



Corporate Governance Policies

Adopted April 27, 2004

I. INTRODUCTION AND RESPONSIBILITIES

The Board of Directors (the "Board") of **Blue Nile, Inc.** (the "Company") has adopted these governance policies to assist it in following corporate practices that serve the best interests of the Company and its stockholders. This statement of policies is intended as a general framework to assist the Board in carrying out its responsibilities and is not intended as binding legal obligations or inflexible requirements and should be interpreted in the context of all applicable laws and regulations, the Company's charter documents and other governing legal documents. These policies are subject to future changes or refinements as the Board may find necessary or appropriate in order for the Company to achieve its objectives.

The Board has a responsibility to protect and enhance the assets of the Company and serve the best interests of the stockholders through overseeing and evaluating the management of the Company and providing general direction for the management of the Company.

The Company's management, under the direction of the Chief Executive Officer, is responsible for the operations of the Company, implementation of the strategic, financial and management policies of the Company, preparation of financial statements and other reports that accurately reflect requisite information about the Company, and timely reports which inform the Board about the operations of the Company. The Board monitors the effectiveness of management and Company policies and decisions, including the execution of its strategies.

II. BOARD COMPOSITION AND OTHER GENERAL MATTERS

- A. **Selection of Directors.** The Board, upon the recommendation of the Company's Nominating and Corporate Governance Committee, is responsible for selecting members to fill Board vacancies and nominating candidates for election by the stockholders at the annual meeting of stockholders.
- **Board Membership Criteria.** The Board's policy is to encourage selection of directors who will contribute to the Company's overall corporate goals. The Board and the Nominating and Corporate Governance Committee will from time to time review the experience and characteristics appropriate for Board members and director candidates in light of the Board's composition at the time and skills and expertise needed at the Board and committee levels. Further, in determining whether to recommend a director re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at Board and committee meetings and participation in and contributions to the activities of the Board.
 - **Management Directors.** The Board anticipates that the Company's Chief Executive Officer will be nominated periodically to serve on the Board. The Board may also appoint or nominate other members of the Company's management team whose experience and role at the Company are expected to help the Board fulfill its responsibilities.
- B. **Size of the Board.** The number of directors shall be established by the Board in accordance with the Bylaws of the Company. The Board, with the assistance of the Company's Nominating and Corporate Governance Committee, will review the appropriate size of the Board from time to time and may increase or decrease the number of directors constituting the Board upon approval of a majority of the directors then in office. The number of directors so determined shall be the authorized number of directors of the corporation. Based on the increasing scope and complexity of the Company's business, the desire to avoid extensive overlap between committees, and other factors, the Board will consider adding additional members, subject to the availability of suitable candidates. Directors shall be elected at each annual meeting of stockholders to hold office for the term of their class of directors, as provided in the Company's Certificate of Incorporation and Bylaws.
- C. **Independent Directors.**
- **Majority of Independent Directors.** It is the objective that a majority of the directors serving on the Board meet the standards of director independence as set forth in the rules and regulations of the Securities and Exchange Commission (the "SEC Standards") and the Nasdaq Marketplace Rules as the same may be amended from time to time (the "Nasdaq Rules"), within the time period required after the Company's initial public offering as set forth in such rules. The Board composition shall also satisfy other criteria not inconsistent with the Nasdaq Rules and the SEC Standards that the Board considers appropriate for effective oversight and decision-making by the Board.
 - **Affirmative Determination of Independence.** Based on information provided by Board members and advice of

counsel, the Board or a designated committee shall affirmatively determine annually and at other times required by the Nasdaq Rules and the SEC Standards that the directors designated as independent have no material relationships to the Company (either directly or with an organization in which the director is a partner, stockholder or officer or is financially interested) that may interfere with the exercise of their independence from management and the Company.

- o **Designation of Lead Independent Director.** To the extent that there is not a chairperson of the Board who is independent, the Board will designate an independent director to serve as lead independent director. If so designated, the Company shall disclose the name of the lead director in its proxy statement. Except as otherwise deemed appropriate by the Board, the lead director will have the following responsibilities: (i) in conjunction with the Chief Executive Officer, establish any agenda for meetings of the independent directors; (ii) preside over meetings of the independent directors; and (iii) coordinate the activities of the other independent directors and to perform various other duties.
- D. **Board Leadership.** The Board may select a chairperson of the Board in the manner and upon the criteria that the Board deems appropriate at the time of selection.
- E. **No Fixed Terms.** The Board believes that term limits and mandatory retirement ages for directors are not in the best interests of the Company. Directors who have served on the Board for an extended period of time are able to provide valuable insight about the business and operations of the Company based on their experience with and understanding of the Company's history, policies and objectives. The Board believes that it can continue to evolve and adopt fresh viewpoints through the evaluation and nomination process described in these policies.
- F. **Assessing the Board's Performance.** The Nominating and Corporate Governance Committee will periodically assess the performance of the Board and its committees and report the results of such assessments to the Board.

III. BOARD MEETINGS

- A. **Meetings of Independent Directors.** The independent directors will hold during each fiscal year at least two regular meetings without management present or such as is required by the Nasdaq Rules or SEC Standards at such times and for such purposes as the independent directors consider to be appropriate. Such meetings can occur before or after regular meetings of the Board. The independent directors may invite the Company's independent auditors, legal counsel, finance staff and other employees to attend all or portions of these meetings.
- B. **Session with Chief Executive Officer.** It is intended that each regular Board meeting will include a session between the Chief Executive Officer and the independent directors. The session is intended to permit the Chief Executive Officer and the directors to discuss personnel and management issues, succession issues and other topics not appropriate for discussion with other employees or management.
- C. **Agenda.** The Chief Executive Officer, in consultation with the chairperson of the Board (or, in the absence of a chairperson, the lead independent director), will have primary responsibility for preparing any agenda for a meeting and arranging for it to be sent in advance of the meeting to the directors along with appropriate written information and background materials. Each Board committee, and each individual director, is encouraged to suggest items for inclusion on the agenda. The full Board reserves the authority to meet in executive sessions to discuss sensitive matters without distribution of written materials.
- D. **Board Materials Distributed In Advance.** Information and data concerning the Company, its financial affairs, operations and strategy is important to the Board's understanding and decision-making process. When feasible, information relating to the agenda items should be distributed in writing to the Board before the Board meets so that Board meeting time may be conserved and discussion time focused on issues raised by the material or the agenda items. For certain sensitive or late-breaking topics, discussion will be held at the meeting and no materials will be distributed with respect to that topic.
- E. **Board Access to Management.** The Company's management will afford each Board member access to Company employees, outside auditors, legal counsel and other professional advisors for any purpose reasonably related to the Board's responsibilities. Furthermore, the Board encourages management to bring to Board meetings Company personnel who can (because of their expertise) provide additional insight to the items being discussed. Management is responsible for arranging presentations at Board meetings by the Company managers and otherwise providing reports to the Board that will communicate to the Board at appropriate times meaningful information about the operations of the Company. Each director is entitled to inspect the Company's books and records and obtain such other data and information as the director may reasonably request; inspect facilities as reasonably appropriate for the performance of director duties; to receive notice of all meetings in which a director is entitled to participate; and receive copies of all Board meeting minutes.
- F. **Outside Advisors.** The Board and its committees may retain outside advisors as deemed necessary or appropriate at the Company's expense.

IV. BOARD COMMITTEES

- A. **Committees.** The standing committees of the Board are the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The Board may form, merge or dissolve committees as it deems appropriate from time to time. The Compensation Committee, Audit Committee and Nominating and Corporate

Governance Committee shall be comprised entirely of independent directors as required by applicable laws and regulations. Committee composition shall conform to applicable laws and regulations.

- B. **Committee Member Selection.** Upon recommendation by the Nominating and Corporate Governance Committee, the Board will designate the members and the chairperson of each committee, endeavoring to match the committee's function and needs for expertise with individual skills and experience of the appointees to the committee.
- C. **Committee Functions.** Each standing committee will have a written charter approved by the Board. The written charter for each standing committee shall be in compliance with all legal requirements and Nasdaq Rules, but may go beyond what is required by law or Nasdaq Rules, as necessary, as determined by the Board to fully reflect corporate best practices. The number and content of committee meetings and means of carrying out committee responsibilities will be determined by each committee in light of the committee's charter, the authority delegated by the Board to the committee, and the legal, regulatory, accounting and governance principles applicable to the committee's function. The minutes of the committees will be shared with the full Board. The Company will afford access to the Company's employees, professional advisors and other resources, if needed, to enable committee members to carry out their responsibilities.

V. BOARD MEMBER RESPONSIBILITIES

- A. **Generally.** A director is expected to discharge his or her duties, including duties as a member of any committee on which he or she serves, in good faith and in a manner the director reasonably believes to be in the best interests of the Company and its stockholders.
- B. **Disclose Relationships.** Each independent director is expected to disclose promptly to the Board any existing or proposed relationships with the Company, which could affect the independence of the director under applicable Nasdaq Rules or any additional standards as may be established by the Board from time to time, including direct relationships between the Company and the director, and indirect relationships between the Company and any business, nonprofit or other organization in which the director is a general partner or manager, officer or significant stockholder, or is materially financially interested.
- C. **Attendance.** Board members are expected to devote sufficient time and attention to prepare for, attend and participate in Board meetings and meetings of committees on which they serve, including advance review of meeting materials that may be circulated prior to each meeting. Each director nominated for election and remaining in office is strongly encouraged to attend the Company's annual meeting of stockholders in person unless attendance would be impracticable or constitute an undue burden on such director.
- D. **Reliance on Information.** In discharging responsibilities as a director, a director is entitled to rely in good faith on reports or other information provided by Company management, independent auditors, legal counsel and other persons as to matters the director reasonably believes to be within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.