

# ZUMIEZ INC.

## CORPORATE GOVERNANCE GUIDELINES

NOVEMBER 18, 2009

### **I. Board Purpose and Responsibilities.**

#### **A. Purpose.**

The Board of Directors represents and acts on behalf of all shareholders of Zumiez Inc. (the “Company” or “Zumiez”). The Board is responsible for establishing and helping the Company achieve business and organizational objectives through oversight, review and counsel. The Board’s responsibilities, which may be delegated to appropriate committees, include:

- Review the Company’s long-term strategic plans and the principal risks that the Company faces.
- Consult with the Company’s officers, both at meetings and at other times, in order to remain abreast of the Company’s business and activities.
- Review and approve the Company’s financial objectives and major corporate plans and actions.
- Evaluate the performance and effectiveness of the Board to ensure that the Directors are fulfilling their responsibilities in a manner that effectively serves the interests of the Company’s shareholders.
- Oversee internal and external audit functions and monitor the integrity of our financial statements.
- Evaluate the Chief Executive Officer’s (“CEO”) performance in light of corporate goals and objectives at least annually.
- Approve the compensation for the CEO and other senior executives.
- Nominate candidates for officer positions and vacancies within the Company.
- Review and approve management development and succession planning practices and strategies.

### **II. Board Structure.**

#### **A. Size.**

The business affairs and property of the Company shall be managed by a Board of Directors of not less than one (1) Director nor more than thirteen (13) Directors. The number of Directors may at any time be increased or decreased by the Board of Directors at any regular or special meeting.

## **B. Term of Office.**

The Directors are equally divided into three classes. Approximately one-third of the Directors are elected each year for three-year terms. Directors are elected to hold office until their successors are elected and qualified, or until resignation or removal in the manner provided in our Bylaws.

## **C. Director Resignation Policy.**

A Director who suffers a change in circumstances that adversely affects his or her capacity to serve as a Director shall promptly tender his or her resignation to the Governance and Nominating Committee for consideration.

The Governance and Nominating Committee will determine whether to accept or reject the offer of resignation based on the Governance and Nominating Committee's view of the contribution of the Director to effective operations of the Board and the best interests of the Company and its shareholders.

## **D. Retirement and Term Limit Policies.**

As referenced above, our Directors serve staggered three-year terms. The Board currently believes it is not necessary to institute term limits for Directors.

Directors who serve on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with, and understanding of, the Company.

## **E. Independence.**

As required under NASDAQ Stock Market listing standards, a majority of the members of the Company's Board of Directors must qualify as "independent," as affirmatively determined by the Board of Directors. Our Board of Directors consults with our counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in applicable NASDAQ listing standards, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each Director, or any of his or her family members, and the Company, our senior management and our independent auditors, our Board of Directors has affirmatively determined that all of our Directors are independent Directors within the meaning of the applicable NASDAQ listing standards, except for our Chairman Mr. Campion and CEO Mr. Brooks.

#### **F. Lead Independent Director.**

If the Chairperson of the Board is not independent, the Chairperson of the Governance and Nominating Committee will be the Lead Independent Director, unless the Board designates another of the independent directors to serve as the Lead Independent Director.

The Lead Independent Director will be responsible for calling meetings of the independent Directors, setting the agenda for and leading executive sessions of the independent Directors, facilitating discussion among the independent directors on key risks and issues and concerns outside the Board meeting, briefing the Chairman and CEO on issues arising in the executive sessions, serving as a non-exclusive conduit to the Chairman and CEO of views, concerns and issues of the independent directors, and collaborating with the Chairman of Board and the CEO to set the Board agenda.

#### **G. Executive Sessions.**

Our independent Directors meet in regularly scheduled executive sessions at which only independent Directors are present. The Lead Independent Director presides over these executive sessions. All of the committees of our Board of Directors are comprised of Directors determined by the Board to be independent within the meaning of the applicable NASDAQ listing standards.

#### **H. Board Effectiveness Survey.**

The Governance and Nominating Committee annually evaluates the performance and effectiveness of the Board to ensure that the Directors are fulfilling their responsibilities in a manner that effectively serves the interests of the Company's shareholders.

#### **I. Orientation and Continuing Education.**

The Board and the Company have in place an orientation process for new Directors that includes background material about the Company, meetings with senior management and visits to Company stores and corporate offices.

### **III. Board Membership.**

#### **A. Membership Criteria.**

The Governance and Nominating Committee is responsible for establishing criteria for Board membership. Criteria includes, but is not limited to, personal and professional ethics, training, commitment to fulfill the duties of the Board of Directors, commitment to understanding the Company's business, commitment to engage in activities in the best interest of the Company, independence, diversity,

industry knowledge and contacts, financial and accounting expertise, leadership qualities, public company board of director and committee experience and other relevant experience and qualifications. A director candidate's ability to devote adequate time to the Board and committee activities is also considered.

The Board has the ability to review and add other criteria, from time to time, that it deems relevant. The Governance and Nominating Committee will use these criteria as guidelines and will not be limited to them in instances where the best interests of the Company will be served by considering other criteria.

## **B. Director Nominations.**

The Board shall be responsible for nominating its own members and recommending them for election. The Board shall delegate the screening process to the Governance and Nominating Committee in accordance with the criteria for Board membership established by the Governance and Nominating Committee.

The nominations to the Board in our last fiscal year were completed using procedures in accordance with the Governance and Nominating Committee Charter. The procedures included:

- Initial review of potential director candidates by the Governance and Nominating Committee as submitted by the independent directors of the Board based on our established criteria for Board membership, including (without limitation): experience, skill set, diversity and the ability to act effectively on behalf of the shareholders and such other criteria as the Governance and Nominating Committee may deem relevant from time to time.
- Each director candidate was put forth for consideration as a director candidate independently by our independent directors based on their knowledge of the candidates. None of our independent directors had a relationship with any candidates which would impair his independence. Each candidate's biography was reviewed by each member of the Governance and Nominating Committee with the intention that each candidate would bring a unique perspective to benefit our shareholders and management.
- Interviews of director candidates were conducted by members of the Governance and Nominating Committee and senior management. These interviews confirmed the Governance and Nominating Committee's initial conclusion that candidates met the qualifications/criteria/skills to serve as a director of the Company.
- Independence questionnaires were completed by candidates and then reviewed by the Company, the Governance and Nominating Committee and the Company's outside legal counsel to ensure candidates meet the requirements to be an independent director for the Board, Audit Committee, Compensation Committee and the Governance and

Nominating Committee. The review also ensures the candidates positions do not conflict in any material way with the Company's business.

### **C. Director Elections.**

The Directors are divided into three classes so that approximately one-third of the Directors are elected each year for three-year terms. Directors are elected to hold office until their successors are elected and qualified, or until resignation or removal in the manner provided in our Bylaws.

The nominees for Director in an uncontested election will be elected if the votes cast in favor of a nominee's election exceed the votes cast opposing such nominee's election.

In a contested election, the Directors shall be elected by a plurality of the votes cast. A "contested election" means an election of Directors of the Company in which the number of nominees for any election of Directors nominated by (i) the Board of Directors, or (ii) any shareholder pursuant to Article 1, Section 10 of the Company's Bylaws, or (iii) a combination of nominees by the Board of Directors and any shareholder pursuant to Article I, Section 10 of the Company's Bylaws, exceed the number of Directors to be elected.

A nominee for Director in an uncontested election who does not receive the requisite votes for election, but who was a Director at the time of the election, shall continue to serve as a Director for a term that shall terminate on the date that is the earlier of: (i) ninety (90) days from the date on which the voting results of the election are certified, (ii) the date on which an individual is selected by the Board of Directors to fill the office held by such Director, which selection shall be deemed to constitute the filling of a vacancy by the Board of Directors, or (iii) the date the Director resigns. Except in the foregoing sentence, a Director who failed to receive a majority vote for election will not participate in the filling of his or her office. If none of the Directors receive a majority vote in an uncontested election, then the incumbent Directors (a) will nominate a slate of Directors and hold a special meeting for the purpose of electing those nominees as soon as practicable, and (b) may in the interim fill one or more offices with the same Director(s) who will continue in office until their successors are elected. If, for any reason, the Directors shall not have been elected at any annual meeting, they may be elected at a special meeting of shareholders called for that purpose in the manner provided by the Company's Bylaws.

### **D. Inspector of Elections.**

At Annual Shareholder Meetings, the Company uses an inspector of elections who is generally not an employee of the Company.

#### **IV. Board Functioning.**

##### **A. Board Meetings.**

Regular meetings of the Board may be held at such places and times as the Board may determine, and if so determined, no notice thereof need be given. Special meetings may be held at any time or place whenever called by the CEO (or in the absence of a CEO, by the President), two (2) or more Directors or the Lead Independent Director, notice thereof being given to the each Director at least two days prior to the date of the meeting.

##### **B. Meeting Agendas.**

Certain agenda items are established in advance and discussed at particular meetings during each year; other agenda items are determined as meetings near, and members of the Board are also able to raise additional items during the meetings themselves.

##### **C. Advance Materials.**

Information and materials important to the Directors' understanding of the business to be conducted at a Board or committee meeting shall, to the extent practical, be distributed sufficiently in advance of each meeting to permit meaningful review.

#### **V. Access to Management and Independent Advisors.**

##### **A. Management.**

Directors shall have full access to any relevant records of the Company and may request that any officer or other employee of the Company meet with any member of, or consultants to, the Board or any committee thereof, provided that this contact does not interfere with the operation of the ordinary business of the Company.

##### **B. Independent Advisors.**

Directors may request that the Company's outside counsel, accountants or other advisors meet with any members of, or consultants, to the Board or any committee thereof, provided that this contact does not interfere with the operation of the ordinary business of the Company.

## **VI. Board Committees.**

### **A. Committees.**

The Board shall have at least the following standing committees: Governance and Nominating, Audit and Compensation. The Board has the flexibility to form a new committee or disband a current committee depending on the circumstances.

*Governance and Nominating Committee* – The Governance and Nominating Committee has the responsibilities set forth in its Charter with respect to: recommending Board nominees; assessing Board and Director performance; recommending Director compensation and benefit policies; and recommending other actions to the Board relating to corporate governance.

*Audit Committee* – The Audit Committee has the responsibilities set forth in its Charter with respect to: appointing and overseeing the independent registered public accounting firm; monitoring the integrity of the Company's financial statements; reporting any major issues as to the adequacy of the Company's internal controls; reviewing financial statements prior to filing with the SEC; reviewing performance and qualifications of our independent registered public accounting firm; and overseeing the Company's internal audit function.

*Compensation Committee* – The Compensation Committee has the responsibilities set forth in its Charter with respect to: establishing the Company's executive compensation policies; reviewing the corporate goals and objectives relevant to compensation; determining our CEO's compensation; making recommendations with respect to the compensation of other executive employees; administering incentive compensation and equity based plans and making recommendations with respect to those plans; and making recommendations to our Board with respect to the compensation of Directors.

### **B. Appointment and Rotation.**

The Board, with consideration of the recommendations from the Governance and Nominating Committee, designates the members and chairpersons of the committees, taking into account their particular experience and knowledge of the Company and the preferences of individual Board members.

While rotating committee members should be considered periodically, the Board does not believe rotation should be mandated because significant benefits are attributable to continuity, experience gained in services on particular committees and utilizing most effectively the individual talents of Board members.

### **C. Frequency and Length of Committee Meetings.**

The Chair of each committee, in consultation with its members and the appropriate officers, determines the frequency and length of the meetings of the committee.

### **D. Committee Agendas.**

The Chair of each committee, in consultation with its members and the appropriate officers, will establish the agenda for each committee meeting. A copy of each committee meeting agenda is sent to committee members in advance of the meeting to allow for adequate preparation and will be provided to each other Board member upon request.

## **VII. Company Principles.**

### **A. Code of Business Conduct and Ethics.**

The Company is committed to integrity and asks that its employees follow the highest standards of ethical conduct. The Board has adopted a code of business conduct and ethics applicable to all of the Company's employees. The Board of Directors must approve any waiver of this code of conduct for any executive officer or director and any such waiver will be publically disclosed.

### **B. Insider Trading.**

In general, employees of the Company are subject to a separate insider trading policy that prohibits them from buying, selling or transferring the Company's securities except during a pre-determined window period, which commences one full business day after the public announcement of the Company's same store sales following the Company's quarterly or annual earnings and ending on the day two weeks thereafter.

Employees are prohibited from buying, selling or transferring the Company's securities, even within the window period, if they are aware of any material non-public information. Material information is information that might affect the Company's stock price or otherwise be of significance to an investor who is determining whether to purchase, sell or hold the Company's securities.

### **C. Annual Review.**

The Governance and Nominating Committee evaluates the performance and effectiveness of the Board annually to ensure that the Directors are fulfilling their responsibilities in a manner that effectively serves the interest of the Company's shareholders.



#### **D. Political Contribution Policy.**

In the United States, corporations are generally prohibited from making political contributions to federal candidates or political parties. However, many states allow corporate contributions to state and local candidates as well as ballot initiatives. The Company currently does not contribute to any political party, state candidate, political action committee or 527 organizations. Furthermore, the Company does not pay on behalf of or reimburse any of our named executive officers for any political contributions.

### **VIII. Compensation, Succession and Evaluation for CEO.**

#### **A. Board Compensation.**

The Board has adopted a compensation policy with respect to its non-employee Directors and this compensation policy is described in the Company's annual proxy statement.

#### **B. Executive Compensation Recovery Policy.**

The Company maintains an executive compensation recovery policy. Pursuant to this policy, the Company may recover incentive income that was based on the achievement of quantitative performance targets if the executive officer engaged in fraud or intentional misconduct that resulted in an increase in his or her incentive income. Incentive income includes all incentive income and compensation that the Compensation Committee considers to be appropriate based upon the circumstance.

The Compensation Committee has the sole discretion to administer this policy and take actions under it, including soliciting recommendations from the Audit Committee and the full Board and retaining outside advisors to assist in making its determinations. The actions taken by the Compensation Committee are independent of any action imposed by law enforcement agencies, regulators or other authorities.

#### **C. Related Person Transactions.**

The Company recognizes that Related Person Transactions (defined as transactions, arrangements or relationships in which the Company was, is or will be a participant and the amount involved exceeds \$10,000 and in which any Related Person had, has or will have a direct or indirect interest) may raise questions among shareholders as to whether those transactions are consistent with the best interests of the Company and its shareholders. "Related Persons" are generally defined as any directors or executive officers of the Company, anyone owning more than 5% of the Company's voting securities, any immediate family

of any of the foregoing persons and any firm or entity in which any of the foregoing persons are employed.

It is the Company's policy to enter into or ratify Related Person Transactions only when the Board of Directors, acting through the Audit Committee determines that the Related Person Transaction in question is in, or is not inconsistent with, the best interests of the Company and its shareholders, including but not limited to situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides products or services to Related Persons on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally.

**D. Succession.**

The CEO and Board review at least annually the succession plan of the Company's CEO, and each of its named executive officers. The Compensation Committee conducts an annual review of, and provides approval for, the management development and succession planning practices and strategies.

The CEO provides an annual report to the Board assessing senior management and their potential successors. As part of this process contingency plans are presented in the event of the CEO's termination of employment for any reason (including death or disability). The report to the Board also contains the CEO's recommendation as to his or her successor. The full Board has the primary responsibility to develop succession plans for the CEO position.

**E. Evaluation of CEO.**

The Governance and Nominating Committee and the Compensation Committee shall together, evaluate the CEO's performance in light of the corporate goals and objectives at least annually. This shall include a review of the Company's performance and relative shareholder returns. Both the Committees' and other independent directors shall together determine and approve the CEO's compensation level based on this evaluation.

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