



## CORPORATE GOVERNANCE GUIDELINES<sup>1</sup>

### I. INTRODUCTION

Pursuant to Section 303A.09 of the Listed Company Manual of the New York Stock Exchange (“**NYSE**”), companies listed on the NYSE must adopt and disclose a set of corporate governance guidelines. Consistent with such requirements, the New Mountain Finance Corporation (the “**Fund**”) has adopted this set of Corporate Governance Guidelines. A copy of the Fund’s Corporate Governance Guidelines will be posted on the Fund’s corporate website.

### II. CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “**Board**”) of the Fund has adopted these corporate governance guidelines, which describe the principles and practices that the Board will follow in carrying out its responsibilities. These guidelines will be reviewed by the Board from time to time to ensure that they effectively promote the best interests of both the Fund and the Fund’s shareholders and that they comply with all applicable laws, regulations and stock exchange requirements.

The Board directs and oversees the management of the business and affairs of the Fund in a manner consistent with the best interests of the Fund and its shareholders. In this oversight role, the Board serves as the ultimate decision-making body of the Fund, except for those matters reserved to or shared with the shareholders. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Fund.

#### A. Board Composition, Structure and Policies

**Board Size.** At the time of the adoption of this BDC Compliance Manual, the Board has five members. The Nominating Committee (as defined below) shall consider and make recommendations to the Board concerning the appropriate size and needs of the Board. The Nominating Committee shall also consider candidates to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason, all in accordance with applicable laws, regulations and stock exchange requirements.

**Classified Board.** Consistent with the Fund’s certificate of incorporation, the Board shall be divided into three classes of directors, as nearly equal in number as reasonably possible, serving staggered three-year terms, with the term of office of only one of the three classes expiring each year.

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<sup>1</sup> These Corporate Governance Policies are applicable only to New Mountain Finance Corporation.



**B. Independence of Directors.** Consistent with Section 303A of the NYSE’s Listed Company Manual, the Fund defines an “independent” director as any person who is not an “interested person” of the Fund as defined under Section 2(a)(19) of the Investment Company Act of 1940 (the “**1940 Act**”) (hereinafter “disinterested” or “independent”<sup>2</sup>). The Board shall make an affirmative determination at least annually as to the independent status of each director. The Board shall be comprised of directors, at least a majority of whom shall be independent. The Adviser shall monitor the percentage of independent directors serving on the Board. If there is a decrease in the number of independent directors (due to resignations of independent directors, change in status of a director, etc.), the Adviser shall notify the Board, including the Nominating Committee. The Nominating Committee shall promptly convene to consider new candidates who would qualify as independent directors to serve on the Board.

**C. Review of Director and Officer Status.**

The Fund shall periodically review (at least annually) the status of each director and officer of the Fund to determine the qualification and fitness of such director and officer to serve in his or her respective capacities based on such director’s or officer’s outside business dealings, percentage ownership of the Adviser and any relationship he or she may have with the Fund or the Adviser or their respective affiliates. Such review shall be performed through the distribution and receipt of a Directors’ and Officers’ Questionnaire (the “**D&O Questionnaire**”) to be sent to each director and officer annually in December or January of each calendar year by the Adviser (as determined by the CCO or the CCO’s designee). The CCO of the Fund shall review (in consultation with the Fund’s legal counsel, as appropriate) all D&O Questionnaires to confirm, among other matters, the continued independence of each independent director. The independent directors will be advised of any proposed material disclosure relating to any director’s independence.

New directors or officers to the Fund shall complete a D&O Questionnaire prior to serving as a Fund director or officer. The review of the completed D&O Questionnaire shall consider, among other things, the director’s or officer’s outside business dealings, percentage ownership of the Adviser and any relationship he/she may have with the Fund or the Adviser or their respective affiliates, outside of serving as a director or officer of the Fund.

**D. Board Leadership Structure.** The Board shall select its chairperson (“Chairperson”) and the Fund’s Chief Executive Officer (“CEO”) in any way it considers in the best interests of the Fund. Therefore, the Board does not have a policy on whether the role of Chairperson and CEO should be separate or combined and, if it is to be separate, whether the Chairperson should be selected from the independent directors or should be an officer of the Fund.

**E. Director Qualification Standards.** The Nominating Committee is responsible for reviewing the qualifications of potential director candidates and recommending to the Board those candidates to be nominated for election to the Board. The Nominating Committee will consider the competencies, skills and personal qualities required to add value to

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<sup>2</sup> For purposes of this policy, the terms “independent” and “disinterested” may be used interchangeably.



the Fund and the functioning of the Board and its Committees such as independence, diversity, financial expertise, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other Board members, the extent to which the candidate would be a desirable addition to the Board and any committees of the Board, and legal, regulatory and listing requirements applicable to the Fund as well as any other factors it deems appropriate. The Board should monitor the mix of specific experience, qualifications and skills of its directors in order to assure that the Board, as a whole, has the necessary tools to perform its oversight function effectively in light of the Fund's business and structure. Shareholders may also nominate directors for election at the Fund's annual shareholders meeting by following the provisions set forth in the Fund's bylaws. The qualifications of such shareholder nominees will be considered by the Nominating Committee.

**F. Director Orientation and Continuing Education.** The Fund's senior management, if and as may be requested by the Board, will provide written materials and/or an orientation process for new directors and coordinate, if and as may be requested, written materials and director continuing education sufficient to assist directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities.

**G. Term Limits.** The Board does not believe in term limits for directors because they would deprive the Board of the service of directors who have developed, through valuable experience over time, an increasing insight into the Fund and its operations.

### **III. BOARD MEETINGS**

**A. Frequency of Meetings.** The Board currently plans to meet at least quarterly at regularly scheduled meetings each year, with further meetings to occur (or action to be taken by unanimous consent) at the discretion of the Board. During most of those regularly scheduled meetings, most committees will meet, as well as the full Board.

**B. Selection of Board Agenda Items.** The CEO and Chairman shall set the agenda for Board meetings in accordance with the procedures set forth in the BDC Compliance Manual, as may be amended from time to time, and with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with the advisory and monitoring functions of the Board. Agenda items for Board meetings that fall within the scope of responsibilities of a Board committee shall be reviewed with the chairperson of that committee prior to inclusion on the Board Agenda. Any member of the Board may request that an item be included on the agenda.

**C. Access to Management and Independent Advisers.** Board members shall have free access to all members of management and employees of the Fund and the Adviser and, as necessary and appropriate, Board members may consult with independent legal, financial, accounting and other advisers, at the Fund's expense, to assist in their duties to the Fund and its shareholders.



**D. Executive Sessions.** The independent directors of the Fund shall meet in a separate (so-called executive) session, at least quarterly. No interested person of the Fund, as defined under the 1940 Act, may be present in such sessions. Such sessions are anticipated to include, among other items in the directors' discretion, discussions of the directors' views on the performance of the Adviser and other service providers.

#### **IV. COMMITTEES OF THE BOARD**

The Board shall have at least four committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee (the "**Nominating Committee**") and the Valuation Committee. Each committee shall have a written charter and shall report regularly to the Board summarizing the committee's actions and any significant issues considered by the committee. Copies of the charters shall be posted to the Fund's corporate website in accordance with applicable SEC rules and NYSE listing standards.

Each of the Audit Committee, the Compensation Committee, the Nominating Committee and the Valuation Committee shall be comprised of at least three directors. Each committee shall be comprised solely of independent directors. In addition, each committee member must satisfy the membership requirements set forth in the relevant committee charter. A director may serve on more than one committee.

The Nominating Committee shall be responsible for, among other things, identifying Board members qualified to fill vacancies on any committee and recommending that the Board appoint the identified member or members to the applicable committee. The Board, taking into account the views of the Chairperson and the Nominating Committee, shall designate one member of each committee as chairperson of such committee. Committee chairpersons shall be responsible for setting the agendas for their respective committee meetings.

The Audit Committee shall consist of at least three independent directors, each of whom shall also meet the current independence and experience requirements of Rule 10A-3 of the Securities Exchange Act of 1934 (the "**Exchange Act**"). At least one member of the Audit Committee must have accounting or related financial management expertise (as defined in the NYSE listing standards) and shall qualify as an "audit committee financial expert" as such term is defined under Item 407 of Regulation S-K.

The Fund's Audit Committee shall choose an "audit committee financial expert" who meets the criteria set forth in the following definition:

- an understanding of generally accepted accounting principles and financial statements;
- the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;



- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by a public company's financial statements, or experience actively supervising one or more persons engaged in such activities;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of how the Audit Committee functions.

The Audit Committee shall consider whether the proposed audit committee financial expert has acquired such attributes through:

- education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- other relevant experience.

Annually the Audit Committee shall review the status of the audit committee financial expert. At least annually the Fund shall identify the audit committee financial expert in its annual report on Form 10-K or its proxy statement.

## **V. DIRECTORS RESPONSIBILITIES**

The business and affairs of the Fund shall be managed by or under the direction of the Board in accordance with Delaware law and other applicable laws and regulations. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Fund and its shareholders. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

**A. Commitment and Attendance.** All directors are expected to make every effort to attend all meetings of the Board, meetings of the committees of which they are members and the annual meeting of shareholders. Members are encouraged to attend Board meetings and meetings of committees of which they are members in person but may also attend such meetings by telephone or video conference.



**B. Participation in Meetings.** Each director should be sufficiently familiar with the business of the Fund, including without limitation its financial statements and capital structure, its assets and their valuation, its valuation methodologies, the risks it faces and its regulatory environment, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Management will make appropriate personnel available to answer any questions a director may have about any aspect of the Fund's business. Directors should also review the materials provided by management and advisers in advance of the meetings of the Board and its committees and should arrive at Board and committee meetings prepared to discuss the issues presented.

**C. Loyalty and Ethics.** In their roles as directors, all directors owe a duty of loyalty to the Fund. This duty of loyalty mandates that the best interests of the Fund take precedence over any interests possessed by a director. The Fund has adopted a Code of Ethics (the "Code"), which includes a compliance program to enforce the Code, and directors are expected to adhere to the Code.

**D. Other Directorships and Significant Activities.** Serving on the Board requires significant time and attention. Directors are expected to spend the time needed and meet as often as necessary to discharge their responsibilities properly. Without specific approval from the Nominating Committee or Board, no independent director may serve on more than five public company boards (including the Fund's Board), and no member of the Audit Committee may serve on more than three public company audit committees (including the Fund's Audit Committee). In addition, directors who also serve as CEOs or in equivalent positions generally should not serve on more than two public company boards, including the Fund's Board, in addition to their employer's board. Directors should advise the Chairperson of the Nominating Committee and the Chairperson and CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses, non-profit entities or governmental units.

**E. Contact with Management.** All directors are invited to contact the Chairperson or CEO at any time to discuss any aspect of the Fund's business. Directors also have complete access to other employees of the Fund or the Adviser. The Board expects that there will be frequent opportunities for directors to meet with the Chairperson or CEO and other members of management in Board and committee meetings and in other formal or informal settings.

**F. Confidentiality.** The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

## **VI. MANAGEMENT SUCCESSION PLANNING**

At least annually, the Board shall review a succession plan, developed by management and reviewed by the Nominating Committee. The succession plan should include, among other things, an assessment of the experience, performance and skills for possible successors to the Chairperson and CEO as well as a plan in the event of an emergency or unexpected retirement of the current Chairman and CEO.



## **VII. ANNUAL EVALUATION OF BOARD PERFORMANCE**

The Fund's directors will conduct a self-evaluation at least annually to determine whether the Board is functioning effectively. This evaluation will be conducted in the form of a questionnaire in a form determined to be appropriate by the CCO in consultation with the Fund's senior management, legal counsel (as the CCO deems appropriate) and the Nominating Committee. The Nominating Committee should periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively. Each committee of the Board will conduct a self-evaluation at least annually and report the results to the Board. Each committee's evaluation should compare the performance of the committee with the requirements of its written charter.

## **VIII. BOARD COMPENSATION**

The form and amount of director compensation will be determined and reviewed at least annually by the Compensation Committee in accordance with its charter and applicable NYSE and SEC rules and guidelines. The Compensation Committee will consider that a directors' independence will be jeopardized if compensation is paid to such director beyond what is customary for similarly situated companies, or if the Company makes substantial charitable contributions to organizations with which the director is affiliated, or if the Company enters into consulting contracts with or otherwise provides any form of indirect compensation to such director or any organization with which such director is affiliated. Employee directors and directors affiliated with the Adviser are not paid additional compensation for their services as directors.

## **IX. COMMUNICATIONS WITH SHAREHOLDERS AND INDEPENDENT DIRECTORS**

The CEO is principally responsible for establishing effective communications with all interested parties, including shareholders of the Fund. It is the policy of the Fund that management speaks for the Fund. Shareholder communications should be addressed in accordance with the Fund's Shareholder Communication Policy set forth in this BDC Compliance Manual, as may be amended from time to time.

Anyone who would like to communicate with, or otherwise make his or her concerns known directly to the chairperson of any of the Audit, Valuation, Nominating and Compensation Committees, or to the independent directors as a group, may do so by sending such communications or concerns to the Fund's Chief Compliance Officer at the Fund's offices. Such communications may be done confidentially or anonymously.

The Fund also has a policy in place to handle formal and anonymous accounting complaints. Please refer to the Fund's Accounting Complaints Policy to review the procedures.

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