

# EP ENERGY CORPORATION

## CORPORATE GOVERNANCE GUIDELINES

December 10, 2015

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the “Board”) of EP Energy Corporation (the “Company”) to assist the Board in the exercise of its responsibilities. These Corporate Governance Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term stockholder value. These Corporate Governance Guidelines are not intended to change, interpret or supersede any Federal or state law or regulation, including the Delaware General Corporation Law, or the Second Amended and Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Company, and shall be interpreted consistent with the provisions of the Stockholders Agreement by and among the Company and the Stockholders party thereto. These Corporate Governance Guidelines are subject to modification from time to time by a majority of the Board.

### **Mission Statement**

The Board’s primary mission is the creation of long-term stockholder value while supporting and providing oversight to management in the business and operations of the Company. The Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, customers, suppliers, communities in which the Company’s businesses are located, government officials and the public at large.

### **Board Structure**

1. *Size of Board.* The Board shall determine the appropriate size of the Board (pursuant to the Company’s Second Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws) and may from time to time change its size to accommodate the Company’s needs.
2. *Selection of Board Members and Director Qualification Standards.* The Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise relevant to the Company with a reputation for integrity. The Governance & Nominating Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership in accordance with the policies and principles set forth in its charter. This assessment will include an examination of whether the individual is independent, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board. When formulating its Board membership recommendations, the Governance & Nominating Committee shall also consider advice and recommendations from others as it deems appropriate.

3. *Independence.* To the extent that the Company is a “controlled company” within the meaning of the New York Stock Exchange (“NYSE”) rules, the Company will qualify for, and intends to rely on, exemptions, which include not having a majority of independent directors on the Board. If at any time the Company no longer meets the “controlled company” exception, the Board will take all action necessary to ensure that at least a majority of the Board will be comprised of directors who meet the criteria for independence as required by the NYSE. The Board, upon the recommendation of the Governance & Nominating Committee, will determine annually, based on all of the relevant facts and circumstances, whether each director satisfies the criteria for independence and must disclose each of these determinations in the Company’s filings with the Securities and Exchange Commission (the “SEC”). Any determination of independence for a director who does not meet these standards, however, must be specifically explained. See “Determination of Director Independence” below.
4. *Director Responsibilities.* In discharging their duties, directors should be entitled to rely on the honesty and integrity of the Company’s officers, employees, outside advisors and independent auditors. Directors are expected to attend Board meetings, meetings of committees of the Board (individually, a “Committee”) on which they serve absent exceptional cause, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review meeting materials prior to Board meetings and meetings of Committees on which they serve and, when possible, should communicate in advance of meetings any questions or concerns that they wish to discuss so that management will be prepared to address the same. Each director’s attendance at, and preparation for, Board meetings and meetings of Committees on which they serve, shall be considered by the Governance & Nominating Committee when recommending director nominees.
5. *Service on Other Boards.* The Board believes that individuals should limit the number of boards of publicly traded companies on which they serve in order to give proper attention to their responsibility to each board. Therefore, the Board has established the following limitations: (1) directors shall not serve on the board of more than four other publicly traded companies, (2) the chief executive officer shall not serve on the board of more than two other non-affiliated publicly traded companies, and (3) members of the Company’s Audit Committee shall not serve on the audit committee of more than two other publicly traded companies. Exceptions to this policy will be considered in appropriate circumstances by the Board. Directors should notify the Chairperson of the Governance & Nominating Committee before accepting a seat on the board of any other publicly traded company in order to avoid conflicts of interests and to ensure that such service does not exceed the limitations set forth above.

6. *Board Leadership.* The Board does not have a policy on whether the role of the Chief Executive Officer and the Chairman of the Board should be separate, or whether the Chairman of the Board should be a management or a non-management director.
7. *Committees of the Board.* The Board shall have an Audit Committee, Compensation Committee, Governance & Nominating Committee, and such other committees as the Board may determine from time to time. To the extent required pursuant to the NYSE listing standards, each of these Committees will consist solely of independent directors satisfying applicable legal, regulatory and stock exchange requirements. In addition, at least one member of the Audit Committee shall satisfy the definition of an “audit committee financial expert” in accordance with rules adopted by the SEC. The Board, in compliance with applicable laws and regulations and the rules of the NYSE, will determine the responsibilities and membership of its committees. The committee chairperson, in consultation with committee members, will determine the frequency and length of the meetings of the committee, in accordance with applicable regulations and committee charters.
8. *Term Limits.* The Board will be divided into three classes. The members of each class will serve staggered, three-year terms (other than with respect to the initial terms of the Class I and Class II directors, which will be one and two years, respectively, as described in the Second Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws). Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which their term expires. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors.
9. *Retirement/Resignation.*
  - a. No person shall be nominated by the Board to serve as a director after he or she has passed his or her seventy-second (72nd) birthday unless the Governance & Nominating Committee has voted, on an annual basis, to waive or to continue to waive, the mandatory retirement age of such person as a director.
  - b. Unless otherwise directed by a Principal Stockholder pursuant to its director appointment rights under the Stockholders Agreement, a non-independent director appointed by a Principal Stockholder shall resign from the Board upon his or her resignation, removal or retirement as an employee or officer of the Principal Stockholder (as such term is defined in the Second Amended and Restated Certificate of Incorporation) or any of its affiliates, as applicable.

- c. Upon a change in a director's business position including, without limitation, retirement from the position on which a director's original nomination was based, the director must notify the Governance & Nominating Committee, which shall review the appropriateness of the affected director remaining on the Board given the changed circumstances. While a change in position or retirement from a position does not mean that the director will be required to leave the Board, the affected director is expected to act in accordance with the Governance & Nominating Committee's recommendation following such review.
  - d. It is the policy of the Company that when a Chief Executive Officer terminates his or her employment with the Company, he or she should submit a written resignation from the Board at the same time. Whether the individual continues to serve on the Board is a matter for discussion at that time by the Board. A former Chief Executive Officer serving on the Board will not be considered an independent director for any "cooling off" period required by the NYSE listing standards.
10. *Voting for Directors.* In accordance with the Company's Amended and Restated Bylaws, a plurality of the votes cast at any meeting for the election of directors at which a quorum is present shall elect directors

### **Determination of Director Independence**

The Board, based upon a recommendation of the Governance & Nominating Committee, shall determine the independence of each director or nominee based on applicable regulatory requirements of the SEC, the NYSE, these Corporate Governance Guidelines and other applicable regulations. The Governance & Nominating Committee and the Board will apply the following standards when assessing the independence of a director or nominee and the materiality of the relationship of the director or nominee with the Company. A director shall be deemed independent by the Board if the director meets the following standards and otherwise has no material relationship with the Company, either directly, or as a partner, stockholder, or officer of an organization that has a relationship with the Company.

- A director has not been an employee of the Company within the past three years and an immediate family member of a director has not been an executive officer of the Company within the past three years. Employment as an interim Chief Executive Officer or other executive officer shall not disqualify the director from being considered independent following employment; provided that such interim position did not exceed one (1) year in length.
- Neither a director nor an immediate family member of a director receives, or in any of the past three years has received, direct compensation in excess of \$120,000 (other than compensation received by the director for prior service as an interim Chief Executive Officer or other executive officer) from the Company, other than in the form of director or committee fees or in the form

of pension or other forms of deferred compensation not contingent upon continued service as a director.

- A director is not a current partner or employee of the Company's internal or external auditor and an immediate family member of a director is not a current partner of such auditor. In addition, neither a director nor an immediate family member of a director has been a partner or employee of such firm who personally worked on the Company's audit within the past three years.
- Neither a director nor an immediate family member of a director is, or in the past three years has been, part of an interlocking directorate in which he or she was employed as an executive officer of another company where one of the Company's current executive officers served at the same time on the compensation committee.
- A director is not an employee, and an immediate family member of a director is not a current executive officer, of another company that during any one of the last three fiscal years made payments to or received payments from the Company for property or services that exceed the greater of \$1,000,000 or two percent of such company's annual consolidated gross revenues.
- A director is not a partner in, or a controlling shareholder or executive officer of, a business or other professional entity which is indebted to the Company, or to which the Company is indebted, in an amount in excess of one percent of the total consolidated assets of such business or other professional entity as of the end of its most recently completed fiscal year.
- A director is not serving as a director, trustee, advisory board member or executive officer of a charitable organization to which the Company's discretionary contributions to the charitable organization in any single fiscal year exceed the greater of \$1,000,000 or two percent of such charitable organization's total annual charitable receipts and are not made as part of normal matching charitable gifts or programs of the Company available to all employees and independent directors.

For purposes of these standards, an "immediate family member" includes a director's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares such director's home.

Annually, the Board, based upon a recommendation of the Governance & Nominating Committee, will review all relationships of the directors and nominees to determine whether the directors and nominees meet these categorical standards of independence. If any relationship exists between a director or nominee and the Company that is not covered by these standards, the Board shall determine whether such relationship is material, and whether the director should be independent. The Board may determine that a director or nominee is "independent" even if the director or nominee does not meet each of these categorical standards of independence as long as the Board determines that

such person is independent of management and free from any relationship that in the judgment of the Board would interfere with the independent judgment of the director or nominee as a member of the Board. The Company, if required to comply with applicable regulations, will explain in its proxy statement any determination by the Board that a relationship was immaterial in the event that it did not meet the categorical standards set forth above.

## **Board Functions**

1. *Approval of Major Strategies and Financial Objectives.* Each year the Board will review and approve, as appropriate, the Company's business plan, as well as its long-term strategic plan, and financial goals. The Board will regularly monitor the Company's performance with respect to these plans and goals.
2. *Risk Management.* The Board has oversight responsibility with regard to assessment of the major risks inherent in the business of the Company and review of measures to address and mitigate such risks. The Board will review at least annually the Company's system of enterprise risk management.
3. *Board Evaluation.* The Board, in conjunction with the Governance & Nominating Committee, will annually evaluate the effectiveness of the Board and its committees. In addition, each committee shall conduct an annual evaluation of its effectiveness. The Board will meet in executive session to discuss these assessments. The purpose of these evaluations is to increase the effectiveness of the Board as a whole, each committee, and each individual Board member. Unless otherwise determined by the Board, the Governance & Nominating Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluations.
4. *Chief Executive Officer Evaluation.* The Compensation Committee will evaluate the performance of the Chief Executive Officer at least annually and report such evaluation to the Board. The evaluation will be based on objective criteria which shall include, among other factors, corporate and individual performance, the accomplishment of short-term and long-term strategic goals and objectives, and any other factors established by the Compensation Committee.
5. *Management Succession.* The Board shall periodically review with the Chief Executive Officer the management succession and development plan (including, without limitation, policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer). There should also be available, on a continuing basis, the Chief Executive Officer's recommendations as to his or her successor should he/she be unexpectedly unavailable.
6. *Executive Compensation.* The Compensation Committee shall be responsible for reviewing the executive compensation program of the Company to ensure that it is adequate to attract, motivate and retain competent executive

personnel and that it is directly and materially related to the short-term and long-term objectives of the Company and its stockholders, the operating performance of the Company and such other factors as deemed appropriate by the Compensation Committee.

7. *Director Compensation.* The Board, based upon a recommendation from the Compensation Committee, will periodically review director compensation to ensure that it is reasonable and competitive with companies that are similarly situated. Non-independent directors shall receive no additional compensation for Board or Board committee service. To more closely align the interests of directors and the Company's stockholders, a significant portion of the independent directors' fees will be paid in the form of Company equity.
8. *Stock Ownership.* The Board believes that it is important to align the interests of its independent directors with those of the stockholders and for the independent directors to hold equity ownership positions in the Company that are meaningful in their individual circumstances. The Compensation Committee shall periodically recommend to the Board minimum share ownership requirements for independent directors.
9. *Interaction with Third Parties.* The Board believes that management should speak for the Company and that the Chairman should speak for the Board. It is suggested that each director shall refer all inquiries from institutional investors, analysts, the press or customers to the Chief Executive Officer or his or her designee.
10. *Director Orientation and Continuing Education.* The Board will ensure that newly elected Board members are provided with a director orientation session in order to (a) become better acquainted with the way the Board functions, (b) meet with members of management, and (c) gain useful information regarding the Company and its operations. The Board, in consultation with the Chief Executive Officer, will provide for continuing education opportunities for directors on matters relevant to the Company and its business. The Company will assist directors with these continuing education opportunities, including by identifying, and, to the extent requested by a director, making arrangements for the director's attendance at, programs, seminars and conferences designed for board members and reimbursing directors for their costs and expenses in connection with attending such programs, seminars and conferences.

## **Board Operations**

1. *Number of Board Meetings.* The Board will meet as frequently as needed for the directors to discharge properly their responsibilities. Regular meetings of the Board are held at least four times per year and special meetings are held as necessary.

2. *Conduct of Meetings.* Board and Committee meetings will be conducted in a manner which ensures open communication, meaningful participation and timely resolution of issues.
3. *Agenda for Board and Committee Meetings.* The Chairman of the Board and Chief Executive Officer will propose an agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. With respect to committees of the Board, the chairperson of such committee, in consultation with committee members and appropriate members of management, will develop the Committee's agenda for applicable meetings.
4. *Materials Distributed in Advance of Meetings.* Information and data that are important to the Board's understanding of a meeting should, when practical, be distributed in writing to members of the Board in advance of the applicable meeting. Each director is expected to thoroughly review such materials prior to a Board or committee meeting, provided sufficient time is provided for such review.
5. *Executive Sessions.* The Board will meet at least two times a year, in executive session without any members of the Company's management, whether or not they are directors, who may otherwise be present and at least once per year, in executive session with only the independent directors present. There may be, but does not need to be, a single presiding director at all executive sessions; however the directors meeting in executive session shall have to formulate and disclose the manner by which a presiding director shall be selected for each executive session. If, however, one director is chosen to preside at all executive sessions, his or her name shall be disclosed in the annual proxy statement. The annual proxy statement shall also disclose how interested persons may communicate with any such person or the directors who meet in executive session as a group.
6. *Director Interaction with Management.* Board members shall have complete access to the Company's management. Board members should exercise reasonable judgment when contacting management to avoid creating unnecessary distractions from the Company's business operations, and ensure that the Chief Executive Officer is informed of such contacts.
7. *Access to Independent Advisors.* The Board and each committee shall have full access to independent legal, accounting, financial and other advisors, as it deems necessary or appropriate to assist the Board or respective committee in the conduct of its duties.
8. *Confidentiality.* The Board believes maintaining confidentiality of information and deliberations is imperative. Information learned during the course of service on the Board is to be held confidential and used solely in furtherance of the Company's business, as set forth in EP Energy's Code of Conduct.

## **Prohibition on Pledging and Hedging of Company Securities**

Directors and executive officers are to refrain from entering into any arrangement that involves holding Company securities in a margin account or a pledge of Company securities, unless the transaction is approved in advance by the General Counsel of the Company. Furthermore, directors and executive officers are expressly prohibited from holding Company securities in a margin account or otherwise entering into any pledge arrangement that, in either case, would permit a third party to sell the Company securities without director or executive officer's consent or knowledge.

In addition, directors, executive officers and employees of the Company are prohibited from entering into hedging transactions with respect to Company securities, including short-selling Company securities or the purchase or sale of puts, calls, options or other derivative securities based on the Company's securities.