

# **AUTOZONE, INC.**

## **CORPORATE GOVERNANCE PRINCIPLES**

### **ADOPTION**

The Board of Directors of AutoZone, Inc., first adopted these Corporate Governance Principles on June 5, 2001. These Corporate Governance Principles have been amended on December 13, 2001, August 27, 2002, September 29, 2004, September 28, 2005, March 19, 2008, December 17, 2008, June 17, 2009, September 28, 2010, December 14, 2010, September 27, 2011, and March 4, 2013.

### **BOARD MISSION & OBJECTIVES**

#### *Mission Statement*

AutoZone's primary objective is to maximize long-term stockholder value, while adhering to the laws of the jurisdictions wherein it operates and at all times observing the highest ethical standards.

#### *Corporate Authority & Responsibility*

All corporate authority resides in the Board of Directors as the representative of the stockholders. Authority is delegated to management by the Board in order to implement AutoZone's mission. Such delegated authority includes the authorization of spending limits and the authority to hire employees and terminate their services. The Board retains responsibility to recommend candidates to the stockholders for election to the Board of Directors. The Board retains responsibility for selection and evaluation of the CEO, oversight of the succession plan, determination of senior management compensation, approval of the annual budget, assurance of adequate systems, procedures and controls, as well as assisting in the preparation and approval of the strategic plan. Additionally, the Board provides advice and counsel to senior management. The Board may exercise its authority through committees of the Board.

### **DIRECTORS**

#### *Personal Characteristics & Core Competencies of Directors:*

Individual Directors should possess all of the following personal characteristics:

- Integrity and Accountability - Character is the primary consideration in evaluating any Director. Directors should demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on and remain accountable for their Boardroom decisions.

- Informed Judgment - Directors should have the ability to provide wise, thoughtful counsel on a broad range of issues. Directors should possess high intelligence and wisdom and apply it in decision making.
- Financial Literacy - One of the important roles of the Board is to monitor AutoZone's financial performance. Directors should be financially literate. Directors should know how to read a balance sheet, income statement, cash flow statement, and understand the use of financial ratios and other indices for evaluating company performance.
- Mature Confidence - The Board functions best when Directors value Board and team performance over individual performance. Openness to other opinions and the willingness to listen should rank as highly as the ability to communicate persuasively. Directors should approach others assertively, responsibly and supportively and identify issues in a manner that encourages open discussion.
- High Performance Standards - In today's highly competitive world, only companies capable of performing at the highest levels are likely to prosper. Directors should have a history of achievements that reflect high standards for themselves and others.
- Passion - Directors should be passionate about the performance of AutoZone, both in absolute terms and relative to its peers. That passion should manifest itself in engaged debate about the future of AutoZone and an esprit de corps among the Board that both challenges and inspires AutoZoners.

### ***Core Competencies of the Board as a Whole***

To adequately fulfill the Board's complex roles, from monitoring managerial performance to responding to crises and approving AutoZone's strategic plan, a host of core competencies need to be represented on the Board. The Board as a whole should possess the following core competencies, with each member contributing knowledge, experience and skills in one or more domains:

- Accounting and Finance - Among the most important missions of the Board is ensuring that stockholder value is both enhanced through corporate performance and protected through adequate internal financial controls. The Board should have one or more Directors with specific expertise in financial accounting and corporate finance, especially with respect to trends in debt and equity markets.
- Business Judgment - Stockholders rely on Directors to make sensible choices on their behalf. The majority of Directors should have a record of making good business decisions in the corporate sector.
- Management - To monitor corporate management, the Board needs to understand management trends in general and industry trends in particular. The Board should have

one or more Directors who understand and stay current on general management “best practices” and their application in complex, rapidly evolving business environments.

- Crisis Response - Organizations inevitably experience both short and long-term crises. The ability to deal with crises can minimize ramifications and limit negative impact on firm performance. Boards should have one or more Directors who have the ability and time to perform during periods of both short-term and prolonged crises.
- Industry Knowledge - Companies continually face new opportunities and threats that are unique to their industries. The Board should have one or more members with appropriate and relevant industry-specific knowledge.
- International Markets - To succeed in an increasingly global economy, the Board should have one or more Directors who appreciate the importance of global business trends and who have first-hand knowledge of international business experience in those markets.
- Strategy & Vision - A key Board role is to approve and monitor company strategy to ensure AutoZone’s continued high performance. The Board should have one or more Directors with the skills and capacity to provide strategic insight and direction by encouraging innovation, conceptualizing key trends, evaluating strategic decisions, and continuously challenging the organization to sharpen its vision.

#### ***Positions of Chairman and CEO; Lead Director***

The Board selects AutoZone’s Chairman of the Board and its CEO in the manner that it determines to be in the best interests of AutoZone’s stockholders. If the positions of the Chairman of the Board and CEO are held by the same person, or if the Chairman is otherwise employed by AutoZone, then the Board may select a non-employee director to serve as the Lead Director. The responsibilities of the Lead Director include the following:

- Chairing Board meetings when the Chairman is not present, including presiding at all executive sessions of the Board (without management present) at every regularly scheduled Board meeting;
- Working with management to determine the information and materials provided to Board members;
- Approving Board meeting agendas, schedules and other information provided to the Board;
- Consulting with the Chairman on such other matters as are pertinent to the Board and the Company;
- Having the authority to call meetings of the independent directors;
- Being available for direct communication and consultation with major shareholders upon request; and
- Serving as liaison between the Chairman and the independent directors.

#### ***Changes in Professional Responsibility***

The Board should consider whether a change in an individual's professional responsibilities directly or indirectly impacts that person's ability to fulfill directorship obligations. All Directors should submit a resignation as a matter of course upon retirement, a change in employer, or other significant change in their professional roles and responsibilities. If the Board believes that a director will continue to make a contribution to the organization, the continued membership of that director may be supported.

### ***Identification and Recruitment of Directors***

One of the tasks of the Nominating and Corporate Governance Committee is to identify and recruit candidates to serve on the Board of Directors. A list of candidates shall be presented to the Board for nomination and to the stockholders for consideration. The committee may, at its discretion, seek third-party resources to assist in the process. The CEO will be included in the process on a non-voting basis. The Nominating and Corporate Governance Committee will make the final recommendation to the Board.

### ***Independent Directors***

A substantial majority of the Board of Directors should be independent. An independent director is defined as a director who:

- has not been employed by AutoZone within the last five years;
- has not been employed by AutoZone's independent auditor in the last five years;
- is not, and is not affiliated with a company that is, an adviser, or consultant to AutoZone or a member of AutoZone's senior management;
- is not affiliated with a significant customer or supplier of AutoZone;
- has no personal services contract with AutoZone or with any member of AutoZone's senior management;
- within the last three years, has not had any business relationship with AutoZone for which AutoZone has been or will be required to make disclosure under Rule 404(a) or (b) of Regulation S-K of the Securities and Exchange Commission as currently in effect;
- receives no compensation from AutoZone other than compensation as a director;
- is not employed by a public company at which an executive officer of AutoZone serves as a director;
- has not had any of the relationships described above with any affiliate of AutoZone; and
- is not a member of the immediate family of any person with any relationships described above.

The term “affiliate” as used above is any parent or subsidiary entity included in AutoZone’s consolidated group for financial reporting purposes.

### ***Outside Directorships***

The members of the Board acknowledge that significant time is required to be a fully participating and effective member of AutoZone’s Board of Directors. Therefore, each independent director should not hold more than three directorships of public companies other than AutoZone. The Board may, however, in its discretion allow an independent director to hold more than three directorships of other public companies if the Board believes that such service will not negatively impact the director’s ability to serve fully and effectively on AutoZone’s Board. The CEO should not be a member on more than one other Board of a public company, and AutoZone’s other executive officers should not be members of more than one other Board of a public company. A Director should notify the Secretary prior to accepting a new position on another Board in order that the Secretary may examine the relationship for a potential conflict of interest.

### ***Compensation of Directors***

Outside Directors are compensated in accordance with the Director Compensation Plan and the Director Stock Option Plan as may be in effect from time to time. The Board believes that a significant portion of a director’s compensation should be in common stock to further the direct correlation of directors’ and stockholders’ interests.

The Compensation Committee shall review independent director compensation from time to time and recommend to the full Board any changes in compensation as the committee may deem necessary.

Directors that are officers or employees shall not receive any additional compensation for their service as Directors. Outside Directors shall not receive a pension solely as a result of service as a Director.

### ***Direct Investment in AutoZone Stock by Directors***

Since a significant ownership stake leads to a stronger alignment of interests between directors and stockholders, each director is required to personally invest at least \$150,000 in company stock within three years of joining the board. Exceptions to this requirement may only be made by the board under compelling mitigating circumstances.

### ***Service Limitations of Directors***

A Director may not stand for reelection after age 75, but need not resign until the end of his or her term. The Board may, however, upon evaluation of a Director that has reached 75 years of age, in its discretion ask such Director to remain on the Board if the Board believes that such Director will continue to make significant contributions to the work of the Board.

In order to retain freshness in the process and to give new management the unfettered ability to provide new leadership, a retiring CEO shall not continue to serve on the Board except in extraordinary circumstances.

### ***Conflict of Interest***

From time to time, an issue being considered by the Board may present, or may give the appearance of presenting, a conflict of interest for a Director. Each Director should take appropriate steps to assure that in each matter considered that the Director is disinterested with respect to that matter, other than the interests of AutoZone and its stockholders. Any Director faced with any potential conflict should disclose any such potential conflict to the Secretary and the Chairman and should not participate in discussions or votes on such issue unless a majority of the Board determines, after consultation with counsel, that no conflict of interest exists as to such matter.

Directors that are not independent Directors shall not participate in the Board's decision of selection, removal, or performance assessment of the CEO.

### ***Continuing Education***

The Board believes it is appropriate for directors, at their individual discretion, to have access to educational programs related to their duties as directors on an ongoing basis to enable them to better perform their duties and to recognize and deal appropriately with issues that arise. AutoZone will provide appropriate funding for these programs.

## **BOARD ORGANIZATION**

### ***Board Size***

In general, smaller boards are more cohesive, work better together and tend to be more effective monitors than larger boards. Ideally, the Board should be comprised of six to ten outside Directors and one to two Directors who also are employees or officers.

### ***Committees***

All major decisions will be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to or required for the operation of AutoZone as a publicly-owned entity. Standing committees shall include audit, compensation, and nominating and corporate governance. The audit, compensation, and nominating and corporate governance committees shall be composed solely of independent Directors. The Board may form other committees as it determines appropriate. Each committee shall operate in accordance with its charter as adopted by the Board. Committee members and chairs shall be appointed annually by the Board in accordance with the charter of each committee.

## **BOARD OPERATIONS**

### ***Meetings***

The agenda for each Board meeting shall be determined by the Chairman. Each Director is encouraged to suggest agenda items.

The Board shall meet at least four times per fiscal year in accordance with a meeting schedule that is approved by the Board. The Board may also meet at such other times in meetings which may be called in accordance with AutoZone's Bylaws.

Other members of management may attend non-executive meetings of the Board at the invitation of the Chairman.

### ***Communications***

Directors have full access to the Chairman and CEO and senior officers reporting directly to the CEO and to information about the corporation's operations. Directors should refrain from giving strategic or operating direction to members of management outside the scope of full Board or committee responsibility and accountability.

### ***Board Ability to Retain Advisors***

The Board shall retain advisors as it believes to be appropriate. If management is retaining advisors to the Board, such decision must be ratified by the Board.

### ***Material in Advance of Meetings***

The Board must be given sufficient information to fully exercise its governance functions. This information comes from a variety of sources, including management reports, a comparison of performance to plans, security analysts' reports, articles in various business publications, etc. Generally, Board members will receive information prior to Board meetings so they will have an opportunity to reflect properly on the items to be considered at the meeting.

The Board will ensure that adequate time is provided for full discussion of important items and that management presentations are scheduled in a manner that permits a substantial proportion of Board meeting time to be available for open discussion.

### ***Executive Session***

The non-management Directors should meet privately in executive session from time to time to review the performance of the CEO and other executive officers. The non-management Directors should meet in executive session at the end of each Board meeting to consider other

issues that they may determine from time to time, without the presence of any member of management. A "non-management" Director is a Director that is not an officer of AutoZone.

### ***Evaluation of the CEO***

The selection and evaluation of the chief executive officer and concurrence with the CEO's selection and evaluation of the corporation's top management team are the most important function of the Board. In its broader sense, "selection and evaluation" includes considering compensation, planning for succession and, when appropriate, replacing the CEO or other members of the top management team. The performance of the CEO will be reviewed at least annually solely by the outside Directors without the presence of the CEO or other inside Directors. The evaluation of the CEO shall be led by the chair of the compensation committee. The Board should have an understanding with the CEO with respect to criteria on which he or she will be evaluated, and the results of the evaluation will be communicated to the CEO.

### ***Succession and Management Development***

The CEO will report annually to the Board on AutoZone's program for succession and management development.

CEO succession is a Board-driven, collaborative process. Although the current CEO has an important role to play, the Board must own the plan for succession while collaborating with the CEO in deciding the timing and the necessary qualifications for making a final decision.

### ***Outside Communication***

The Board believes that management speaks for the company. In accordance with this philosophy, Directors should defer to the Chairman or AutoZone's public relations department when requested to make any comments regarding AutoZone or its business.

### ***Annual Election of Directors***

In order to create greater alignment between the Board's and our stockholders' interests and to promote greater accountability to the stockholders, Directors shall be elected annually.

### ***Election of Directors***

In accordance with the Corporation's Bylaws, unless the Secretary of the Company determines that the number of nominees exceeds the number of Directors to be elected as of the record date for any meeting of the stockholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a Director to tender his or her resignation if he or she fails to receive the required number of votes for election or re-election. The Board shall nominate for election or re-election as Director only candidates who agree to tender, promptly following such person's failure to receive the required vote for election or re-election at the next meeting at which such person would face election or re-election, an irrevocable resignation that will be effective upon Board

acceptance of such resignation. In addition, the Board shall fill Director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other Directors in accordance with this Governance Principle.

If an incumbent Director fails to receive the required vote for re-election, then, within 90 days following certification of the shareholder vote, the Board will act to determine whether to accept the Director's resignation. The Board may consider any factors it deems relevant in deciding whether to accept a Director's resignation.

Thereafter, the Board will promptly disclose its decision-making process and decision regarding whether to accept the Director's resignation offer (or the reason(s) for rejecting the resignation offer, if applicable) in the Form 8-K furnished to the Securities and Exchange Commission.

No Director who, in accordance with this Policy, is required to tender his or her resignation, shall participate in the Board's deliberations or determination with respect to accepting or rejecting his or her own resignation as a Director.

#### ***Board Evaluation***

Led by the Nominating and Corporate Governance committee, the Board shall perform an annual evaluation of the performance of the Board to determine whether it and its committees are functioning effectively.

#### ***Oversight of Risk Management***

Oversight of risk management is a responsibility of the Board and is an integral part of the Board's oversight of AutoZone's business. The primary responsibility for identification, assessment and management of the various risks faced by AutoZone resides with management. The Board is responsible for ensuring that management has established and adequately resourced processes for identifying and preparing the Company to manage risks effectively. Board committees also consider and report to the full Board on significant risks within their areas of responsibility.

### **PERIODIC REVIEW OF GUIDELINES**

These guidelines shall be reviewed periodically by the Nominating and Corporate Governance Committee and any amendments shall be presented to the Board for adoption.