Lifeway Foods
Corporate Governance Guidelines

Introduction

The Board of Directors has developed corporate governance policies and practices to help it fulfill its responsibilities to shareholders. The policies in these guidelines assure that the Board has the authority and practices in place to review and evaluate the Company's business operations, and to make decisions that are independent of the Company's management.

The Board recognizes that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders including employees, customers, suppliers, government, and the public. The Board may refine or change these guidelines as necessary or advisable to achieve these objectives.

Role of the Board

1. Management Oversight. Shareholders elect the Board to oversee management and to assure that shareholder long-term interests are served. Through oversight, review, and counsel, the Board establishes and promotes Lifeway's business and organizational objectives. The Board oversees business affairs and integrity, works with management to determine the Company's mission and long-term strategy, appoints and evaluates the performance of officers, oversees CEO succession planning, and oversees internal control over financial reporting, and oversees internal and external audit functions.

2. Risk Oversight. The Board oversees risk management at the Company.

- The Board exercises direct oversight of strategic risks to the Company and other risk areas not delegated to one of its committees.
- The Audit Committee reviews and assesses the Company's processes to manage financial reporting risks; to manage risks related to competition, data privacy, cybersecurity, workforce, and government affairs; and to manage investment, tax, and other financial risks. It also reviews the Company's policies for risk assessment and steps management has taken to control significant risks, except those delegated by the Board to other committees.
- The Board may delegate to a Compensation Committee oversight of compensation programs and policies and their effect on risk taking by management. If it does not maintain a Compensation Committee, the Board will undertake the responsibilities and guidelines in the most recent Compensation Committee charter.
- The Board may delegate to a Nominating Committee the task of recommending to the Board director candidates for nomination and election at the annual shareholders meeting or for appointment to fill vacancies. If it does not maintain a Nominating Committee, the Board will undertake the responsibilities and guidelines in the most recent Nominating Committee charter.

In each case, management periodically reports to the Board or relevant committee, which provides guidance on risk appetite, assessment, and mitigation. Each committee charged with risk oversight reports up to the Board on those matters.

Board Composition and Selection; Independent Directors

3. Board Size. The Board believes that up to 9 members is an appropriate size based on the Company's present circumstances. The Board periodically evaluates whether a larger or smaller number of directors would be preferable.

4. Selection of Board Members. The Company's shareholders elect Board members annually. Directors, individually or through a Nominating Committee, recommend to the Board director candidates for nomination and election at the annual shareholders meeting or for appointment to fill vacancies. The Board, directly or through a Nominating Committee, annually reviews the applicable skills and characteristics required of Board nominees in the context of current Board composition and Company circumstances. In making recommendations, the Board considers the qualifications of individual director candidates in light of the Skills and Characteristics for Board Members adopted as part of the Nominating Committee charter. The Board may use a variety of sources, including executive search firms and shareholder recommendations, to identify director candidates. The Board retains any search firms and approves payment of their fees.

The Board, directly or through a Nominating Committee, will consider candidates recommended by shareholders. Shareholders may submit director candidate suggestions in writing to the attention of the Corporate Secretary of the Company, providing the candidate's name and qualifications for service as a Board member, a document signed by the candidate indicating the candidate's willingness to serve, if elected, and evidence of the shareholder's ownership of Company stock. A shareholder wishing to nominate a candidate must follow the procedures described in the Company's annual proxy statement for making shareholder proposals.

The Board nominates director candidates for election by the shareholders and fills any Board vacancies that occur between shareholder elections.

5. Board Composition – Mix of Management and Independent Directors. The Board intends that, when required to do so by SEC regulations or Nasdaq listing standards, a majority of its directors will be independent. The Board will meet or be more restrictive than the definition of "independent director" in Nasdaq listing standards, and applicable laws and regulations. The Board will also consider all other relevant facts and circumstances bearing on independence.

6. Term and Tenure. The Board believes that independent directors should not expect to be re-nominated annually. In determining whether to recommend a director for re-election, the Board considers the director's participation in and contributions to the activities of the Board, the results of the annual Board evaluation, and past meeting attendance.

The Board does not believe in a specific term or age limit for the overall length of time an independent director may serve. Directors who have served on the Board for an extended period can provide valuable insight into the operations and future of the Company based on their experience with, and understanding of, the Company's history, policies, and objectives.

7. Election of Directors. As provided in Section 3 of the Company's Bylaws, in an uncontested election, directors will be elected by the vote of the majority of the votes cast. In a contested election, directors will be elected by the vote of a plurality of the votes cast.

8. Directors with Significant Job Changes. Any director who retires from his or her present employment, or who materially changes his or her position, should offer to resign from the Board. The Board, or its Nominating Committee, will evaluate whether the Board should accept the resignation based on a review of whether the individual continues to satisfy the Board's membership criteria in light of his or her new occupational status.

9. Board Leadership. The directors annually elect a Chairperson of the Board. The Board does not have a policy as to whether the Chairperson should be an independent director, an affiliated director, or a member of management. To ensure robust independent leadership on the Board, the Chairperson of the Board's Audit Committee will serve as Lead Independent Director.

The Chairperson (or the Lead Independent Director if the Chairperson is not an independent director) coordinates the activities of the independent directors and is authorized to call meetings of the independent directors, chairs executive sessions of the independent directors, and performs other duties either specified in these guidelines or assigned from time to time by the Board.

10. Other Boards and Committees. Without approval from the Board, no director may serve on over four public company boards (including the Company's Board) and no member of the Audit Committee may serve on over three public company audit committees (including the Company's Audit Committee). In addition, directors who serve as CEOs or in equivalent positions generally should not serve on over two public company boards (including the Company's Board) other than their employer's board.

In calculating service on a public company board or audit committee, service on a board or audit committee of a parent and its substantially owned subsidiary counts as service on a single board or audit committee. Any Audit Committee member's service on over three public company audit committees will be subject to the Board's determination that the member is able to effectively serve on the Company's Audit Committee and the disclosure of that determination in the Company's annual proxy statement. The Board, or its Nominating Committee, will consider the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to Company shareholders. Service on boards and/or committees of other organizations should follow the Company's conflict of interest policies.

11. Ethical Conduct. Lifeway's Code of Ethics is an extension of Lifeway's values and reflect the Company's continued commitment to ethical business practices and legal compliance. The Code covers a wide variety of areas and each director is expected to be familiar with and adhere to the Code.

Board Meetings; Involvement of Senior Management and Independent Advisors

12. Board Meetings – Frequency. The Board will generally hold four regularly scheduled in-person meetings per year and holds additional regular or special meetings as necessary. Directors are expected to attend meetings in person or telephonically, except if unusual circumstances make attendance impractical.

13. Board Meetings – Agenda. The Chairperson (and the Lead Independent Director if the Chairperson is not an independent director), coordinates with management to set the agenda for each Board meeting, taking into account suggestions from other members of the Board.

14. Advance Distribution of Materials. Information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting should be distributed before the meeting to all members whenever feasible and appropriate. Each director is expected to review this information in advance to facilitate the efficient use of meeting time. The Board recognizes that certain items to be discussed at Board meetings are of an extremely sensitive nature and that distributing materials on these matters prior to Board meetings may not be appropriate.

15. Access to Employees. The Board has access to Company employees to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. The Board may specify a protocol for making such inquiries. Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board have a full understanding of matters considered.

16. Access to Independent Advisors. The Board and its committees may retain independent outside auditors and financial, legal, or other advisors. The Company will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, and to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

17. Advisor Independence. The Board and its committees have authority to retain and terminate auditors, financial advisors, compensation consultants, outside counsel, and other outside advisors, as it deems appropriate, including sole authority to approve fees and other retention terms. Before retaining any such advisor, the Board or the relevant committee will evaluate the advisor's independence consistent with applicable regulations and listing standards. It is the policy of the Board that any advisor that it retains must be independent of Company management. The Board will also evaluate the independence of its legal and other advisors under applicable regulations and listing standards.

18. Executive Sessions of Independent Directors. At each quarterly Board meeting, time is set aside for the independent directors to meet in executive session with or without Company management present. Additional executive sessions may be held as needed. Executive sessions are called and chaired by the Chairperson (or the Lead Independent Director if the Chairperson is not an independent director). These executive session discussions may include such topics as the independent directors determine.

Communications with Shareholders

19. Shareholder Communications to the Board. Lifeway shareholders are invited to contact the Board about corporate governance or the Board of Directors at the address for the Company's Secretary provided in the Company's annual proxy statement. Inquiries meeting these criteria will be received and processed by management before being forwarded to the Board, a committee of the Board, or a director as designated in the message. Communications relating to other topics, including those that are primarily commercial in nature will not be forwarded.

Anyone with concerns about questionable accounting or auditing matters or possible violations of the Lifeway Code of Ethics should be reported pursuant to the Company's Whistleblower Policy, which is available on the Company's website under Corporate Governance (http://lifewaykefir.com/corporate-governance/).

20. Attendance at Annual Shareholders Meeting. Directors are expected to attend the Company's annual shareholder meeting in person or by telephone, except if unusual circumstances make attendance impractical.

Performance Evaluations and Succession Planning

21. Annual Officer Evaluation. The Board, or its Compensation Committee, shall establish an evaluation process for reviewing the performance of the Company's executive officers. The evaluation results are reviewed and discussed with the Board including its independent directors, and the results are communicated to each executive officer as appropriate.

22. Development and Succession Planning. A primary responsibility of the Board is planning for CEO succession and overseeing identification and development of executive talent. The Board, with the assistance of the Compensation Committee and working with management, oversees executive officer development and corporate succession plans for the CEO and other executive officers to provide for continuity in senior management.

The Board works with management to plan for CEO succession beginning at least three (3) years before an expected transition, where feasible, including the identification of internal and external candidates, and development plans for internal candidates. Any criteria used to assess potential CEO candidates should be formulated based on the Company's business strategies, and include strategic vision, leadership, and operational execution.

The Board maintains an emergency succession contingency plan should an unforeseen event such as death or disability occur that prevents the CEO from continuing to serve. The plan identifies the individuals who would act in an emergency and their responsibilities. The contingency plan is reviewed by the Board, or its Compensation Committee, annually and revised as appropriate.

The Board may review development and succession planning more frequently as it deems necessary or desirable.

23. Board and Committee Self-Evaluation. Each year, our Board and its Committees conduct evaluations to assess their effectiveness and adherence to the Company's Code of Ethics, corporate governance guidelines and policies adopted by the Board, and committee charters, and to identify opportunities to improve Board and committee performance.

Board evaluation – The Directors conduct an annual evaluation of the performance of the Board and each of its members. The aggregate results are reported to the Board. The report includes an assessment of the Board's compliance with the Company's Code of Ethics, corporate governance guidelines and policies adopted by the Board, and identification of areas in which the Board could improve its performance.

Committee evaluations **–** Each Committee conducts an annual performance evaluation and reports the results to the Board. Each committee's report includes an assessment of the committee's compliance with the Company's Code of Ethics, corporate governance guidelines and policies adopted by the Board, and the committee's charter, as well as identification of areas in which the committee could improve its performance.

Compensation

24. Board Compensation Review. The Board believes that director compensation should be based on time spent carrying out Board and committee responsibilities and be competitive with comparable companies. The Board also believes that a significant portion of director compensation should align director interests with the long-term interests of shareholders. Company management will periodically report to the Board or its Compensation Committee how the Company's director compensation practices compare with those of other public corporations in our peer group.

25. Director Stock Ownership. To align the interests of directors and shareholders, the Board encourages all directors to have a significant financial stake in the Company. Each director should strive to maintain shares equal in value to a minimum of the base annual retainer payable to a director. Each independent director who is awarded shares by the Company must retain 50 percent of all net shares (post tax) that vest until the minimum share ownership guideline is achieved and 25 percent thereafter. Independent directors who are awarded shares by the Company are expected to continuously own sufficient of those shares to satisfy the guideline once attained for so long as they remain a member of the Company's Board. Stock deferred under a non-qualified deferred compensation arrangement will count towards the minimum ownership requirement. The Board will evaluate whether exceptions should be made for any director on whom this requirement would impose a financial hardship.

26. Anti-Hedging and Pledging Policy. Consistent with the Company's Insider Trading Policy, directors and executive officers are prohibited from hedging their ownership of Lifeway stock, including trading in options, puts, calls, or other derivative instruments related to Company stock or debt. Directors and executive officers are prohibited from purchasing Lifeway stock on margin, and must secure prior approval from the Board for borrowing against Lifeway stock held in a margin account, or pledging Lifeway stock as collateral for a loan.

Committees

27. Number and Type of Committees. The Board has one standing committee – the Audit Committee. As required by SEC regulations or Nasdaq listing requirements, the Board may also maintain a Compensation Committee, and a Nominating Committee. The Board may add new committees or remove existing committees as it deems advisable in fulfilling its responsibilities. Each committee will perform its duties as assigned by the Board in compliance with Company Bylaws and the committee's charter.

28. Composition of Committees and Committee Chairs. The Audit, and when constituted, the Compensation and Nominating Committees shall consist solely of independent directors. The Board appoints committee members and committee chairs using criteria it determines to be in the best interest of the Company and its shareholders. The Board considers periodic rotation of committee members and chairs, considering the desirability of rotation of committee members and chairs, the benefits of continuity and experience, and applicable legal, regulatory, and stock exchange listing requirements.

29. Committee Meetings and Agenda. The chair of each committee develops, together with management, the committee's agenda and objectives for setting the agenda for committee meetings. The chair and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

Guideline Review

30. Review of Corporate Governance Guidelines. The Board expects to review these guidelines annually.

Adopted: March 14, 2018.