



## **CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors of NACCO Industries, Inc. (the “Company”) has adopted these Corporate Governance Guidelines to assist the Board of Directors in the exercise of its duties and responsibilities and to serve the best interests of the Company and its stockholders. The Guidelines should be applied in a manner consistent with all applicable laws, regulations and listing requirements, as well as the Company’s Certificate of Incorporation and By-Laws. The Guidelines provide a framework for the conduct of the Board of Directors’ business.

### **Responsibilities of the Board of Directors**

The Board of Directors, acting directly or through duly constituted committees, shall have the following responsibilities.

1. Oversee the conduct of the Company’s business and evaluate whether the business is being properly managed;
2. Review, approve and monitor fundamental business and financial strategies and major corporate actions;
3. Oversee processes designed to ensure the accuracy and completeness of the Company’s financial statements;
4. Monitor the effectiveness of the Company’s internal controls;
5. Assess major risks facing the Company and review options for addressing such risks;
6. Ensure processes are in place for maintaining the integrity of the Company, including the integrity of its financial statements, the integrity of the Company’s compliance with law and ethics, and the integrity of its relationships with its stakeholders;
7. Evaluate and authorize compensation of the Company’s Chief Executive Officer and review and approve the succession planning of the Company’s Chief Executive Officer; and
8. Oversee the selection, evaluation, development, compensation and succession planning of the Company’s senior managers.

### **Director Qualifications**

**Independence.** The Board of Directors will be comprised of at least a majority of independent directors. For purposes of these Guidelines, the term “independent” shall be interpreted by the Board of Directors to meet or exceed the independence standards of the New York Stock Exchange and any applicable laws, rules and regulations. The Board of Directors shall undertake an annual review of the independence of each director. Directors have an affirmative obligation to inform the Board of Directors

of any material changes in their circumstances or relationships that may impact their designation by the Board of Directors as independent.

***Director Qualifications.*** As a general matter, the Company seeks directors who will represent the best long-term interests of the Company's stockholders. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. Additional factors to be considered include judgment, skill, independence, possible conflicts of interest, experience with businesses and other organizations of comparable size or character, the interplay of the candidate's experience and approach to addressing business issues with the experience and approach of incumbent directors and other new director candidates. The Company's goal in selecting directors for nomination to the Board of Directors is generally to seek a well-balanced membership that combines a variety of experience, skill and intellect in order to enable the Company to pursue its strategic objectives. The Board of Directors does not believe that arbitrary term limits on directors' service or retirement ages are appropriate or in the best interests of the Company, nor does it believe that directors should automatically expect to be renominated annually. The performance of each director is evaluated annually by the Nominating and Corporate Governance Committee.

## **Board Meetings**

***Number of Meetings.*** The Board of Directors of the Company meets at five regularly scheduled meetings each year. In addition, the Board of Directors of the Company's principal subsidiary, of which each of the directors of the Company is a member, meets in person at five regularly scheduled meetings each year. The Boards of Directors of the Company and its subsidiary also meet on other occasions in person or by electronic means at additional special meetings as needed.

***Meetings of the Non-Management and Independent Directors.*** In accordance with the rules of the New York Stock Exchange, the Company holds at least one meeting of the independent, non-management directors of the Company's parent company Board of Directors each year, which is presided over by the Chairman of the Compensation Committee. In addition to the February meeting, additional meetings of the non-management directors will be scheduled from time to time when the non-management directors believe such meetings are desirable. The determination of the director who should preside at such meetings will be made based upon the principal subject matter to be discussed at the meeting.

***Meeting Materials.*** Information and materials that are important to the directors' understanding of the business to be conducted at Board of Directors and committee meetings or that will facilitate the Board's or a committee's discussion generally will be distributed in advance of those meetings. Directors are expected to review these materials in preparation for the meeting. The Board of Directors understands that certain items to be discussed at Board of Directors or committee meetings may be extremely confidential or time-sensitive and that distribution of materials relating to these matters prior to meetings may not be appropriate or practicable.

***Meeting Attendance.*** Absent an appropriate excuse, attendance is expected for the full length of the meeting by all directors at the Company's Annual Meeting of Stockholders, at all meetings of the Board of Directors of the Company and of its principal subsidiary, and at all meetings of each committee of which a director is a member.

## Board Committees

The purpose of the committees of the Board of Directors is to help the Board of Directors to fulfill its responsibilities effectively and efficiently, although the committees do not displace the oversight responsibilities of the Board as a whole.

The Board has established four standing committees of the Board. The four standing committees are:

1. ***Audit Review Committee.*** The Audit Review Committee has the responsibilities set forth in its Charter which, among other things, include: the quality and integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; the Company's guidelines and policies to monitor and control its major financial risk exposures; the qualifications, independence and selection of the independent auditor; the performance of the Company's internal audit function and independent auditors; assisting the Board and the Company in interpreting and applying the Company's Corporate Compliance Program and other issues related to Company and employee ethics; and preparing the annual Report of the Audit Review Committee to be included in the Company's proxy statement.
2. ***Nominating and Corporate Governance Committee.*** The Nominating and Corporate Governance Committee has the responsibilities set forth in its Charter which, among other things, include: identifying individuals qualified to become members of the Board; recommending to the Board when new members should be added to the Board; recommending to the Board individuals to fill vacant Board positions; recommending to the Board the director nominees for the next Annual Meeting of Stockholders; periodically developing and recommending to the Board updates to the Company's Corporate Governance Guidelines; assisting the Board and the Company in interpreting and applying the Company's Corporate Governance Guidelines and other issues related to corporate governance; and establishment and oversight of an annual review of the Company's Board of Directors.
3. ***Compensation Committee.*** The Compensation Committee has the responsibilities set forth in its Charter which, among other things, include: overseeing overall compensation policies and programs of the Company and its subsidiary and their specific application to senior managers and executive officers of the Company and its subsidiary and to members of the Board of Directors; reviewing and evaluating the performance of the Chief Executive Officer and other executive officers and senior managers of the Company and its subsidiary; reviewing compensation of the Boards of Directors of the Company and its subsidiary; considering whether the risks arising from the employee compensation policies of the Company and its subsidiary are reasonably likely to have a material adverse effect on the Company; making recommendations and/or reports to the Company's Board of Directors, where appropriate or required, and the taking of other actions with respect to all other compensation matters, including incentive compensation plans and equity-based compensation plans;; and reviewing and approving an annual report on executive compensation for inclusion in the Company's proxy statement.
4. ***Executive Committee.*** Except as otherwise required by law, rule or regulation, the Executive Committee may exercise all of the powers of the Board of Directors over the management and control of the business of the Company during intervals between meetings of the Board of Directors.

Each of the foregoing committees of the Board of Directors will also discharge any other duties or responsibilities delegated to the applicable Committee by the Board of Directors from time to time.

### **Board Compensation**

The Compensation Committee will annually review director compensation, and will make recommendations to the Board of Directors. Board compensation may be paid in cash and equity interests in the Company, and may consist of annual retainers, meeting fees and such other components as appropriate. Separate compensation may be provided to chairpersons of committees of the Board. In making its recommendations, the Compensation Committee will consider such factors as the Compensation Committee deems appropriate.

Directors who are also employees of the Company shall not receive any additional compensation for their service as Directors.

### **Director Orientation and Continuing Education**

The Secretary of the Company will arrange for new directors to meet with senior managers of the Company in order for the new director to become familiar with the Company's strategic plans, financial statements, and key policies and practices. This orientation should begin as soon as practicable after the new director is elected, and should be completed within one (1) year after the new director joins the Board. From time to time, the Company will provide Board members with presentations from Company and/or third party experts on topics that will assist Board members in carrying out their responsibilities and that will enhance Board members' understanding of changes in the regulatory environment. In addition, once each year on average, the Board of Directors may visit a facility of one of its operating companies.

### **Board Access to Management and Independent Advisors**

Directors have full and free access to officers and employees of the Company and its subsidiary. Any meetings or contacts that a director wishes to initiate with officers or employees may be arranged through the Chief Executive Officer or Secretary, or directly by the director. The Company will, on a regular basis, provide specific opportunities for this type of interaction.

The Board of Directors or any committee may retain and terminate such independent advisors, including attorneys, accountants, investment bankers and other consultants, as it deems necessary or appropriate to the performance of its duties from time to time. The Board of Directors or committee, as appropriate, will have the sole authority to approve the fees and other retention terms of such independent advisors.

### **Management Succession**

The Board of Directors will annually review the report of the Compensation Committee concerning the performance of the Chief Executive Officer of the Company. The Board of Directors will also annually review the report of management or the applicable designated committee regarding the succession plan for the Chief Executive Officer of the Company. Succession planning should include policies and principles for Chief Executive Officer selection and performance review, as well as policies regarding succession in the event that the Chief Executive Officer retires, resigns or is incapacitated.

## **Annual Performance Evaluation of the Board**

The Board of Directors will annually review the report of the Nominating and Corporate Governance Committee concerning the performance of the Board and its members. Such review will include an assessment of the Board's composition and independence, the effectiveness of the Board committees, the maintenance and implementation of these Guidelines and such other matters as the directors may determine. Periodically, the Board of Directors will conduct a self-evaluation to determine whether the Board of Directors and its committees are functioning effectively.

## **Effect of Corporate Governance Guidelines**

These Corporate Governance Guidelines are intended as one of the components of the flexible framework within which the Board of Directors and its committees direct and oversee the affairs of the Company. While these Guidelines should be interpreted in the context of applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and By-Laws, they are not intended to establish by their own force any legally binding obligations.

## **Amendment of Corporate Governance Guidelines**

The Board may amend, modify or make exceptions to these Guidelines from time to time in its discretion and consistent with its duties and responsibilities to the Company and its stockholders.

## **Disclosure of Guidelines**

Consistent with New York Stock Exchange listing requirements, these Guidelines are included on the Company's website and are available upon request in writing sent to the Secretary of the Company. The Company's annual report to stockholders states that these Guidelines are available on the Company's website and are available upon request in writing sent to the Secretary of the Company.

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