

**ROYAL HAWAIIAN ORCHARDS, L.P.**

**ROYAL HAWAIIAN RESOURCES, INC.**

**GOVERNANCE GUIDELINES**

(Approved June 7, 2017)

**1. PURPOSE**

The Board of Directors (the "Board") of Royal Hawaiian Resources, Inc. ("RHR") has adopted these Governance Guidelines (the "Guidelines") to address significant governance issues related to Royal Hawaiian Orchards, L.P. (the "Partnership") and RHR, its managing general partner. The Board's Nominating, Governance and Compensation Committee (the "NGC Committee") is responsible for overseeing and reviewing the Guidelines and reporting and recommending to the Board any changes to the Guidelines. The term "Company" when used herein shall mean any or all of RHR, the Partnership and any subsidiary of the Partnership, as may be applicable or appropriate. These Guidelines shall be posted on the Partnership's website accessible to investors.

**2. BOARD COMPOSITION**

**2.1 Number of Directors**

The size of the Board shall be fixed from time to time as determined by the Board in accordance with RHR's Certificate of Incorporation and By-Laws. The size of the Board shall be assessed regularly in light of the Company's needs.

**2.2 Independence**

A majority of the members of the Board shall meet the criteria for independence set forth in the listing standards of the New York Stock Exchange (the "NYSE"), whether or not the Partnership could qualify for an exemption from those requirements because it is a limited partnership, and shall satisfy any and all other independence requirements as prescribed by applicable law.

## **2.3 Disclosure of Relationships**

It shall be the responsibility of each director and prospective director to disclose to the Board any relationship that could impair his or her independence or any conflict of interest with the Company or any related party. Relationships that should be disclosed may include, among others, affiliations of a director or prospective director or an immediate family member (defined as a person'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 person's home) of a director or prospective director with a (1) customer, supplier, distributor, dealer, reseller or other channel partner of the Company; (2) lender, outside legal counsel, investment banker or consultant of the Company; (3) a significant security holder of the Company; (4) charitable or not-for-profit institution that has received or receives donations from the Company or (5) competitor or other person having an interest adverse to the Company. Each director shall advise the Board of any such relationships as needed to assist the Board in making a determination of his or her independence and in making any required disclosures in the Partnership's annual Form 10-K.

## **3. NOMINATION OF DIRECTORS**

### **3.1 Qualifications of Directors**

In evaluating candidates for election to the Board, the NGC Committee shall take into account the qualifications of the individual candidate as well as the composition of the Board as a whole. Among other things, the Committee shall consider (1) the professional qualifications of the candidate including any industry experience or expertise, (2) the number of other boards on which the candidate serves, including public and private company boards as well as not-for-profit boards, (3) other business and professional commitments of the candidate, (4) the need of the Board for directors having certain skills and experience, and (5) the diversity, in the broadest sense, of the directors then comprising the Board.

The Committee shall, in making a recommendation regarding the reelection of an existing member of the Board for an additional one-year term, consider the director's tenure, as provided in paragraph 6.2, and make an

assessment of the director's past contributions and effectiveness as a Board member and his or her ability to continue to provide future value to the Board.

### **3.2 Service on Other Boards**

While the Board has not established a maximum number of board memberships for current directors or nominees to the Board, the NGC Committee will consider the nature of and time involved in a director's or candidate's service on other boards in assessing an individual's suitability for election or reelection to the Board and will consider any conflicts of interest arising from such other activities. A director may not continue to serve on the Board and an individual will not be considered for nomination to the Board if such person's service on the Board would exceed the limits for board service or otherwise violate any rules established by the NYSE or any exchange on which the Company's units are listed.

### **3.3 Process for Additional Board Memberships**

A director who desires to serve on another public company board shall notify the Chairperson of the Board before accepting the appointment to that board and provide any information requested in order to enable the Board to determine that the additional directorship does not impair the director's independence. The Chairperson of the Board may seek guidance from counsel as to whether the appointment may impair the director's independence or raise other legal issues. In addition, a senior executive of the Company shall obtain the approval of the Board before accepting a directorship with another public or private company.

## **4. DIRECTOR COMPENSATION REVIEW**

The NGC Committee will review annually the director compensation program and recommend any changes to the Board for approval. The Committee will seek, among other factors, a compensation program that aligns the Board with the long-term interests of the Partnership's Unitholders, compensates directors fairly for their work and promotes ownership by the directors of Units of Partnership interest. The Committee will obtain advice on competitive compensation practices and may retain an outside consultant for this purpose. The Committee shall provide for pro-rated compensation

treatment for directors who are appointed to the Board other than at the annual meeting of shareholders of RHR.

## **5. DIRECTOR TENURE**

### **5.1 Retirement from the Board**

Unless waived by the Board at the recommendation of the NGC Committee, a director shall retire from the Board immediately prior to the annual meeting of shareholders of RHR that occurs in the calendar year of his or her 75th birthday. The Board may make exceptions to the age limitation in the best interest of the Company after consideration of individual circumstances.

### **5.2 Number of Terms**

While the Board has not established a fixed maximum term for a director, the NGC Committee shall periodically consider a director's tenure in making a recommendation to the Board whether or not a director shall be retained or replaced. In particular, the Committee shall consider factors such as the director's continued productivity, the value to the Company of retaining an experienced director and the disruption to Board effectiveness that can result from changes of Board personnel that are too frequent or extensive.

## **6. DIRECTOR RESPONSIBILITIES**

### **6.1 General**

It is the responsibility of the directors to exercise their best business judgment when acting on behalf of the Company and its security holders, being able to rely on the honesty and integrity of the Company's senior management and its outside advisors and auditors. Directors must act ethically at all times and adhere to the applicable provisions of the Company's Code of Ethics, *Doing Business with Integrity* ("Code of Conduct"). The Board is responsible for establishing and helping the Company achieve business and organizational objectives through oversight, review, and counsel. Among other things, the Board will:

- approve and monitor critical business and financial strategies of the Company;
- assess major risks facing the Company, and options for their mitigation;

- approve, authorize and monitor major Company actions and contracts;
- oversee processes designed to ensure that the Company and its employees comply with applicable laws and regulations;
- oversee processes designed to ensure the accuracy and completeness of the Company's financial statements; and
- monitor the effectiveness of the Company's internal controls.

## **6.2 Trading in Company Securities**

The directors shall adhere to the Company's policy on trading in securities of the Company and to specific guidance provided by the Secretary as to periods when directors should refrain from trading in the Company's securities.

## **6.3 Conflicts of Interest**

It is the Company's policy that executive officers shall not have any conflict of interest. In the event that any executive officer of the Company has an unavoidable conflict of interest or seeks a waiver of any other provision of the Code of Ethics for which a waiver may be obtained, the officer shall notify the Secretary, who shall arrange for the Board or a committee designated by the Board to consider the request. The waiver shall be granted only if approved by the Board or designated committee.

Because of the business relationships that a director may have outside of the Company, it is possible that an actual or potential conflict of interest may develop as a result of actions contemplated by the Company or another person. In the event a director has an actual or potential conflict of interest with respect to a matter involving the Company, whether or not under consideration by the Board, the director shall inform the Board, which shall determine what action, if any, is required, including whether the director should excuse himself or herself from discussion or voting with respect to the matter. In the case of a conflict of interest that is of an ongoing and material nature, the director may be asked to tender his or her resignation.

## **6.4 Governance Review**

At least annually, the Board shall review the governance structure of the Company, including, among other items, its various committee charters, the

Board composition, other provisions of its charter and By-Laws affecting governance, other arrangements containing provisions that become operative in the event of a change in control of the Company, governance practices and the composition of the Company's unitholder base.

## **7. MANAGEMENT RESPONSIBILITIES**

Management is responsible for the day-to-day operation of the Company. It represents and acts on behalf of all unitholders of the Company. Management is responsible for causing the Company to achieve its business and organizational objectives, implementing the formal resolutions of the Board, and keeping the Board adequately informed of the Company's activities. Among other things, management will engage in the following activities, subject to oversight by the Board:

- develop and implement critical business and financial strategies of the Company, including preparing an annual budget for Board approval;
- assess major risks facing the Company, and options for their mitigation, and report such risks and options to the Board;
- inform the Board of all major Company actions and events and obtain all necessary or desirable Board approvals;
- develop and implement processes designed to ensure that the Company and its employees comply with applicable laws and regulations;
- develop and implement processes designed to ensure the accuracy and completeness of the Company's financial statements;
- develop and implement internal control procedures;
- make recommendations to the Board regarding the Company's principal officers;
- make recommendations to the NGC Committee regarding compensation of the Company's principal officers and regarding equity compensation for employees;
- develop and implement succession plans for management; and
- make recommendations to the NGC Committee regarding orientation and continuing education programs for directors.

## **8. BOARD MEETINGS**

### **8.1 Attendance and Materials**

Directors are expected to attend Board meetings and Committee meetings on which they serve in order to best fulfill their responsibilities. Meeting

materials will be provided to the Board and Committees prior to a scheduled meeting. Directors are responsible for reviewing these materials in advance of the meetings.

## **8.2 Agendas**

The Chairperson and President, taking into account suggestions from other members of the Board, shall be responsible for setting the Board's agenda for each Board meeting and will distribute the agenda and related materials to each director in advance of the meeting. The Board agenda shall include an ongoing review of strategy, financial and capital plans, along with quarterly updates on the performance and plans of each of the Company's major businesses, as well as matters on which the Board is legally required to act.

The agendas and meeting minutes of the committees will be shared with the full Board.

## **8.3 Management Attendance**

The Board welcomes the periodic attendance of senior officers of the Company at Board meetings to provide insight and updates into items being addressed by the Board and to provide high potential managers exposure to the Board. The Board may invite other members of management as it deems appropriate.

# **9. DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

## **9.1 Orientation**

Upon election, directors will be presented with orientation and reference materials to familiarize them with the Company's senior management and independent auditor, Code of Ethics, Insider Trading Policy, and other compliance programs. The Company shall include in the Board's regular agenda updates regarding its operations, products and technology, including projects in research and development, competitors and commercial relationships. The Company shall also make available senior managers and other employees of the Company in order to better acquaint individual directors with the Company's business.

## **9.2 Continuing Education**

From time to time, the Company may provide Board members with presentations from Company or third party experts on topics that will assist Board members in carrying out their responsibilities.

## **10. BOARD COMMITTEES**

### **10.1 Committee Designation and Composition**

The Board has two (2) standing committees – an Audit Committee and a Nominating, Governance and Compensation Committee. The Board may add new committees or remove existing committees as necessary or appropriate. Each committee will perform its duties as assigned by the Board in compliance with RHR’s By-Laws and the committee’s charter. Committee duties are described briefly as follows:

- 10.1.1 Audit Committee. The Audit Committee reviews the work of the Company’s internal accounting and audit processes. The committee is directly responsible for the appointment, compensation, retention and oversight of the Company’s independent auditors, including pre-approval of all audit and non-audit services to be performed by such auditors. The committee is also responsible for review and approval of related party transactions and oversight of compliance and risk management policies and procedures.
- 10.1.2 Nominating, Governance, and Compensation Committee. The NGC Committee is responsible for recommending to the Board individuals to be nominated as directors and as committee members. The committee evaluates new candidates and current directors, and performs other duties as described elsewhere in these Guidelines. In addition, the NGC Committee is responsible for recommending compensation levels and types of compensation for the Company’s officers to the Board. The NGC Committee is also responsible for administering any incentive compensation plans and making recommendations to the Board regarding the adoption or amendment of such plans.

### **10.2 Committee Charters and Evaluations**

Each committee shall adopt a charter, which it shall review annually, making modifications as appropriate. The committee shall determine in its charter

whether it shall implement a process for evaluating its effectiveness annually or on some other interval. Each committee shall determine who shall attend any session, or part of a session, of each meeting and whether the committee wishes to conduct any of its proceedings in an executive session that includes only committee members.

### **10.3 Composition of Committees; Committee Chairpersons**

The Audit Committee and NGC Committee consist solely of independent directors. The Board is responsible for the appointment of committee members and committee chairpersons, taking into account the recommendation of the NGC Committee, according to criteria that it determines to be in the best interest of the Company and its unitholders.

### **10.4 Committee Compensation**

The Board, upon the recommendation of the NGC Committee, shall fix the compensation of each committee member and may provide different compensation for members and chairs of the various committees.

### **10.5 Committee Meetings and Agenda**

The chairperson of each committee is responsible for developing, together with relevant Company officers, the committee's general agenda and objectives and for setting the specific agenda for committee meetings. The chairperson and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

## **11. EXECUTIVE EVALUATIONS AND SUCCESSION PLANNING**

At least once during each fiscal year, the NGC Committee will review the goals and objectives and the performance of the executive management team and provide an evaluation to the Board. As part of this process, the NGC Committee will seek feedback on the President's performance from other members of the Board and incorporate it in the evaluation of the President.

The President will review with the Board annually succession planning and management development, including the assessment of senior officers

considered potential successors to certain senior management positions, including the position of President.

## **12. BOARD SELF-ASSESSMENT**

Self-assessment of the performance of the Board will be conducted annually and will be led by the Chairperson of the NGC Committee. These assessments will focus on the Board's contributions to the Company and will include a review of any areas the Board or management believes the Board could improve upon.

## **13. BOARD ACCESS TO ADVISORS AND EMPLOYEES**

### **13.1 Access to Advisors and Experts**

The Board and the committees shall have the authority at any time to engage and obtain advice from internal and external financial, legal or other advisors and experts, as it deems necessary or appropriate.

### **13.2 Access to Independent Auditors**

The Board will have access, as the Board deems necessary or appropriate, to the Company's independent auditors in order to ensure that directors can ask all questions and gather all information necessary to fulfill their duties. The Board may specify a protocol for making such inquiries.

### **13.3 Employee Access**

Board members have full access to the Company's management and employees. Board members will use their judgment to assure that any contacts will not disrupt the daily business operation of the Company. The President and/or the Secretary of the Company will be copied, as appropriate, on any written communication between a director and an officer or employee.

## **14. EXECUTIVE SESSIONS OF INDEPENDENT DIRECTORS OF NON-MANAGEMENT DIRECTORS**

The non-management directors of the Company will meet regularly in executive session, i.e., with no management directors or management present, at least twice a year in conjunction with the regular Board meetings. If the non-management directors include a director who is not

independent, the independent directors will meet at least once without the presence of such non-independent director. These executive session discussions may include such topics as the non-management and independent directors determine.

**15. EMPLOYEE COMMUNICATIONS WITH THE BOARD**

**15.1** Employees are encouraged to communicate directly with the Board as described below.

**15.2** Employees wishing to communicate with the Board should send an e-mail or write the Chairperson of the Board at:

Mail: Chairperson of the Board  
c/o Royal Hawaiian Orchards, L.P.  
390 Interlocken Crescent, Suite 350  
Broomfield, Colorado 80021  
E-Mail: [auditchair@rhrnut.com](mailto:auditchair@rhrnut.com)

**15.3** Each such communication should prominently indicate that it is intended for the Board, the Chairperson, a specific committee, non-management directors, or a particular individual director. Each communication intended for the Board or a member of the Board and received by the President that is a communication made by the employee in its capacity as an employee of the Company (as opposed to in its capacity as a party involved in a commercial relationship with the Company) will be promptly forwarded to the specified party.

**15.4** The communication will not be opened if the information noted in Item 15.3 above is prominently indicated on the outside of the envelope or in the e-mail subject line, but rather will be forwarded unopened to the intended recipient.

**15.5** If an employee reasonably believes that any Company employee or other person acting on behalf of the Company has violated any legal or regulatory requirements or internal policy relating to accounting standards and disclosures, internal accounting controls, or matters related to the internal or external audit of the Corporation's financial statements, the employee should immediately report his or her concern to the Chairperson of the Audit Committee at [auditchair@rhrnut.com](mailto:auditchair@rhrnut.com) or management in accordance with the Whistleblower Policy then in effect.

**16. UNITHOLDER COMMUNICATIONS WITH THE BOARD**

Unitholders may communicate directly with the Board in accordance with the policy attached hereto as Exhibit A.

**Exhibit A**

**ROYAL HAWAIIAN ORCHARDS, L.P.**

**Unitholder Communication with Directors**

Approved November 10, 2016

Communications

Unitholders wishing to communicate with the board of directors (the "Board") of Royal Hawaiian Orchards, L.P. (the "Company") should send an email or write the Chairperson of the Board of the Company, at:

Mail: Chairperson of the Board  
c/o Royal Hawaiian Orchards, L.P.  
390 Interlocken Crescent, Suite 350  
Broomfield, Colorado 80021  
E-Mail: [auditchair@rhrnut.com](mailto:auditchair@rhrnut.com)

Each such communication should prominently indicate that it is intended for the Board, the Chairperson, a specific committee, non-management directors, or a particular individual director. Each communication intended for the Board or a member of the Board and received by the Chairperson that is a communication made by the unitholder in its capacity as a unitholder of the Company (as opposed to in its capacity as a party involved in a commercial relationship with the Company) will be promptly forwarded to the specified party.

The communication will not be opened if the information noted above is prominently indicated on the outside of the envelope or in the email subject line, but rather will be forwarded unopened to the intended recipient.