



## CORPORATE GOVERNANCE GUIDELINES

### I. Board of Directors

#### A. BOARD COMPOSITION

##### 1. Size of Board

The Board of Directors (the “Board”) of QEP Resources, Inc. (the “Company”) shall determine the appropriate size of the Board within the requirements of the Company’s Certificate of Incorporation and Bylaws, and shall periodically review the size to ensure that the number of directors permits diversity of experience without hindering effective discussion or diminishing individual accountability.

##### 2. Mix of Inside and Independent Directors

Although the Board will be comprised of a majority of independent directors, the Company believes that it may be appropriate to have members of the management team in addition to the Chief Executive Officer serve as directors.

##### 3. Definition of Independence

The Company defines independence for directors in accordance with the New York Stock Exchange’s definition. The Board is required to determine periodically that each independent director does not have any material relationships with the Company that could interfere with the independent director’s exercise of independent judgment. The standards applied for determining independence are as follows:

No director qualifies as “independent” unless the Board affirmatively determines that the director has no material relationship with the Company (either directly, or as a partner, shareholder or officer of an organization that has a relationship with the Company).

- a. A director who is an employee or whose immediate family member is an executive officer of the Company is not independent until three years after the end of such employment relationship.
- b. A director who receives or whose immediate family member receives more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three

years after ceasing to receive more than \$120,000 per year in such compensation.

- c. A director who is affiliated with or employed by or whose immediate family member is affiliated with or employed in a professional capacity by a present or former internal or external auditor of the Company is not independent until three years after the end of the affiliation or the employment or auditing relationship.
- d. A director who is employed or whose immediate family member is employed as an executive officer of another company where any of the Company's present executives serve on that company's compensation committee is not independent until three years after the end of such service or the employment relationship.
- e. A director who is an executive officer or an employee or whose immediate family member is an executive officer of a company that makes payment to or receives payment from the Company for property or services in an amount that, in any single fiscal year, exceeds the greater of \$1 million or 2 percent of such other company's consolidated gross revenues, is not independent until three years after falling below such threshold.

#### 4. Board Membership Criteria

The Company's Governance Committee is responsible for setting relevant qualifications for Board membership and for periodically reviewing the criteria and for determining whether current directors continue to satisfy the criteria. (A list of criteria is included in the charter for the Governance Committee.) In addition to reviewing the qualifications set forth in the Governance Committee's charter, the Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas.

Directors may not serve on the board of directors of more than six public companies. The Chief Executive Officer may not serve on more than two boards in addition to the Company's Board. Members of the Audit Committee may not simultaneously serve on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such member to serve effectively on the Audit Committee.

#### 5. Fulfillment of Responsibilities

Board members are expected to carefully prepare for, attend, and participate in all Board and applicable committee meetings. Each director is expected and encouraged to express any differences of opinion on management's proposals. Each director is expected to ensure that existing and future commitments do not interfere with service as a director of the Company.

## 6. Selection of New Directors

Approximately one-third of the Board will stand for election by the stockholders of the Company each year at the Company's annual meeting. Each year, at the annual meeting, the Board will recommend a slate of directors for election by the stockholders. In accordance with the Bylaws of the Company, the Board will be responsible for filling vacancies or newly-created directorships on the Board that may occur between annual meetings of stockholders. The Board delegates the candidate screening process to the Governance Committee.

## 7. Directors and Changes in Present Job Responsibilities

The Board does not believe that directors who retire, resign or otherwise materially change their position with their employers should necessarily leave the Board, however, they are required to submit a notice of any such retirement, resignation or change to the Chairman of the Board and Chairman of the Governance Committee. The Board will then review the continued appropriateness of Board membership under the changed circumstances.

## 8. Term Limits and Retirement

The Board does not set term limits for directors. The Board has adopted a retirement policy for directors. Under the policy, independent directors are required to submit a resignation at the first annual meeting following their 75<sup>th</sup> birthday and inside directors, other than the Chief Executive Officer, are required to resign when they retire as employees. The Board may waive these requirements in certain situations.

## 9. Board Compensation and Stock Ownership

Director compensation should include a mix of cash and equity-based compensation. Directors who also serve as employees of the Company will not receive additional compensation for their service as directors. Director fees and equity grants are the sole form of compensation that members of the Audit Committee may receive from the Company.

Once an outside director has served on the Board for five years, such director is required to own Company stock or phantom stock (granted to directors who defer their fees and equity grants) in an amount equal to or greater than two-times such director's annual cash compensation.

## 10. Lead director

If the Chairman of the Board and the Chief Executive Officer are the same person, the Board shall appoint a Lead Director who will be an independent director. He or she will be responsible for coordinating activities of the independent directors when they meet together in executive session, for facilitating communication between the directors and the Chief Executive Officer, and for performing other duties as designated by the Board.

## B. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

1. The primary responsibilities of the Board are to counsel and provide input and direction to the management of the Company consistent with and for the benefit of the Company's stockholders. The Board's specific responsibilities include:
  - a. Reviewing and, where appropriate, approving the Company's major financial objectives and strategic and operating plans.
  - b. Reviewing and, where appropriate, approving actions to be undertaken by the Company that would result in a material change in the financial structure or control of the Company, the acquisition or disposition of any businesses or asset(s) material to the Company or the entry of the Company into any major new line of business.
  - c. Reviewing and, where appropriate, approving major changes in, and determinations under these Corporate Governance Guidelines, the Company's Business Ethics and Compliance Policy and other Company policies.
  - d. Selecting and evaluating the Chief Executive Officer and approving the compensation of the Chief Executive Officer and other key executives.
  - e. With the input of the Chief Executive Officer and the Compensation Committee, regularly evaluating the performance of principal senior executives.
  - f. Planning for succession of the Chief Executive Officer and other senior officers.
  - g. Overseeing the conduct of the Company's business to determine that the business is being properly managed.
  - h. Verifying that processes are in place to maintain the integrity of the Company's financial statements, accounting practices, and risk management policies, to ensure compliance with applicable laws and regulations.

The Chief Executive Officer and other members of management are expected to seek the advice and approval of the Board when appropriate.

2. The Company's directors shall comply with the Company's Business Ethics and Compliance Policy by avoiding conflicts of interest, protecting the confidentiality of information and complying with the highest standards of ethical conduct and integrity when handling their responsibilities.

## C. BOARD MEETINGS AND MATERIALS

### 1. Scheduling and Selection of Agenda Items

Board meetings are scheduled in advance on a quarterly basis. Directors can expect that the combination of Committee and Board meetings will last one to two business days. Special Board meetings may be called as appropriate to meet specific needs. It is the responsibility of the directors to attend meetings. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

The Chairman of the Board and Corporate Secretary, with input from the Chairman of the Executive Committee, draft the agenda for each meeting and circulate it in advance of the meeting. Any director may propose the inclusion of items on the agenda or the presence of a report by any member of the management group. The Board receives regular updates from business units.

### 2. Board Material Distributed in Advance

Information that is important to the Board's understanding of business and its meeting should be distributed to the Board before the meeting.

### 3. Access to Employees and Board Presentations

The Board has complete access to contact and meet with any employee. The Corporate Secretary, when requested, may assist in arranging meetings. The Board encourages management to schedule presentations by employees who can provide additional information on the items being reviewed or who should be given exposure to the Board.

### 4. Access to Independent Advisors

The Board committees may hire independent advisors as set forth in their applicable charters. The Board as a whole shall have access to such advisors and such other independent advisors that the Company retains or that the Board considers necessary to discharge its responsibilities.

### 5. Executive Sessions

Outside directors will meet in executive session at each Board meeting. The Chairman is responsible for conducting such sessions and shall deliver any information resulting from such sessions to the Chief Executive Officer. The name of the Chairman will be published along with a means for stockholders to communicate with the independent directors.

## 6. Continuing Education

The Chief Executive Officer is responsible for helping new directors understand the Company and for periodically updating current directors through seminars and visits to the Company's facilities.

## D. BOARD COMMITTEES

### 1. Number of Committees

The Board currently has three committees: Audit, Compensation, and Governance. These committees shall be composed exclusively of independent directors. From time to time, the Board may form a new committee or disband a current committee, depending upon the circumstances.

Each committee has a written charter, approved by the Board, that describes such committee's general responsibilities. Each committee has the authority to engage outside advisors and counsel to the extent it considers appropriate. Each committee will make regular reports to the Board concerning its activities.

### 2. Assignment and Term of Service of Committee Members

Based on the recommendations of the Governance Committee, the Board appoints committee members and chairs. Assignments are reviewed annually and will be periodically rotated. A director must have experience on a committee prior to serving as its chair.

### 3. Frequency of Committee Meetings

The Audit Committee will meet at least once during each fiscal quarter or more frequently as the Audit Committee desires. The Compensation Committee and the Governance Committee will each meet at least two times a year or more frequently as such committee desires. Each committee chair, in consultation with the Chief Executive Officer, will determine the frequency and length of committee meetings and approve the agendas for committee meetings. Minutes of committee meetings are shared with the full Board.

### 4. Committee Evaluations

Each committee will review its performance and charter annually and recommend to the Board any changes it deems necessary.

## E. MANAGEMENT AND BOARD EVALUATION

### 1. Formal Evaluation of Chief Executive Officer

The Compensation Committee shall perform an annual evaluation of the Chief Executive Officer.

## 2. Succession Planning and Management Development

The Compensation Committee, together with the Chief Executive Officer, reviews succession plans and management development plans and updates the Board on at least an annual basis.

## 3. Board Evaluation

The Chairman of the Governance Committee shall manage the Board's self-evaluation on an annual basis.

The evaluation should include a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company, as well as a review of the committee structure and an assessment of the Board's compliance with the principles set forth in these Corporate Governance Guidelines. The purpose of the review will be to improve the performance of the Board as a unit. The Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

## F. CONFLICTS OF INTEREST

Directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. If an actual or potential conflict of interest develops, the director should immediately report the matter to the Chairman of the Board. Any significant conflict must be resolved or the director should resign. If a director has a personal interest in a matter before the Board, the director will disclose the interest to the Board, excuse himself or herself from discussion on the matter and not vote on the matter.

## G. RELATED-PERSON TRANSACTIONS

All directors must report any transaction or anticipated transaction that might qualify as a related-person transaction pursuant to Section 404(a) of Regulation S-K to the Vice President, Compliance. The Company also collects information that would reveal related-person transactions from questionnaires sent to officers and directors each year. The Company's Audit Committee will review pending and ongoing transactions to determine whether they conflict with the best interests of the Company, impact a director's independence or conflict with the Company's Business Ethics and Compliance Policy. If a related-person transaction is completed, the Committee will determine whether rescission of the transaction, disciplinary action or reevaluation of a director's independence is required.

## II. Executive Officers

### A. RELATED-PERSON TRANSACTIONS

All executive officers must report any transaction or anticipated transaction that might qualify as a related-person transaction pursuant to Section 404(a) of

Regulation S-K to the Vice President, Compliance. The Company also collects information that would reveal related-person transactions from questionnaires sent to executive officers each year. The Company's Audit Committee will review pending and ongoing transactions to determine whether they conflict with the best interests of the Company or conflict with the Company's Business Ethics and Compliance Policy. If a related-person transaction is completed, the Committee will determine whether rescission of the transaction or disciplinary action is required.

**B. STOCK OWNERSHIP GUIDELINES**

Unless their employment contracts provide otherwise, all executive officers must own Company stock or phantom stock (granted to officers who defer compensation) having a value of two-times their annual base salary within five years of becoming executive officers. The Company's Compensation Committee has discretion to waive this requirement either as to an individual executive officer or with respect to all executive officers.