

THE BOMBAY COMPANY, INC.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

INTRODUCTION:

The Board of Directors believes that the primary responsibility of Directors is to provide effective governance over Bombay's affairs for the benefit of its stockholders. That responsibility includes:

- Evaluating the performance of the Chief Executive Officer and taking appropriate action when warranted;
- Selecting, evaluating and fixing the compensation of Bombay's senior management and establishing policies regarding the compensation of other members of management;
- Reviewing succession plans and management development programs for members of senior management;
- Reviewing and approving periodically long-term strategic and business plans and monitoring corporate performance against the plans;
- Adopting policies of corporate conduct, including compliance with applicable laws and regulations and maintenance of accounting, financial and other controls, and reviewing the adequacy of compliance systems and controls;
- Evaluating periodically the overall effectiveness of the Board; and
- Making decisions on matters of corporate governance.

The Guidelines are set forth below. These Guidelines are in addition to and are not intended to change or interpret any Federal or state law or regulation, including the Delaware General Corporation Law, or Bombay's Certificate of Incorporation or By-laws. The Guidelines are subject to modification from time to time by the Board of Directors and are publicly available on Bombay's website at www.bombaycompany.com or in print to any shareholder making a request. Such availability will be noted in the Company's annual report to shareholders.

GUIDELINES ON GOVERNANCE

I. OPERATION OF THE BOARD; MEETINGS

1. *Chairman of the Board and Chief Executive Officer.* The Board believes that, under ideal circumstances, the Chief Executive Officer of Bombay should not also serve as the Chairman of the Board. The Chief Executive Officer is responsible to the Board for the overall management and functioning of Bombay.

2. *When the Chief Executive Officer also holds the position of Chairman of the Board, the Board will elect a non-executive Lead Director, typically for a three (3) year term.* The Lead Director will preside when the Board meets in executive session outside the presence of the Chief Executive Officer and other company personnel and will serve as the interface between the outside Directors and the Chief Executive Officer in communicating the matters discussed during the executive sessions.

3. *Executive Sessions of Outside Directors.* The outside Directors shall meet in executive session during a portion of each of the Board's regular meetings. In addition, any member of the Board may request the Lead Director to call an executive session of the outside Directors at any time.

On an annual basis, the outside Directors will meet in executive session to evaluate the performance of the Chief Executive Officer. In evaluating the Chief Executive Officer, the outside Directors shall take into consideration the executive's performance in both qualitative and quantitative areas, including:

- leadership and vision;
- integrity;
- keeping the Board informed on matters affecting Bombay and its operating units;
- performance of the business (including such measurements as total shareholder return and achievement of financial objectives and goals);
- development and implementation of initiatives to provide long-term economic benefit to Bombay;
- accomplishment of strategic objectives;
- development of management; and
- succession planning.

The written evaluation will be communicated to the Chief Executive Officer by the Lead Director and will be used by the Compensation and Human Resources Committee in the course of its deliberations when considering the Chief Executive Officer's compensation for the ensuing year.

4. *Regular Attendance of Non-Directors at Board Meetings.* The Corporate Secretary and General Counsel will be present during Board meetings, except where there is a specific reason for such person to be excluded. The Chairman of the Board may invite one or more members of management to be in regular attendance at Board meetings and may include other officers and employees from time to time as appropriate to the circumstances.

5. *Frequency of Board Meetings.* The Board has four regularly scheduled meetings per year. Special meetings are called as necessary. It is the responsibility of the Directors to attend the meetings.

Long-term strategic and business plans will be reviewed annually at one of the Board's regularly scheduled meetings.

6. *Board Access to Senior Management.* Directors have open access to Bombay's management, subject to reasonable time constraints. In addition, members of Bombay's senior management routinely attend Board and Committee meetings and they and other managers frequently brief the Board and bring managers into Board or Committee meetings and other scheduled events who (a) can provide additional insight into matters being considered or (b) represent managers with future potential whom senior management believe should be given exposure to the members of the Board.

7. *Selection of Agenda Items for Board Meetings.* The Chairman of the Board and Chief Executive Officer establishes the agenda for each Board meeting, although other Board members are free to suggest items for inclusion on the agenda. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

8. *Board/Committee Forward Agenda.* A forward agenda of matters requiring recurring and focused attention by the Board and each Committee will be prepared and distributed prior to the beginning of each fiscal year in order to ensure that all required actions are taken in a timely manner and are given adequate consideration.

9. *Information Flow; Pre-meeting Materials.* In advance of each Board or Committee meeting, a proposed agenda will be distributed to each member. In addition, to the extent feasible or appropriate, information and data important to the members' understanding of the matters to be considered, including background summaries of presentations to be made at the meeting, will be distributed in advance of the meeting. Directors also routinely receive monthly financial statements, earnings reports, press releases, analyst reports and other information designed to keep them informed of the material aspects of Bombay's business, performance and prospects.

II. BOARD STRUCTURE

1. *Majority of the Members of the Board Must Be Independent Directors.* The Board believes that as a matter of policy a majority of the members of the Board should qualify as independent Directors under the listing standards of the New York Stock Exchange, the stock market upon which the Company's securities are traded, and applicable laws. The Board will review annually the relationships that each Director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company), and only those Directors who the Board affirmatively determines have no material relationship with the Company will be considered independent. All relevant facts and circumstances will be considered by the Board when assessing the materiality of any existing or proposed relationship between a Director and

the Company. The Company will disclose these determinations with respect to independence in its annual Securities and Exchange Commission filings.

The Board believes that employee Directors should number not more than two. While this number is not an absolute limitation, other than the Chief Executive Officer, who should at all times be a member of the Board, employee Directors should be limited only to those officers whose positions or potential make it appropriate for them to sit on the Board.

2. *Size of the Board.* The Board currently has eight members. The By-laws prescribe that the number of Directors will not be less than three nor more than nine.

3. *Service of Former Chief Executive Officers and Other Former Employees on the Board.* Employee Directors shall retire from the Board at the time of their retirement as an employee unless continued service as a Director is requested and approved by the Board.

4. *Election of Directors.* The Board is composed of three classes of Directors, with approximately one-third assigned to each class. Each year, one class of Directors is elected for a three-year term to assure continuity on the Board.

5. *Board Membership Criteria.* Candidates nominated for election or reelection to the Board of Directors should possess the following qualifications:

- Personal characteristics:
 - highest personal and professional ethics, integrity and values;
 - an inquiring and independent mind;
 - practical wisdom and mature judgment.
- Broad training and experience at the policy-making level in business, government, education or technology.
- Expertise that is useful to the Company and complementary to the background and experience of other Board members, so that an optimum balance of members on the Board can be achieved and maintained.
- Willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership.
- Commitment to serve on the Board over a period of several years to develop knowledge about the Company's principal operations.
- Willingness to represent the best interests of all stockholders and objectively appraise management performance.

- Involvement only in activities or interests that do not create a conflict with the Director's responsibilities to the Company and its stockholders.

The Governance and Nominations Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time and shall periodically review and update the criteria as deemed necessary. Diversity in personal background, race, gender, age and nationality for the Board as a whole may be taken into account in considering individual candidates.

The Governance and Nominations Committee will evaluate the qualifications of each Director candidate against this criteria in making its recommendation to the Board concerning his or her nomination for election or reelection as a Director.

6. *Selection of Directors.* The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur. The Governance and Nominations Committee, with direct input from the Chief Executive Officer and other Board members, is responsible for identifying and screening candidates for Board membership.

7. *Director Retirement.* Employee Directors shall retire from the Board at the time of their retirement from employment with the Company unless continued service as a Director is approved by the Board.

8. *Director Compensation.* The Governance and Nominations Committee shall review Director compensation annually. Changes in Director compensation, if any, should come upon the recommendation of the Governance and Nominations Committee, but with full discussion and concurrence by the Board. Compensation for non-employee Directors should be competitive and should encourage increased ownership of Company stock through payment of a portion of that compensation in stock or permitting the deferral of such compensation in deferred stock units. Employee Directors shall not receive any additional compensation for their services as Directors.

9. *Conflicts of Interest.* If an actual or potential conflict of interest develops because of a change in the business operations of the Company or a subsidiary, or in a Director's circumstances (for example, significant and ongoing competition between the Company and a business with which the Director is affiliated), the Director should report the matter immediately to the Chairman of the Board for evaluation. A significant conflict must be resolved or the Director should resign.

If a Director has a personal interest in a matter before the Board, the Director shall disclose the interest to the full Board and excuse himself or herself from participation in the discussion and shall not vote on the matter.

10. *Change in Director's Position.* Any Director who changes the primary job responsibility held when first elected to the Board shall, upon such change, tender a letter of resignation to the Board so that the Governance and Nominating Committee and the Board can

determine, on a case-by-case basis, whether continued Board membership would be free from conflict of interest and is otherwise appropriate.

11. *Term Limits.* The Board does not impose term limits, as this could unnecessarily interfere with the continuity, diversity, developed experience and knowledge, and the long-term outlook the Board must have.

12. *Stock Ownership Guidelines for Directors.* Directors are expected to own Company stock valued at not less than \$50,000 by the end of the fifth year of service on the Board. Additionally, Directors are required to take one-half their annual retainer in stock or stock-equivalent units and may elect to take all fees in the form of stock or stock units.

III. COMMITTEES OF THE BOARD

1. *Number and Types of Committees.* A substantial portion of the analysis and work of the Board is done by standing Board Committees. A Director is expected to participate actively in the meetings of each Committee to which he or she is appointed.

The Board has established the following standing Committees: Audit and Finance; Compensation and Human Resources; and Governance and Nominations. Each Committee's charter is to be reviewed periodically by the Committee and the Board.

2. *Composition of Committees.* It is the policy of the Board that only outside Directors serve on Board Committees.

A Director who is part of an interlocking directorate (i.e., one in which the Chief Executive Officer or another executive officer of the Company serves on the board of another corporation that employs the Director) may not serve on the Compensation and Human Resources Committee. The composition of the Compensation and Human Resources Committee will be reviewed annually to ensure that each of its members meet the criteria set forth in applicable SEC and IRS rules and regulations.

In addition, the composition of the Audit and Finance Committee will be reviewed annually to ensure that each of its members meets the criteria set forth in applicable NYSE and SEC rules and regulations.

3. *Assignment and Rotation of Committee Members.* The Governance and Nominations Committee, with direct input from the Chief Executive Officer, reviews annually the membership of the various Committees and their Chairmen and the Board approves the Committee assignments. Committee assignments and committee chairmanships are rotated periodically. In making its recommendations to the Board, the Committee takes into consideration the need for continuity; subject matter expertise; applicable SEC, IRS, or NYSE requirements; tenure; and the desires of individual Board members.

4. *Frequency and Length of Committee Meetings.* Each Committee shall meet as frequently and for such length of time as may be required to carry out its assigned duties and responsibilities. The schedule for regular meetings of the Board and Committees for each year is submitted and approved by the Board in advance. In addition, the Chairman of a Committee may call a special meeting at any time if deemed advisable.

5. *Committee Agendas; Reports to the Board.* Appropriate members of management and staff will prepare draft agenda and related background information for each Committee meeting which, to the extent desired by the relevant Committee Chairman, will be reviewed and approved by the Committee Chairman in advance of distribution to the other members of the Committee. A forward agenda of recurring topics to be discussed during the year will be prepared for each Committee and furnished to all Directors. Each Committee member is free to suggest items for inclusion on the agenda and to raise at any Committee meeting subjects that are not on the agenda for that meeting.

Reports on each Committee meeting are made to the full Board.

IV. OTHER BOARD PRACTICES

1. *Director Orientation and Continuing Education.* An orientation program has been developed and shall be used for new Directors which includes comprehensive information about the Company's business and operations; general information about the Board and its Committees, including a summary of Director compensation and benefits; and a review of Director duties and responsibilities. Continuing education shall also be made available to Directors in any area determined appropriate by the Board or in compliance with continuing education guidelines established by the Committee.

2. *Board Involvement with Executive Management Recruitment.* Due to its obligation to monitor the succession planning of the Company's executive management, the Board believes it is appropriate for it to be involved in the recruiting of senior officers of the Company who will report directly to the CEO. In such instances, a minimum of two Directors shall interview and approve a candidate prior to the time an offer of employment is made.

3. *Board Interaction with Institutional Investors and Other Stakeholders.* The Board believes that it is senior management's responsibility to speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with outside constituencies that are involved with the Company. In those instances, however, it is expected that Directors will do so only with the knowledge of senior management and, absent unusual circumstances, only at the request of senior management.

4. *Periodic Review of These Guidelines.* The operation of the Board of Directors is a dynamic and evolving process. Accordingly, these Guidelines will be reviewed periodically by the Governance and Nominations Committee and any recommended revisions will be submitted to the full Board for consideration.