

**CKE RESTAURANTS, INC.  
CORPORATE GOVERNANCE GUIDELINES  
ADOPTED BY THE BOARD ON MAY 19, 2004**

The Board of Directors (the "Board") of CKE Restaurants, Inc. (the "Company") is responsible for overseeing the exercise of corporate powers, ensuring that the Company's business and affairs are managed to meet the Company's goals and objectives, and acting in the best interests of all of the Company's stockholders. In order to assist the Board in the fulfillment of its responsibilities, the Company believes that it is important to establish corporate governance guidelines. The Company believes that the establishment of these guidelines, and the publishing thereof, will help promote better investor understanding of the Company's policies and procedures and will promote a more conscientious adherence to such policies and procedures by the directors and management. Accordingly, the Company has adopted these Corporate Governance Guidelines in compliance with Section 303A.09 of the New York Stock Exchange's Listed Company Manual. These Guidelines, however, (i) should be interpreted in the context of all applicable laws and regulations, the Company's Certificate of Incorporation and Bylaws, and the charter documents of all Committees of the Board, (ii) are intended to serve as a flexible framework within which the Board may conduct business and not as a legally binding obligation, and (iii) are subject to modification from time to time as the Board may deem appropriate, or as required by applicable law or regulation.

**1. DIRECTOR QUALIFICATIONS**

**Generally**

The Board will have a majority of directors who meet the criteria for independence required by the New York Stock Exchange. The Nominating & Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board candidates as well as the composition of the existing Board as a whole. This assessment will include director independence, as well as consideration of diversity, age, skills, and experience in the context of the needs of the Board. The Nominating & Corporate Governance Committee will make recommendations to the full Board of Directors concerning all nominees for Board membership, including the re-election of existing Board members.

**Composition**

The Company's Bylaws currently calls for a Board of Directors consisting of 12 members or as set by resolution of the Board, and the Board presently has 12 members. It is the sense of the Board that a size of nine to 13 members is appropriate.

**Director Independence Guidelines**

(a) A director will not be considered independent if, within the one year (or three-year, if the date of determination is on or after November 4, 2004) period:

(i) a director is or has been an employee, or a member of a director's immediate family is or has been an executive officer, of the Company;

(ii) a director, or a member of a director's immediate family, receives or has received, more than \$75,000 per year in direct compensation from the Company, other than

director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(iii) a director is or has been affiliated with or employed by, or a member of director's immediate family is or has been affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company;

(iv) a director, or a member of director's immediate family, is or has been employed as an executive officer of another company where any of the Company's present executives serve on that company's compensation committee;

(v) a director is or has been an executive officer or an employee, or a member of director's immediate family is or has been an executive officer, of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$750,000 or one percent of such other company's consolidated gross revenues;

(vi) a director, or a member of director's immediate family, is or has been associated with a charitable organization that receives payments from the Company in an amount which, in any single fiscal year, exceeds the greater of \$750,000 or one percent of such charitable organization's annual gross revenues; and

(vii) a director is a principal of a law firm, an investment banking firm, a financial advisory firm or a consulting firm that performs services for the Company, and payments made by the Company to the firm in any single fiscal year exceeds one percent of the firm's annual gross revenues.

(b) The following relationships generally will not be considered to be material relationships that would impair a director's independence:

(i) if a director has any relationship described in items (ii), (v), (vi) and (vii) of subsection (a) above where the payments do not exceed the guidelines provided therein;

(ii) if a director owns equity securities of the Company, or securities convertible into the equity securities of the Company;

(iii) if a director is an executive officer, director or equity owner of another company that owns less than 10% of the equity securities of the Company, or securities convertible into the equity securities of the Company; and

(iv) if a director is an executive officer, director or equity owner of another company that is indebted to the Company, or to which the Company is indebted, and the total amount of indebtedness to the other is less than one percent of the total consolidated assets of the other company.

(c) For relationships not covered by the guidelines in subsection (b) above, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the entire Board and in accordance with the applicable NYSE listing standards. The Company would explain in the next proxy statement the basis for any Board

determination that a relationship was immaterial despite the fact that it did not meet the categorical standards of immateriality set forth in subsection (b) above.

### **Other Directorships and Employee Directors**

No director shall sit on board of directors of more than three publicly held companies without the approval of the Nominating & Corporate Governance Committee.

There shall not be more than two members of the Board who are active employees of the Company. No director who is an active full-time employee of the Company shall serve as a director of more than one other publicly held company, and there shall be no interlocking board memberships, without the approval of the Nominating & Corporate Governance Committee.

### **Retirement Age**

The Board does not believe that it should establish age limits. The Board believes that each director candidate should be evaluated based upon what he or she can contribute to the Board.

### **Director Tenure**

The Board does not believe that it should establish term limits. Term limits have the disadvantage of causing the loss of the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating & Corporate Governance Committee will review each director's continuation on the Board before the annual meeting at which a director is to be proposed for re-election.

### **Compliance with Business Ethics Policy**

Upon joining the Board of Directors, Directors shall sign a business ethics policy compliance statement promulgated by the Audit Committee. Directors shall thereafter sign updated statements as requested by the Audit Committee.

### **Stock Ownership**

Although it is desirable that a Director have a financial interest in the Company through stock ownership, the Company does not require such ownership as a condition to being a Director.

## **2. DIRECTOR RESPONSIBILITIES**

### **General Expectations**

The fundamental responsibilities of the directors are to exercise their business judgment, to act in what they reasonably believe to be in the best interests of the Company and its stockholders, and to perform their duties of care and loyalty. In discharging these responsibilities, directors are entitled to rely on the honesty and integrity of the Company's senior executives and outside advisors and auditors. The directors should make themselves fully informed regarding both the Company's specific business and the Company's industry generally, including recent developments as they occur. The directors should also be familiar with the Company's major corporate functions and financial affairs.

### **Director Indemnification**

The directors are also entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's charter, bylaws and any indemnification agreements, and to exculpation as provided by Delaware law and the Company's charter.

### **Meetings and Advance Distribution and Review of Board Materials**

Directors are expected to attend Board meetings and meetings of committees on which they serve, to meet as frequently as necessary to properly discharge their responsibilities and to spend the time needed to prepare for such meetings. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting. All filings with the Securities and Exchange Commission should be provided to the directors.

### **Chief Executive Officer; Chairman of the Board**

The Board shall select its Chairman and the Company's Chief Executive Officer in any way it considers in the best interests of the Company. However, the Board's policy is that the offices of Chairman of the Board and the Chief Executive Officer should be held by separate individuals.

### **Agendas**

An agenda shall be established for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

### **Executive Sessions of Non-Management Directors and Independent Directors**

The non-management directors will meet in regularly scheduled executive sessions without management present. In the event the non-management directors include any directors who are not "independent" under the criteria of the New York Stock Exchange, at least once annually the independent non-management directors shall meet in executive session without management or any non-independent directors present. The director who presides at these meetings will be chosen by the non-management directors (sometimes referred to as the "Lead Director") from among the independent directors.

### **Communications with Constituents**

The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that Board members would do this only with the knowledge of the Chief Executive Officer. Generally, directors should refer investors, market professionals and media to the person within the Company designated for such responsibilities.

### **Committees and Composition**

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating & Corporate Governance Committee. All of the members of these committees will be independent directors under the criteria established by the New York Stock Exchange, and with respect to the Audit Committee, SEC rules. Committee members will be appointed by the Board. The Chairman of the Board shall appoint the Committee Chairs, or in the event the Chairman of the Board does not appoint a Committee Chair, the members of a Committee may designate its Committee Chair by majority vote. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy or that rotation should interfere with the ongoing business of the Committee. The Board may also have such other standing or ad hoc committees as the Board deems appropriate.

### **Committee Charters**

Each required or standing committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

### **Committee Meetings and Agendas**

The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter; provided, that the Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Chair of each committee, in consultation with the appropriate members of the committee and the Chief Executive Officer, will develop the committee's agenda. Each committee will establish an agenda for each meeting. The agenda for each committee meeting will be furnished to all directors. All information pertinent to a committee meeting will be provided to the committee members prior to the meeting. Where appropriate, all materials provided to a committee shall also be provided to the other Board members.

### **Monetary Matters**

Except as otherwise required by, or provided in, the Company's Certificate of Incorporation or bylaws, applicable law or regulation, the NYSE Rules, or the Audit Committee Charter, Committees must bring all monetary decisions to the full Board.

## **3. DIRECTOR ACCESS TO OFFICERS, EMPLOYEES AND ADVISORS**

### **Access to Officers, Employees and Advisors**

Directors should have full and free access to officers and employees of the Company, and, where the Board deems necessary or appropriate or as otherwise provided in a Committee charter, to independent advisors. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, unless in connection with an investigation being conducted by the Board or a Committee thereof, copy the Chief Executive Officer on any written communications between a director and an officer or employee of the Company. Any access of an employee should be made known to that employee's superior, unless the access has to do with an investigation of that superior.

### **Senior Officers Attendance at Board Meetings**

The Board welcomes regular attendance at each Board meeting of senior officers of the Company as directed by the Chief Executive Officer.

## **4. DIRECTOR COMPENSATION**

### **General Principles of Director Compensation**

The Board believes that the amount of director compensation should fairly reflect the contributions of the directors to the performance of the Company. The compensation of a director should be for attendance at Board and committee meetings and for ad hoc projects assigned to a director in fulfillment of his or her director responsibilities, as approved in advance by the Board. Committee Chairs should receive added compensation as the Chair. The compensation of the directors of the Company should be consistent with the director compensation policies and practices of other comparable companies. Only non-management directors shall receive compensation for services as a director. To create a direct linkage with corporate performance, the Board believes that a portion of the total compensation of non-management directors should be provided and held in common stock, stock options, restricted stock units or other types of equity-based compensation. All other transactions or arrangements with a director, or an affiliated person or entity of the director, should be approved by the Board in accordance with the Company's charter documents and conflicts of interest policy, applicable law and the New York Stock Exchange Rules.

The Board should be sensitive to questions relating to directors' independence which may be raised with regard to excess fees and benefits, charitable contributions to organizations in which a director is affiliated, consulting or other agreements with a director and, generally, any interested party or conflict of interest transactions.

### **Review of Director Compensation**

The form and amount of director compensation will be reviewed periodically by the Compensation Committee in accordance with the policies and principles set forth in its charter.

The Compensation Committee will present any proposed changes in such compensation to the Nominating & Corporate Governance Committee for approval and presentation to the full Board. The Compensation Committee will consider whether directors' independence may be jeopardized if director compensation and perquisites materially exceed customary levels.

### **Company Charitable Contributions and Consulting Agreements**

Independence may be jeopardized if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director, a member of a director's immediate family, or an organization with which the director is affiliated. Accordingly, support of a director's charitable organizations shall be made in accordance with CKE's then-current policy regarding charitable contributions and no consulting arrangements shall take place without prior approval of the Nominating & Corporate Governance Committee or pursuant to a specific policy adopted by the Nominating & Corporate Governance Committee.

## **5. DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

All new directors must participate in a director orientation program, which should be conducted within two months of the Annual Meeting at which new directors are elected. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers and its internal and independent auditors. In addition, the orientation program will include visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities. All other directors are also invited to attend the orientation program on a recurring basis.

## **6. MANAGEMENT SUCCESSION**

The Chief Executive Officer will annually review with the Board top management succession plans as well as development plans for succession candidates. These plans shall address

- emergency Chief Executive Officer succession;
- Chief Executive Officer succession in the ordinary course of business; and
- succession for the other members of senior management, which shall include an assessment of senior management experience, performance, skills and planned career paths.

## **7. ANNUAL PERFORMANCE EVALUATION**

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating & Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

The Chair of the Compensation Committee will coordinate an annual review of the Chief Executive Officer's performance. Such review will be reviewed for approval by the full Board in executive session. The results of the review will be communicated to the Chief Executive Officer by the Chair of the Compensation Committee together with the Lead Director.

These Corporate Governance Guidelines are intended to provide a set of flexible guidelines for the effective functioning of the Board of Directors. The Board may modify or amend these Corporate Governance Guidelines, and the authority and responsibilities of the Board set forth herein, at any time.