board's overall composition in light of current and future needs. Among the characteristics the Board may consider are: professional skills and background, experience in relevant industries, age, diversity and geographic background.
4. Performance. In regard to incumbent Directors, they will consider past performance. Directors are expected: (a) to have regular attendance at Board and committee meetings; (b) to stay informed about the Corporation and its business; (c) to participate in the discussions of the Board and its committees; (d) to take an interest in the Corporation's business and provide advice and counsel to the Chairman and the CEO; and (e) to comply with, as applicable, the Corporation's Corporate Governance Policy and Code of Ethics.
5. Other Criteria. Particularly with regard to new Directors, they will also assess whether the candidates have the qualities expected of all Directors, including integrity, judgment, acumen, and the time and ability to make a constructive contribution to the Board. The Board does not believe it is appropriate to establish a single standard regarding the number of boards on which a Director may sit or whether a Director should be required to submit a resignation upon a significant change in professional responsibilities, but these are factors that the Board may take into consideration.

As set forth in the By-laws, Directors shall hold office until the next annual stockholders meeting and their successors have been duly elected and qualified. Thus, Directors will generally have terms of one year.

## **BOARD MEETINGS**

The Board shall hold at least five meetings each year, including four quarterly meetings, and one or more meetings devoted to addressing the Corporation's strategy, business plan

and annual budget, and matters relating to the Corporation's annual meeting of stockholders and filings with the Securities and Exchange Commission. This schedule of meetings will normally be established during the previous year. Directors are expected to attend each meeting of the Board.

The Chairman and the CEO shall set the agenda for each Board meeting, which shall be approved by the Lead Director. Any Directors may suggest agenda items.

To the extent possible and appropriate, management should provide Directors with an agenda and written briefing materials (including a financial report) in advance of the Board meetings, which Directors should review in advance of the meeting.

At each regular Board meeting, the Board should receive reports on the overall financial and operating performance of the Corporation as a whole. In addition, management is encouraged to provide the Board with other presentations on important aspects of the business and business/regulatory environment, including periodic presentations from executives of the Corporation's various business segments.

Non-employee Directors will have the opportunity to meet by themselves, without management or employee-Directors present, at every regularly scheduled Board meeting. In addition, independent Directors shall meet together without any other Directors or management present at least twice a year. Non-employee Directors and independent Directors may hold other such sessions at the request of any non-employee Director or independent Director. Non-employee and independent Directors shall notify the Lead Director if they would like to hold such a session, and the Lead Director shall facilitate the scheduling of such a session. Executive sessions (whether of the non-employee Directors or independent Directors) will be led by the chairman of the committee that has primary responsibility for the issue being discussed (e.g., the Audit Committee Chairman would lead discussion on audit-related matters). In the event that it is not apparent which committee has responsibility, discussion shall be led by the Lead Director.

## **ACCESS TO MANAGEMENT AND INDEPENDENT AUDITORS**

Directors shall have full access to any member of management for the purpose of understanding issues facing the Corporation. Directors who contact subordinate levels of management should, if appropriate, inform the Chairman and CEO of such interactions. Directors, especially those on the Audit Committee, have complete access to the Corporation's independent auditors and those performing the internal audit function.

## **BOARD RESPONSIBILITIES**

The Board's primary responsibility is to maximize long-term shareholder value for the Corporation's stockholders. The Board selects the senior management of the Corporation,

monitors senior management and the Corporation's performance and provides advice and counsel to senior management.

The Board's responsibilities include, but are not limited to, the following:

1. Strategy, Business Plan and Budget. The Board shall review the Corporation's long-term strategy at least annually. It shall also approve a business plan, operating budget, and financing plan annually.
2. CEO Performance. The Board will review the performance of the CEO at least annually and, as appropriate, provide its evaluation to the Compensation Committee, which is responsible for establishing the compensation for senior management. The Chairmen of the Compensation Committee will review the Committee's respective conclusions in regard to the performance of the CEO in executive session with the Board.
3. CEO Succession. The Board will review succession plans for the CEO position. The CEO will also recommend to the Board one or more individuals to fulfill those responsibilities on an interim basis in the event that the CEO is disabled or otherwise incapacitated. The full Board will be responsible for selecting the CEO, whether on a permanent or interim basis.
4. Board and Committee Performance Evaluations. The Board and each committee shall conduct a self-evaluation of its performance at least annually, which will address its composition, responsibilities, structure, processes and effectiveness.
5. Other Actions. The Board (or a committee designated by the Board) may review and approve other transactions not included in the business plan or budget pursuant to guidelines adopted by the Board.

The Board believes that it is, in general, the responsibility of management to speak for the Corporation in communications with outside parties, e.g., investors, the press and industry associations. Directors should only engage in such communications at the request of management.

The Board shall recommend for approval by the independent Directors a policy regarding communications between stockholders and the Board. Directors are encouraged and expected to attend the Corporation's annual meeting of stockholders.

## **DIRECTOR COMPENSATION**

The Compensation Committee at least annually shall review and make recommendations to the Board regarding the form and amount of compensation, including perquisites and other benefits, to be paid for Directors' services. As part of its review, the Board will receive from management information on compensation provided to non-employee Directors at a peer group of companies. The Board will consider whether any fees or

other direct or indirect compensation paid to any Director are of an amount or nature that may not be considered customary, and, if such Director is independent, whether such Director's status as independent is affected thereby.

#### **DIRECTOR ORIENTATION AND EDUCATION**

The Vice President, General Counsel and Secretary shall assure that each individual, upon joining the Board, is provided with an orientation regarding the Board and the Corporation's operations. As part of this orientation, each new Director shall have an opportunity to meet with members of senior management of the Corporation.

The Board shall, from time to time, receive presentations by Corporation executives and the heads of its businesses regarding their respective areas. In addition, the Corporation shall reimburse Directors for reasonable expenses relating to ongoing Director education.