



## APERGY CORPORATION

### CORPORATE GOVERNANCE GUIDELINES

The board of directors of Apergy Corporation (the “**Board**,” and such company together with its subsidiaries, the “**Company**”) has adopted the following Corporate Governance Guidelines (the “**Guidelines**”) to assist the Board in exercising its responsibilities. The Guidelines reflect the Board’s commitment to achieving business success and enhancing long-term shareholder value with the highest standards of integrity and ethics. The Guidelines also assure that the Board will have the necessary authority and practices in place to review and evaluate the Company’s business operations as needed and to make decisions that are independent of the Company’s management. The Guidelines will be reviewed by the Governance and Nominating Committee of the Board from time to time to ensure that they effectively promote the best interest of both the Company and the Company’s shareholders and that they comply with all applicable laws, regulations and stock exchange requirements.

#### **Role of the Board of Directors and Management**

The Company’s business is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer of the Company (“**CEO**”) and the oversight of the Board. The Board’s role is to oversee the management and governance of the Company and to ensure that the long-term interests of shareholders are being served. Both the Board and management recognize that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders, including employees, customers, suppliers and the communities we serve.

The Board’s responsibilities include:

- Selecting, evaluating and compensating the CEO, and overseeing management succession planning;
- Providing counsel and oversight in the selection, evaluation, development and compensation of senior management;
- Reviewing, monitoring and, where appropriate, approving fundamental financial and business strategies and major corporate actions; and

- Ensuring adequate processes are in place for maintaining the integrity of:
  - the Company's financial statements and financial reporting;
  - the Company's compliance program;
  - the management of enterprise risk; and
  - relationships with customers, suppliers and other stakeholders.

## **Board Composition and Structure**

**Responsibilities.** The Board is the ultimate decision-making authority within the Company, except with respect to those matters, including the election of directors, that are reserved for the Company's shareholders. Directors are expected to discharge their duties in good faith and in a manner the director reasonably believes are in the best interests of the Company.

**Board Size.** The Board may be comprised of between three and fifteen members. The Board may adjust the size of the Board from time to time in order to accommodate the availability of an outstanding director candidate or otherwise.

**Selection of Director Candidates.** The Board is responsible for nominating candidates for election to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. The Governance and Nominating Committee is responsible for identifying, screening and recommending director candidates to the full Board, taking into consideration the needs of the Board and the qualifications of the candidates. The Board, based on the recommendation of the Governance and Nominating Committee, will review each director's continuation on the Board on an annual basis. The Company's shareholders may recommend nominees for consideration by the Governance and Nominating Committee by submitting the names and supporting information to: Apergy Corporation, c/o Corporate Secretary, 2445 Technology Forest Blvd., Building 4, 12<sup>th</sup> Floor, The Woodlands, TX 77381.

**Board Membership Criteria.** In evaluating the suitability of director candidates, the Governance and Nominating Committee and the Board take into account many factors such as (i) personal and professional ethics, integrity, values and judgment, (ii) general understanding of various business disciplines (e.g., marketing, finance, etc.), (iii) the Company's business environment, (iv) educational and professional background, including the extent to which the combination of the nominee's expertise, skills, knowledge and experience complements that of the other directors in creating an effective board that is responsive to the needs of the Company, (v) analytical ability, (vi) diversity of viewpoints, backgrounds and experience, including a consideration of gender, race and age, (vii) ability and willingness to devote adequate time to Board duties, (viii) for current directors, history of attendance at Board and committee meetings, as well as preparation for, participation in and contributions to the effectiveness of those meetings and (ix) for non-employee directors, independence. The Board evaluates each individual in the context of the Board as a whole with the objective of retaining a

group that is best equipped to help ensure the Company's success and represent shareholder interests through sound judgment.

**Independent Directors.** It is the policy of the Board, consistent with New York Stock Exchange listing standards, that a significant majority of the Board shall be comprised of independent directors. The Board shall determine on an annual basis whether each director qualifies as an "independent director" pursuant to New York Stock Exchange listing standards. Each independent director is expected to promptly disclose to the Board any existing or proposed relationships or transactions that could impact his or her independence.

**Retirement Age and Tenure Policy.** Beginning with the annual meeting of shareholders held in 2023, a non-employee director may not stand for reelection after he or she attains the age of 72 years. In addition, a non-employee director may not stand for reelection upon the completion of ten years of service. In certain circumstances, the Board may waive these policies for a director and will report the rationale for such waiver in the Company's proxy materials.

**Board Leadership.** The Board will determine its leadership structure in a manner that it determines to be in the best interests of the Company and its shareholders. The Board will conduct an annual assessment of its leadership structure to determine that the leadership structure is the most appropriate for the Company at the time. The Board anticipates that the Company's CEO will be nominated annually to serve on the Board. The Chair of the Board and CEO positions may be filled by the same individual.

The Chair of the Board, among other things:

- presides at, and chairs, Board meetings and meetings of shareholders;
- establishes agendas for each Board meeting in consultation with the chairs of applicable committees of the Board;
- leads executive sessions of the Board;
- leads the Board in discussions concerning the CEO's employment, performance and dismissal; and
- performs such other duties and responsibilities as requested by the Board.

However, if the Chair of the Board is not independent, the non-employee directors of the Board shall elect a Lead Director who shall:

- serve as a liaison between the Chair of the Board and the independent directors;
- lead executive sessions of the Board;
- have authority to call meetings of the independent directors;
- lead the Board in discussions concerning the CEO's employment and performance and CEO succession;
- approve meeting agendas and meeting schedules for the Board;
- approve information sent to the Board;

- if requested by major shareholders, be available for consultation and direct communication; and
- perform such other duties and responsibilities as requested by the Board.

**Director Service on Other Boards.** The CEO and other members of senior management must seek the approval of the Board (or the Board committee to which this responsibility has been delegated), before accepting outside board memberships with for-profit entities. The CEO may not serve on the board of more than two other publicly held companies.

Non-employee directors must advise the Chair of the Board and the Chair of the Governance and Nominating Committee if they are being considered for election or appointment to a board of directors of another publicly held company. The Governance and Nominating Committee will determine whether the new board membership is compatible with continued service on the Company's Board. It is the policy of the Board that non-executive directors may not serve on the board of more than four other publicly held companies without the prior approval of the Board, except that any new Board members shall be given a reasonable transition period to come into compliance with this policy.

**Significant Change in Personal Circumstances and Other Matters.** Directors shall notify the Chair of the Board and the Chair of the Governance and Nominating Committee of any occurrence or change in circumstances that could adversely affect their service on the Board, such as a change in primary occupation, or any event or circumstance that could cause appreciable harm to the Company or its reputation. In addition, any director who changes his or her primary occupation shall submit a letter of resignation to the Board at the time of such notification. The members of the Board (other than such director) shall decide whether to accept or reject the resignation after considering all relevant matters, including whether the change of occupation impacts the director's independence or could create a conflict of interest.

**Conflicts of Interest.** All directors must comply with the applicable provisions of the Conflicts of Interest section of the Company's Code of Business Conduct and Ethics. Each director is expected to promptly disclose to the Board any existing or proposed relationships or transactions that involve or could create a conflict of interest. If a significant conflict of interest involving a director cannot be resolved, the director should promptly tender a resignation to the Board. The Governance and Nominating Committee shall then review the appropriateness of that director's continued service on the Board in light of the conflict and make a recommendation to the Board as to whether the resignation should be accepted.

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

**Board Meetings—General.** All meetings of and other actions by the Board shall be held and taken pursuant to the bylaws of the Company, including provisions governing notice of meetings and waiver thereof, the number of directors required to take action at meetings or by written consent, and other related matters. The Chair of the Board sets the agenda for each Board meeting and distributes it to all the directors in advance. The Chair of the Board shall, as appropriate, solicit suggestions from other directors as to agenda items for Board meetings.

**Director Attendance.** Directors are expected to attend regularly scheduled Board meetings and meetings of the committees on which they serve, as well as to make every effort to attend any specially called Board or committee meetings. Except for executive sessions and unless otherwise requested by the Board, the CEO, Chief Financial Officer (“**CFO**”) and General Counsel shall attend all Board meetings. Each director is also encouraged to attend the Company’s annual meeting of shareholders.

**Advance Distribution of Materials; Review by Directors.** Information that is relevant to the Board’s understanding of matters to be discussed at an upcoming Board meeting should be distributed to the members of the Board sufficiently in advance of meetings to permit meaningful review. Advance information materials should generally be kept as concise as possible while giving directors sufficient information to make informed decisions. Board and committee members should review materials provided to them prior to Board and committee meetings and arrive at such meetings prepared to discuss the issues presented.

**Access to Employees; Independent Advisors.** The Board has access to Company employees to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. Directors shall notify the CEO in advance of contacting any employee and shall use judgment to ensure that any such contact is not unduly disruptive to the business of the Company. With the approval of the Chair of the Board, management invites Company personnel to Board meetings (i) at which their presence and expertise would help the Board have a full understanding of matters being considered and (ii) who have future potential such that management believes the Board should have greater exposure to the individual. In addition, the Board and its committees have access to, and authority to engage, at the Company’s expense, independent financial, legal, accounting and other advisors.

**Executive Sessions.** Each regular meeting of the Board shall include an executive session at which the independent directors shall meet and no employee directors or other employees are present. The independent directors may convene such sessions during any Board meeting or by notice of a special Board meeting. These executive sessions may include such topics as the independent directors determine. During these executive sessions, the independent directors shall have access to members of management and other guests as they may determine.

**Director Orientation and Continuing Education.** The Governance and Nominating Committee is responsible for developing and overseeing an orientation program for new directors and a continuing education program for all directors. The Board believes that director orientation and continuing education is essential to valuable Board participation and decision making. In addition, portions of certain Board meetings will be devoted to educational topics at which senior management and outside subject matter experts present information regarding matters such as the Company’s industry, business operations, strategies, objectives, risks, opportunities, competitors and important legal and regulatory issues. The Company encourages directors to periodically pursue or obtain appropriate programs, sessions or materials and the Company will reimburse directors for reasonable expenses in accordance with Company policy.

## **Performance Evaluations and Succession Planning**

**Board and Committee Evaluation.** The Board evaluates its performance and the performance of its committees on an annual basis through an evaluation process administered by the Governance and Nominating Committee. The Board should discuss each evaluation to determine what, if any, actions should be taken to improve the effectiveness of the Board or any committee thereof.

**Individual Director Evaluation.** Each of the directors evaluates the performance of the other directors on an annual basis through an evaluation process administered by the Governance and Nominating Committee. The Board should discuss each evaluation to determine what, if any, actions should be taken to improve director performance.

**CEO Evaluation.** The Governance and Nominating Committee establishes the CEO evaluation process and determines the criteria by which the CEO is evaluated. All of the independent directors shall meet at least annually in executive session to evaluate the performance of the CEO, using these criteria. The results of this review shall be communicated to the CEO by the Chair of the Board and shall be considered by the Compensation Committee in respect of the CEO's compensation.

**Management Succession Planning.** The CEO, with the assistance of the Compensation Committee, is responsible for developing and maintaining a succession process and advising the Board on planning for potential successor Chief Executive Officers, as well as for other key senior executive officers in the Company, including in the event of an unexpected occurrence. The independent directors are responsible for oversight of succession planning in the Company. Management succession planning shall be reviewed annually and may be reviewed more frequently by the Board as it deems appropriate.

## **Compensation**

**Board Compensation Review.** The Compensation Committee annually reviews and reports to the Board as to how the Company's director compensation practices compare with those of other comparable companies. The Board determines its director compensation practices after the Compensation Committee completes this review. It is the general policy of the Board that Board compensation should be a mix of cash and equity-based compensation. Directors who are also members of management will receive no additional compensation for their service as directors.

**Share Ownership by Directors.** The Board believes that an ownership stake in the Company strengthens the alignment of interests between directors and shareholders. Accordingly, each director should own common shares (or equivalents) having a value of at least five times the cash portion of the annual retainer fee, within five years of becoming a director, that shall be maintained through the director's term of service. In the event that the annual retainer fee is increased, directors will have three years to meet the new ownership guidelines. The Board will evaluate whether exceptions should be made for any director on whom these guidelines would impose a financial hardship.

## **Committees**

**Number and Type of Committees.** The Board has established the following committees to assist it in discharging its oversight responsibilities: Audit, Compensation, and Governance and Nominating. All committees have written, Board-approved charters detailing their composition, responsibilities and the extent to which they have been delegated powers of the Board. Committees are comprised solely of directors who satisfy applicable independence requirements for service on the respective committee. Chairpersons and members of these committees are rotated periodically, as appropriate. The committee chairs report the highlights of their meetings to the full Board following each meeting of the respective committees. The Board may form other committees as it determines appropriate. Committee duties are described briefly as follows:

- **Audit Committee.** The Audit Committee primarily assists the Board in overseeing (i) the quality and integrity of the financial statements provided by the Company to the shareholders of the Company and the public, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence, and performance of the Company's independent auditors and (iv) the performance of the Company's internal audit function.
- **Compensation Committee.** The Compensation Committee primarily (i) discharges the Board's responsibilities relating to compensation of the Company's executive officers and directors and (ii) reviews and recommends to the Board compensation plans, policies and programs, as well as approves individual executive officer compensation, intended to attract, retain and appropriately reward employees in order to motivate their performance in the achievement of the Company's business objectives and align their interests with the long-term interests of the Company's shareholders.
- **Governance and Nominating Committee.** The Governance and Nominating Committee primarily (i) develops and recommends to the Board a set of corporate governance guidelines applicable to the Company, (ii) oversees the annual performance evaluation of the Board and its committees and management, (iii) identifies, evaluates and recommends individuals qualified to become members of the Board, consistent with criteria approved by the Board and (iv) selects, or recommends that the Board select, the director nominees to stand for election at each annual meeting of shareholders of the Company or to fill vacancies on the Board. The Committee shall also recommend directors eligible to serve on all committees of the Board.

**Composition of Committees; Committee Chairs.** Each of the Audit, Compensation and Governance and Nominating Committees consists solely of independent directors. The Board is responsible for appointing committee members and committee chairs, pursuant to recommendations made by the Governance and Nominating Committee and subject to applicable laws and New York Stock Exchange listing standards. The Board considers the rotation of committee members and committee chairs from time to time and makes adjustments as it deems necessary or advisable.

## **Communications**

**Board Interaction with Third Parties.** It is the policy of the Board that the CEO and the CFO of the Company act as the spokespersons for the Company, although management may, from time to time, request individual directors to meet or otherwise communicate with various constituencies that are involved with the Company. Individual directors will only speak with the media about the Company if authorized by the full Board and in accordance with the policies of the Company.

**Shareholder Access to Directors.** It is the policy of the Board that shareholders shall have reasonable access to directors at annual meetings of shareholders and an opportunity to communicate directly with directors on appropriate matters. The Board will generally respond, or cause the Company to respond, in writing to bona fide communications from shareholders addressed to one or more members of the Board. Shareholders and other interested parties are invited to communicate with the Board or any of its committees or directors by writing to: Apergy Corporation, c/o Corporate Secretary, 2445 Technology Forest Blvd., Building 4, 12<sup>th</sup> Floor, The Woodlands, TX 77381.

**Confidentiality.** In order to facilitate open discussions, the Board believes maintaining confidentiality of information and deliberations is imperative. Each director has a fiduciary obligation to maintain the confidentiality of information received in connection with his or her service as a director or committee member.

*[As adopted by the Board of Directors on April 18, 2018]*