

## **Corporate Governance Guidelines**

The Board of Directors (the “Board”) of Lannett Company, Inc. (the “Company”) has adopted the corporate governance guidelines (the “Guidelines”) set forth below to promote the effective functioning of the Board and its committees, to promote the interests of the stockholders, and to provide a common set of expectations for the Board, its committees, individual Directors and management. The Board shall regularly review the Guidelines for appropriateness and effectiveness.

### **Board Role and Responsibilities**

The Board is elected by the Company’s stockholders to provide oversight of the Company’s business and affairs. Among its duties, the Board shall appoint the Company’s Chief Executive Officer (the “CEO”), approve the appointment of the executive officers, monitor the operating performance and financial condition of the Company, ensure the Company’s adherence to corporate governance standards, approve significant transactions, and establish the strategic direction of the Company. The Company’s officers are responsible for presenting strategic plans to the Board for review and approval and for implementation of such plans. The Board is also responsible for reviewing the major risks facing the Company and helping develop strategies to address these risks, and establishing policies designed to maintain the financial, legal and ethical integrity of the Company.

### **Board Composition**

#### *Size of the Board*

The Board shall consist of no less than three members. The actual number will be determined by the Board from time to time in accordance with the Company’s Certificate of Incorporation and Bylaws.

#### *Board Leadership*

The Board shall select its Chairman and CEO in the best interest of the Company, and as such, the policy is for the role of Chairman and the role of CEO to be separate; additionally, the Chairman should not be an employee of the Company. Moreover, if the Chairman is not an independent director, the independent directors of the Board are required to elect a Lead Independent Director.

The Chairman is responsible for setting Board meeting dates and locations, setting the meeting agendas, and presiding over Board and stockholder meetings. In performing these duties the Chairman will consult with the CEO and the Board as a whole. If the Chairman is an independent director, the Chairman is responsible for calling and chairing executive sessions of the independent directors.

If the Chairman is not an independent director, the Lead Independent Director is responsible for collaborating with the Chairman to set and approve the Board agenda to assure there is sufficient time for discussion of all agenda items, calling and chairing executive sessions of the independent directors, briefing the Chairman on issues discussed in executive sessions, serving as liaison between the Chairman and the

independent directors, and serving as a liaison with the CEO outside of formal Board meetings.

#### *Change in Principal Occupation*

If a Director retires or changes the principal occupation from the position they held when they became a Director they will not necessarily be asked to resign from the Board. The Governance and Nominating Committee shall review the appropriateness of continued Board membership and make a recommendation to the Board.

#### *Majority of Independent Directors*

A majority of the Board consists of Directors who meet the independence requirements as set forth in Section 303A.02(a) of the NYSE Listed Company Manual. Each year the Board shall make a determination as to the independence of each Director.

#### *Service on Other Boards*

Directors are required to limit the number of other boards on which they serve so as not to interfere with their service as a Director of the Company. No Director may serve on more than three other boards. Directors should advise the Chairman of the Board in advance of accepting an invitation to serve on another corporate board. Members of the Audit Committee may not serve on the audit committees of more than two other public companies.

#### **Director Qualifications**

The Governance and Nominating Committee is responsible for establishing procedures for the selection and nomination of Directors. The Governance and Nominating Committee's criteria includes business experience, character, judgment, integrity, the ability to commit sufficient time and attention to Board activities, and the absence of conflicts with the Company's interests.

In seeking to achieve a diversity of backgrounds on the Board, the Governance and Nominating Committee shall consider the aforementioned criteria in the context of the candidate's qualifications and the needs of the Board. The Governance and Nominating Committee shall recommend to the Board director nominees to be presented for election at the Annual Meeting or for filling vacancies on the Board in accordance with Company's Bylaws.

#### **Board Compensation**

The Compensation Committee shall annually review the compensation of Directors. Director compensation is set by the Board based upon the recommendation of the Compensation Committee. Non-management Directors shall receive an annual retainer as compensation for service on the Board and Board committees. Additionally, all Directors shall be eligible to participate in the Company's Long Term Incentive Plan. Expenses for meeting attendance and other business-related expenses are reimbursed in accordance with Company policy.

### *Board Share Ownership Requirements*

Each Director who is not an employee is required to attain stock ownership at a level equal to three times his or her annual cash retainer. Each director has five years from the later of July 2014, the date of the implementation of this policy, or the date in which such director became a director of the Company to achieve these guidelines and must hold fifty percent (50%) of all net after-tax shares from equity grants until ownership requirements are met. If ownership levels have not been achieved by the end of the 5 year compliance period, the director will be required to hold 100% of all net after-tax shares received from equity grants until the guideline is met.

### *No Hedging Policy*

The Company's insider trading policy prohibits employees, officers, and Directors, including NEO's, from entering into short sales, calls or any other hedging transaction involving Lannett Securities.

### *No Pledging Policy*

Directors and NEO's of the Company (and others, including family members, whose Lannett securities they are deemed to beneficially own) are prohibited from holding Lannett securities in a margin account and from maintaining or entering into any arrangement that, directly or indirectly, involves the pledge of Lannett securities or other use of Lannett securities as collateral for a loan.

### **Committees of the Board**

The Board has four standing committees: Audit Committee, Compensation Committee, Governance and Nominating Committee, and Strategic Planning Committee. The Board may establish and maintain other committees and/or subcommittees from time to time as it deems necessary and appropriate. Each committee and/or subcommittee shall operate under a written charter approved by the Board. Each committee shall report regularly to the Board concerning actions and significant issues taken and discussed. Each Committee will consist of no fewer than three Directors. The Audit, Compensation, and Governance and Nominating Committees shall consist solely of independent Directors, as defined by the NYSE. In addition, Directors who serve on the Audit Committee must be independent within the meaning of the NYSE criteria for Audit Committee members. Committee members are appointed by the full Board upon the recommendations of the Governance and Nominating Committee. Committees may elect Committee Chairpersons, unless a Chairperson is designated by the Board.

### **Board and Committee Meetings**

Board meetings - and meetings of the Audit Committee, the Compensation Committee, and the Governance and Nominating Committee - are held a minimum of four times per year, with additional meetings scheduled as needed. Strategic Planning Committee meetings are held as needed to fulfill its responsibilities. The Board and committees may act by unanimous written consent in lieu of a meeting.

Board members are expected to prepare for, attend and participate in all Board meetings and applicable committee meetings. Each Board member is expected to

ensure that other commitments do not materially interfere with the member's service as a Director. Attendance by telephone may be used to facilitate a Director's attendance and participation at meetings.

Agenda items that fall within the scope of responsibilities of a committee are prepared in consultation with the chairperson of that committee. Directors and senior management are encouraged to suggest the inclusion of items for the agenda and are free to raise subjects at a meeting that are not on the agenda for that meeting.

### **Meeting Materials**

Board and committee meeting materials will be uploaded to the SharePoint site, or will otherwise be provided, sufficiently in advance of meetings to allow Directors to review and prepare for discussion of the items. Directors should devote appropriate time to review and study of meeting materials available in advance. In some cases, due to timing and/or the sensitive nature of an issue, materials may be presented at the time of the Board or committee meeting.

### **Executive Sessions**

To ensure open discussion among the non-management Directors, such Directors shall meet in executive session during the regularly scheduled Board meetings. The Chairman of the Board shall preside at the executive sessions. Separately, the independent directors shall meet at least once per year. If the Chairman is an independent director, the Chairman presides over the independent director meetings. If the Chairman is not an independent director, the Lead Independent Director presides over the independent director meetings.

### **Management Succession**

The Governance and Nominating Committee is responsible for overseeing the leadership development plans for succession of the CEO and other executive officers. Annually, the CEO shall report to the Governance and Nominating Committee on this topic and shall provide such committee with recommendations and evaluations of potential successors. The CEO shall recommend who should assume the position of interim CEO in the event of an emergency.

### **Director Orientation**

The Governance and Nominating Committee is responsible for the orientation process which familiarizes new Directors with the Company's business, operations, finances and corporate governance practices.

### **Continuing Education**

The Board requires that Directors participate in educational programs to keep them abreast of updated corporate governance developments and other areas to assist them in performing their responsibilities as Directors and committee members. Directors are expected to complete 8 hours of continuing education annually.

### **Evaluation of the CEO and Executive Officers**

The Compensation Committee is responsible for setting annual and long-term performance goals for the CEO, evaluating the CEO's performance against those goals, and determining the CEO's compensation. The Compensation Committee is also responsible for reviewing and approving annual and long-term performance goals for other executive officers of the Company as recommended by the CEO.

### **Director Access to Management, Employees and Independent Advisors**

At the invitation of the Board, executive officers of the Company may attend Board meetings or portions of meetings for the purpose of presenting matters to the Board and participating in discussions. Directors shall also have full and free access to other members of management and to employees of the Company.

The Board has the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in the performance of its functions. Each of the Audit, Compensation, Governance and Nominating, and Strategic Planning Committees has similar authority to retain outside advisors as it determines appropriate to assist in the performance of its functions.

### **Board and Committee Evaluation**

The Governance and Nominating Committee shall oversee an annual self-evaluation of the Board and each Board Committee.