



**XG SCIENCES, INC.  
CORPORATE GOVERNANCE GUIDELINES**

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**XG SCIENCES, INC.  
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**Adopted on: August 8, 2018**

The following Corporate Governance Guidelines (the “Guidelines”) have been developed and adopted by the Board of Directors (the “Board”) of XG Sciences, Inc. (the “Company”), at the recommendation of the Nominating and Governance Committee (the “NGC Committee”), to assist the Board in the exercise of its responsibilities and to further its continuing efforts to enhance corporate governance best practices. These Guidelines are intended to provide the Board with a framework for the governance of the Company and for monitoring the effectiveness of policy-making and decision-making at both the Board and management level.

These are Guidelines and are intended to be interpreted in the context of all applicable state and federal laws and regulations, the rules of The NASDAQ Stock Market LLC (the “NASDAQ”) and the Securities and Exchange Commission (the “SEC”), the Company’s articles of incorporation (the “Articles”) and bylaws (the “Bylaws”), and the charters of the committees of the Board (the “Board Committees”), as such laws, regulations, rules and corporate governing documents are amended from time to time. In addition, the Company’s Code of Business Conduct and Ethics (the “Code”) governs the conduct of members of the Board in connection with their activities relating to the Company. The Company management is responsible for, and the Board is committed to, ensuring that the Company operates in a legal and ethical manner in conformance with the Code.

Although these Guidelines have been approved by the Board, it is expected that these Guidelines will evolve over time as customary practice and legal requirements change. In particular, Guidelines that encompass legal, regulatory or exchange requirements as they currently exist will be deemed to be modified as and to the extent such legal, regulatory or exchange requirements are modified. In addition, these Guidelines are reviewed annually and may be amended from time to time, by the Board as it deems appropriate and in the best interests of the Company and its stockholders, or as may be required by the Company’s corporate governing documents, applicable laws and regulations, and rules of the NASDAQ and the SEC.

**1. Role of the Board and Management**

The Board is elected by the stockholders to oversee their interests in the long-term health and the overall success of the Company. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the stockholders. The business and affairs of the Company are managed by or under the direction of the Board, acting on behalf of the stockholders. The Board selects the Company’s Chief Executive Officer (the “CEO”) and oversees the CEO and executive management of the Company. The Board has delegated to the officers of the Company the authority and responsibility for the day-to-day management of the Company under the direction of the CEO. The Board has an oversight role and is not expected to perform or duplicate the tasks of the CEO or executive management.

**2. Director Responsibilities**

The core duty of the directors is to act in good faith and with due care in exercising informed business judgment in what they reasonably believe to be in the best interests of the Company and its stockholders. Directors must fulfill their responsibilities consistent with their fiduciary duties to the stockholders, in compliance with all applicable laws and regulations. Each director also has a duty of loyalty to the Company that requires that the best interest of the Company takes precedence over any interest held by a director. In discharging these duties, directors may rely on the honesty and integrity of the Company's executive management and its outside advisors and auditors, recognizing, however, that the directors' responsibilities are active, not passive.

As part of its oversight functions, the Board meets at least four times per year on previously determined dates, and conducts special meetings as may be called in accordance with the Bylaws, to review and discuss reports of executive management on the performance of the Company and its short and long-term plans. Directors are expected to prepare for, attend (in person or telephonically) and participate in all Board meetings, applicable Board Committee meetings, and to spend the necessary time to properly discharge their duties diligently and responsibly. Directors are expected to be available as needed to advise the CEO and executive management on matters of importance to the Company. Directors are also encouraged to attend the annual meeting of the Company's stockholders.

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. Executive management is responsible for distributing to the directors information that is important to the Board's understanding of the business to be conducted at a Board or Board Committee meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting is distributed to the directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

The non-management directors meet regularly outside the presence of the management directors, generally during regularly scheduled Board meetings. In the event that the Chairman of the Board is not an independent director, the independent directors may designate a Lead Director, who is an independent director, to preside at these executive sessions. In the event that the independent directors do not make such a designation, the Chairman of the Executive Committee acts as the Lead Director on an ex officio basis. In addition, in order that interested parties may be able to make their concerns known to the independent directors, the Company has also set forth in these Guidelines a method for such parties to communicate directly and confidentially with the Chairman of the Board or with the independent directors as a group.

Understanding that, on occasion, a director may be unable to attend a meeting, such director who is unable to attend a meeting is expected to notify the Chairman of the Board and the chairperson of the appropriate Board Committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference. In the event that directors are unable to make at least 75% of those regular or special meetings (together with the meetings of Board Committees on which such director serves), the Company will be required to disclose that fact in its annual proxy statement. In addition, attendance and participation at meetings is an important component of the directors' duties and, as such, attendance rates will be taken into account by the NGC Committee in connection with assessments of director candidates for re-nomination.

### **3. Role of the Chairman**

The Board annually elects one of its members to serve as Chairman of the Board (the “Chairman”). The Board does not require the separation of the offices of the Chairman and the CEO. The Board is free to choose its Chairman in any way that it deems best for the Company at any point in time. The Chairman presides at all Board and stockholder meetings, facilitates the active participation of all directors, and performs such other duties, and exercises such powers, as prescribed in the By-Laws or by the Board from time to time. The Chairman sets the agenda for Board meetings, however, any director may suggest items for inclusion on the agenda and raise a subject that is not on the agenda at any meeting. Certain items pertinent to the oversight and monitoring function of the Board are brought to the Board regularly. In addition, issues pertaining to the Company’s long-term strategic plans and significant financial, accounting and risk management issues facing the Company are reviewed by the Board at least annually.

#### **4. Board Size**

The Company’s Bylaws provide that the authorized number of directors is not less than five (5) nor more than Nine (9), (subject to the rights of the holders of any class or series of stock to elect directors and take certain actions with respect to such elected directors) with the exact number to be established from time to time by resolution of the Board. Currently, there are six (6) members of the Board. The NGC periodically reviews the size of the Board, which may be increased or decreased, if determined appropriate by the Board, consistent with the Company’s Bylaws.

#### **5. Director Qualifications and Criteria**

Directors may be nominated by the Board or by stockholders in accordance with the Company’s Bylaws. The NGC reviews all nominees for the Board in accordance with its charter. In recommending director candidates for election, and the Board, in approving (and, in the case of vacancies, appointing) such candidates, the assessment includes a review of the director nominee’s business judgment, professional integrity, character, experience, understanding of the Company, taking into account the current Board members and the specific needs of the Company and the Board. The Board believes that its membership should reflect a diversity of experience, gender, race, and ethnicity. The Board also considers whether candidates are independent, including the independence requirements of NASDAQ and the SEC. In determining whether to recommend a director for re-election, the NGC may consider the director’s past attendance at meetings and participation in and contributions to the activities of the Board.

The NGC selects qualified nominees and reviews its recommendations with the Board, which then decides whether to invite the nominee to join the Board. The invitation to join the Board is extended by the entire Board through the Chairman of the Board.

The Board considers and approves from time to time the criteria that it deems necessary or advisable for prospective director candidates. The Board has the full authority to modify such criteria from time to time as it deems necessary or advisable. The Board has delegated to the NGC the responsibility for developing and recommending to the Board for its consideration and approval such criteria for prospective director candidates as the NGC deems necessary or advisable. The NGC recommends to the Board from time to time such criteria for its consideration and approval.

#### **6. Term and Tenure**

In accordance with the By-Laws, directors are elected for a term of one year. The Board does not believe that it should establish limits on the number of terms a director may serve or on the directors’ age, as arbitrary limits may cause the loss of experience and expertise important to the optimal operation of the

Board. However, to ensure that the Board continues to evolve and remains composed of high functioning members able to keep their commitments to Board service, the NGC evaluates the qualifications and performance of each incumbent director before recommending the nomination of that director for an additional term. The Board expects that when a member of executive management who serves on the Board resigns from his or her executive position, he or she will also simultaneously submit his or her resignation from the Board. Whether the individual continues to serve on the Board is a matter for discussion at that time with the Board. In addition, the NGC is responsible for developing succession plans for the Board, as appropriate, in light of relevant facts and circumstances.

## **7. Director Independence**

The Board consists of a majority of independent directors. In making independence determinations, the Board observes all applicable requirements, including applicable corporate governance listing standards of the NASDAQ. The Board broadly considers all relevant facts and circumstances in making its determination. A director whom the Board has determined to be “independent” must notify the Chairman of the NGC of any change in circumstances or relationships that might impact such determination. Annually, the Board reviews the report of the NGC regarding the independence of each member of the Board and evaluates all relationships between the Company and each director in light of relevant facts and circumstances for the purposes of determining the independence of the members of the Board.

In addition to meeting the independence standards for directors set forth herein, Audit Committee members may not receive direct or indirect compensation from the Company other than as directors, may not be affiliated persons of the Company, and must otherwise satisfy the independence requirements set forth by the SEC and NASDAQ Rule 5605.

## **8. Board Committees**

From time to time, the Board may establish committees to assist the Board in carrying out its responsibilities. Presently, the Board has four standing committees of the Board: Audit, Compensation, Executive, and Nominating and Governance. The Board may establish additional Board Committees as it deems necessary or appropriate.

Based on the recommendations of the NGC, the Board appoints Committee members and Committee chairs according to criteria set forth in the applicable Board Committee charter and such other criteria that the Board determines to be appropriate in light of the responsibilities of each Board Committee. The NGC Committee annually reviews the composition of each Board Committee and presents recommendations for Board Committee membership to the Board as needed. There is no strict Committee rotation policy and changes in Committee assignments are made based on Committee needs, directors’ interests, experience and availability, and applicable regulatory and legal considerations.

Only independent directors may serve on the Audit Committee, the Compensation Committee and the NGC Committee in accordance with the independence requirements of the NASDAQ and the SEC, and other applicable laws and regulations. The NGC Committee from time to time reviews the Board Committee assignments and considers the rotation of chairpersons and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors. Concurrent membership on more than one committee is also desirable where practicable.

The Compensation Committee has the authority to retain and terminate compensation consultants that advise the Compensation Committee, as it deems appropriate, including the authority to approve such consultants' fees and other retention terms. With respect to any advice received from a compensation consultant, the Compensation Committee takes into account independence considerations as required by applicable laws and rules.

Each of the standing Board Committees has its own charter, which sets forth the responsibilities of the Board Committee, the qualifications and procedures of the Board Committee and how the Board Committee reports to the Board. The chairperson of each Board Committee is responsible for developing, together with relevant Company management, the Board Committee's general agenda and objectives and for setting the specific agenda for each Board Committee meeting. The Chairman of each Board Committee determines the frequency of Board Committee meetings, consistent with the Board Committee's charter and the Company's needs.

## **9. Changes in Business Responsibilities or Professional Affiliations**

When a director, including any director who is currently an officer or employee of the Company, retires, resigns, takes on a new position or directorship or materially changes his or her position with his or her employer or becomes aware of circumstances that may adversely reflect upon the director or the Company, such director is required to notify the Chairman of the NGC of such circumstances. The NGC considers the circumstances, and may in certain cases consider making a recommendation to the full Board that such director submit his or her resignation from the Board, if, for example, continuing service on the Board by the individual is not consistent with the criteria deemed necessary for continuing service on the Board.

## **10. Membership on Other Boards**

Carrying out the duties and fulfilling the responsibilities of a director requires a significant commitment of an individual's time and attention. The Board does not believe, however, that explicit limits on the number of boards directors may serve, or on other activities the directors may pursue, are appropriate. Recognizing that excessive time commitments can interfere with an individual's ability to perform his or her duties effectively, the NGC may take into account the nature of and time involved in a director's service on other boards and/or committees in evaluating the suitability of individual director candidates and current directors in making its recommendations. Directors are required to notify the Chairman of the Board before joining the board and/or committee of another organization, so that the potential for conflicts or other factors compromising the director's ability to perform his or her duties may be fully assessed. Service on other boards and/or committees must be consistent with the Company's conflict of interest policies set forth in these Guidelines.

## **11. Conflicts of Interest**

As set forth in the Company's Code and Conflict of Interest Policy, all directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. Directors have a personal obligation to disclose a potential conflict of interest to the Chairman of the Board before any decision related to the matter. The Chairman of the Board, in consultation with legal counsel determines, after reviewing all relevant information, whether or not a conflict exists or if the perception of a conflict is likely to be significant and, if so, that such director should recuse his or her self from any discussion or vote related to the matter.

## **12. Retention and Compensation of Outside Advisors**

The Board and each Board Committee, as provided in its charter, has the authority to hire, at the expense of the Company, independent legal, financial or other advisors as the Board and/or such Board Committee may deem necessary to fulfill their respective functions. The Board approves the fees and other retention terms of such advisors. The Company provides for appropriate funding, as determined by the Board, for payment of compensation to any such advisors employed by the Board.

## **13. Director Access to Officers, Employees and Information**

The Board has free access to Company management, employees and the books and records of the Company, to ensure that directors can ask any questions and receive all information necessary to perform their duties. Directors are required to exercise judgment to ensure that their contact with management does not distract managers from their jobs or disturb the business operations of the Company. Such contact, if in writing, should be copied to the CEO. The Chairman of the Audit Committee, however, need not advise the CEO of his or her contact with the Company's independent outside audit firm.

## **14. Attendance by Management, Advisors and Consultants at Board Meetings**

The Board and each Board Committee have the authority to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent auditor or any other professional retained by the Company to render advice to the Company, attend a meeting of the Board or Board Committee, or meet with any members of, or advisors to the Board. At the invitation of the Board, certain members of executive management, outside advisors and consultants from time to time may participate in Board and/or Board Committee meetings to: (a) provide insight into items being discussed which involve the member of executive management, advisor or consultant, (b) make presentations which involve the member of executive management, advisor or consultant, and (c) bring members of executive management with high potential into contact with the Board.

## **15. Confidentiality and Communication with Public and/or Investor Community**

Directors are required to maintain the confidentiality of all information regarding the Board and Board Committee deliberations and proceedings, including all information about the Company and its directors, officers and affiliates that the director learns in his or her capacity as a director of the Company. The Board believes that management speaks for the Company. Each director should refer all inquiries from institutional investors, the press or customers regarding the Company's operations to executive management. Individual Board members may, from time to time at the request of management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman in his or her Board capacity or other member of the Board designated by the Board.

## **16. Director Compensation**

The form and amount of director compensation is determined by the Compensation Committee and then recommended to the full Board for action in accordance with the Compensation Committee charter. In determining compensation, the Compensation Committee takes into consideration the responsibilities of the directors and fees and other forms of compensation being paid by other corporations comparable to the Company. The Company's executive officers do not receive additional compensation for their service as directors. In addition to compensation for serving as a director, the Compensation Committee may

recommend additional compensation for committee chairmen and/or committee members. Members of the Audit Committee may not directly or indirectly receive any compensation from the Company other than as permitted under applicable NASDAQ and SEC rules.

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

The NGC in conjunction with the CEO oversees the orientation and training of newly elected directors and continuing education for all Board members. All new directors participate in the Company's orientation program, which is conducted as soon as reasonably practicable after the meeting at which a new director is elected. This orientation may include presentations by executive management to familiarize new directors with the Company's business and strategic plans, its significant financial, accounting and risk management issues, the Company's compliance program and Code, these Guidelines, its principal officers, and its independent auditors. Any sitting directors may attend the orientation program. In addition, the Company's orientation program may include visits to the Company's headquarters and, to the extent practical, certain of the Company's facilities. The Company also provides directors with access to outside educational programs relating to their responsibilities as a director to help directors maintain the level of knowledge and expertise necessary to perform their duties as directors of a public company.

The NGC monitors the continuing education needs of the directors and recommends actions to the Board and management where appropriate. The Company's executive officers are responsible for periodically providing materials or briefing sessions for continuing directors on topics that may assist them in discharging their duties.

#### **18. CEO and Management Performance Evaluation**

To ensure that the CEO and executive management are providing the best leadership for the Company, on an annual basis the Board, through the Compensation Committee, will measure the CEO's and each member of executive management's performance against each of his or her goals and objectives pursuant to the Company's plans and, after considering the full evaluation of his or her performance, determine the compensation of the CEO and members of executive management. The Board also annually reviews and ratifies the Company's corporate goals and objectives relevant to the CEO's and executive management's compensation. The evaluation is based on achievement of a broad range of objective criteria specific to each individual, as well as the Company's achievement of business and strategic objectives. The full Board reviews the Compensation Committee's actions and the results are communicated to the CEO and members of executive management.

#### **19. Succession Planning**

The NGC reviews and oversees the Company's succession planning process for the CEO and other executive officers. This process includes the review of corporate succession planning with the CEO on a periodic basis with respect to emergency situations, such as in the event the CEO becomes unavailable to serve and the retirement of the CEO. Identification, cultivation and promotion of talented individuals within the executive management team is also part of the succession planning process.

To assist the Board, the CEO annually provides the Board with an assessment of members of executive management and their potential to succeed him or her. The CEO also provides the Board with an assessment of persons considered potential successors to certain other executive management positions, including a review of any development plans recommended for such individuals.

The Board also plans for its own succession to ensure the future leadership of the oversight of the Company. The NGC annually assesses issues surrounding succession, and takes those matters into account when recommending nominees for election to the Board at the next annual meeting of stockholders.

## **20. Promoting Business Ethics and Compliance**

All directors, members of executive management, and other employees of the Company are expected to adhere to the spirit, as well as the letter, of all laws and regulations applicable to the Company, the Company's compliance program and Code, and to uphold these ethical and compliance standards in carrying out their responsibilities to and on behalf of the Company. The NGC reviews the Company's policies relating to business conduct and ethics and management's monitoring of compliance. The Audit Committee also monitors the Company maintenance of an ethics and compliance helpline that is designed to receive confidential, anonymous submissions pertaining to: (a) the Company's accounting, internal controls and auditing matters; and (b) any known or suspected violations of the Company's Code, compliance program, or applicable laws and regulations. Among other things, the Audit Committee reviews any submissions received through the Company's ethics and compliance helpline and reports to the Board periodically with respect to the information received, as well as any related investigations and remediation measures taken by the Company, as appropriate.

## **21. Annual Performance Evaluation of the Board and Committees**

The NGC develops and coordinates an annual evaluation of the Board, as required by applicable law, the NASDAQ and/or any other applicable rules or regulations, to determine whether the Board is functioning effectively and meeting its objectives and goals. The NGC Committee solicits comments from all directors and annually reviews and discusses with the full Board the results of the evaluation, including its assessment of the Board's organization, policies, performance, effectiveness and contribution to the Company, as well as those areas in which the Board or management believes that the Board or any of its Board Committees can improve. In addition, in accordance with the Board Committee charters, each of the Board Committees also perform an annual self-evaluation and the collective evaluation results are reported by the chairperson of the Board Committee to the members of the Board Committee, as well as the full Board, for discussion and, as necessary, action.

## **22. Stockholder Communication to the Board**

Stockholders and other interested parties may contact the Board as a whole, or any individual member, by writing to the Board, through an established process for security holder communication (as that term is defined by SEC rules) (the "Security Holder Communication") as follows. Interested parties may send a Security Holder Communication directly to the Chairman of the Board, the individual directors as a group, or a specified individual director by mail to the attention of the Chairman of the Board, the independent directors as a group, or a specified individual director at: XG Sciences, Inc., c/o the Corporate Secretary's Office, 3101 Grand Oak Drive, Lansing, MI 48911.

The Board has designated the Corporate Secretary's Office as its agent for receipt of all Security Holder Communications. All Security Holder Communications are received, processed and initially reviewed by the Corporate Secretary's Office. The Corporate Secretary's Office maintains all such Security Holder Communications and they are all available for review by any member of the Board at his or her request. If no Corporate Secretary has been appointed, such Security Holder Communications will be directed to the Chairman of the Board.

The Chairman of the Audit Committee is promptly advised of any Security Holder Communication that alleges management misconduct or raises legal, ethical or compliance concerns about Company policies and practices. The Chairman of the Audit Committee also receives periodic updates from the Corporate Secretary's Office on other Security Holder Communications and determines which of these Security Holder Communications he or she desires to review, respond to or refer to another member of the Board. The Corporate Secretary's Office generally does not forward Security Holder Communications that are not related to the duties and responsibilities of the Board, including junk mail, service complaints, employment issues, business suggestions, job inquiries, opinion surveys and business solicitations.

### **23. Indemnification**

The directors are entitled to have the Company purchase directors' and officers' liability insurance on their behalf, and to be indemnified by the Company to the maximum extent permitted by law, the Articles, the Bylaws, and any applicable indemnification agreements. These Guidelines are not intended to modify, extinguish or in any other manner limit the indemnification, exculpation and similar rights available to the directors of the Company under applicable law, the Company's Articles and/or its Bylaws or by contract.

### **24. Waivers of Corporate Governance Guidelines**

The NGC reviews and, if appropriate, approves any requests for waivers of these Guidelines (except for requests for waivers with respect to members of the NGC, which are reviewed and, if appropriate, approved by the Executive Committee). Only the Board or, as applicable, the NGC Committee or the Executive Committee may grant waivers of these Guidelines, subject to any applicable laws, regulations, rules, the Company's Articles, and the Company's Bylaws.

### **25. Public Disclosure of Corporate Governance Guidelines, Code, and Committee Charters**

To enhance stockholder understanding of the Company's corporate governance policies and procedures, as well as promote adherence to them by the Board and executive management, the Company posts on its website copies of these Guidelines, the Company's Code, and the charters of the Audit Committee, Compensation Committee, Executive Committee, and Nominating and Governance Committee.