

# **THE BOMBAY COMPANY, INC.**

## **CHARTER OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS**

### **I. PURPOSE**

This Charter (the “Charter”) shall define and govern the operations of the Compensation and Human Resources Committee (the “Committee”) of the Board of Directors (the “Board”) of The Bombay Company, Inc., a Delaware corporation (the “Company”). The purpose of this Charter is to guide the Committee in its efforts to assist the Board with its oversight in the following areas:

- Reviewing and approving the Company’s compensation philosophy;
- Designing, approving and evaluating the Company’s executive compensation plans, policies and programs;
- Administering the Company’s short- and long-term incentive plans and other stock or stock-based plans;
- Issuing an annual report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company’s proxy statement;
- Reviewing and approving general employee benefit plans;
- Performing an annual performance appraisal of the Chief Executive Officer; and
- Reviewing the appropriateness of the organizational structure and succession plans and addressing training, development and retention issues related to the senior management team.

### **II. COMPOSITION**

The Committee shall be comprised of three or more directors all of whom in the judgment of the Board of Directors shall be independent in accordance with the rules and regulations of the Securities and Exchange Commission and New York Stock Exchange listing standards.

Members of the Committee shall be elected by the Board at the annual meeting of the Board to serve until their successors are duly elected and qualified. If a member is unable to serve a full term, the Board shall elect a replacement. The Board shall appoint one of the members of the Committee to be Committee Chairperson, who may serve any number of consecutive terms. The Board, upon recommendation by the Company’s Governance and Nominations Committee, may remove any Committee member at any time.

### **III. MEETINGS**

The Committee shall meet at least three times annually, and more frequently as circumstances dictate. Such meetings shall be either in person or by conference telephone call. Meetings of the Committee shall be called by the Chairperson, or at his or her discretion, by the Chief Executive Officer, as required to conduct the Committee's business. Appropriate advance written notice of the time and place and the agenda for the meeting, along with related materials shall be given to each member. A quorum shall be a majority of members present and resolutions of the Committee shall be carried by a majority of members present at the meeting or by unanimous written consent of the members. Minutes shall be prepared for each meeting, be submitted to the Committee for approval at a later meeting and then submitted to the Board. The Minutes of all meetings shall be sent to the Secretary of the Company for filing. The Committee shall report regularly to the Board and bring its recommendations to the full Board for approval.

### **IV. SCOPE AND RESPONSIBILITIES**

The Committee shall be charged with the following functions, duties and responsibilities:

1. Executive Compensation. The Committee shall:
  - Periodically review the Company's philosophy regarding executive compensation and counsel the Chief Executive Officer on different compensation approaches consistent with the Company's goals and objectives that will reward executive officers for achievements through a mix of long- and short-term incentives and features that include downside risk as well as upside potential;
  - Annually evaluate (in conjunction with the Chief Executive Officer) the compensation of the executive officers and approve the individual elements of total compensation for each such person and communicate in the Company's annual proxy statement to shareholders the specific relationship of the Company's performance to executive compensation;
  - Annually review market data to assess the Company's competitive position for the four components of executive compensation (base salary, annual incentives, long-term incentives, and benefits) by reviewing executive compensation surveys including information compiled by third-party consultants if deemed necessary or appropriate by the Committee, data related to a peer group of other retailers and supplemental general industry compensation information;
  - Assure that the total compensation paid to the Company's principal officers and other key employees is reasonable;
  - Periodically evaluate and approve any proposed amendments to the incentive compensation plans and stock-related plans in which the Chief Executive Officer and other senior executives and key employees may be participants, and determine when it is necessary (based on advice of counsel) or otherwise desirable: (a) to modify, discontinue,

- or supplement any such plans; or (b) to submit such amendment or adoption to a vote of the full Board and/or the Company's shareholders;
- Periodically review and approve the Company's stock ownership guidelines;
  - Have sole authority to retain and terminate any compensation consultant engaged to assist in evaluating the compensation of the Company's executive officers and to approve such consultant's fees and other terms of retention;
  - Perform an annual self-evaluation of the Committee's performance and annually reassess the adequacy of and, if appropriate, propose to the Board, any desired changes in the Committee's Charter; and
  - Annually issue a report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company's annual proxy statement.
2. Employment Policies and Employee Benefits. The Committee shall:
- Periodically review the Company's employment policies, including hiring policies, promotion policies, diversity considerations and legal compliance issues;
  - Discharge the ultimate fiduciary responsibilities that reside with the Board for retirement and employee welfare plans sponsored by the Company, as defined by the Employee Retirement Income Securities Act of 1974 ("ERISA");
  - Monitor the administration of the employee benefit programs sponsored by the Company with respect to external competitiveness, internal equity and legal compliance; and
  - Oversee the administration of the Company's retirement plans as carried out by a subcommittee of Company employees, appointed by the Committee and designated as the administrative committee, with such committee being comprised of the Vice President, Human Resources, Chief Financial Officer and General Counsel of the Company.
3. Chief Executive Officer Performance Appraisal. Annually, the Committee shall:
- Review and approve specific goals and objectives for the Chief Executive Officer for the next year, which are discussed with the entire Board;
  - Evaluate the performance of the Chief Executive Officer in meeting those goals and objectives with input from the full Board at year-end; and
  - Evaluate the compensation of the Chief Executive Officer and determine the amounts and individual elements of total compensation for the Chief Executive Officer consistent with

- the Company's corporate goals and objectives and communicate in the Company's annual proxy statement to shareholders the factors and criteria on which the Chief Executive Officer's compensation for the last year was based, including the relationship of the Company's performance to the Chief Executive Officer's compensation.
- In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the Company's Chief Executive Officer in prior years.
4. **Organization, Succession and Retention.** The Committee shall review and advise management with respect to the training and development of senior management talent, and assure that appropriate management support is developed in areas important to the Company's future growth and development. The Committee shall also review and make recommendations to the Board of Directors relative to the Company's succession planning for senior management.
  5. **Access to Records and Experts.** The Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company and, for this purpose, to retain on behalf of the Committee outside counsel or other experts. The Committee also has the authority to retain consultants of its selection to advise it with respect to the Company's salary and incentive compensation and benefits programs.
  6. **Other Responsibilities.** The Committee shall perform such other functions as the Board shall from time to time determine.