

# FurnitureBrands

## CORPORATE GOVERNANCE GUIDELINES

*(As Amended February 9, 2012)*

The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of Furniture Brands International, Inc. (the “Company”) to assist the Board in the exercise of its responsibilities. While the Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term stockholder value, it is not the Board’s intent to change or interpret any federal or state law or regulation, or the Company’s Certificate of Incorporation or By-laws. Moreover, the Guidelines are subject to modification from time to time by the Board.

### **ROLE OF THE BOARD OF DIRECTORS**

The Board of Directors acts on behalf of all stockholders of the Company to enhance long-term stockholder value. The whole Board oversees the management of the Company and offers management its support, advice and experience. It does not manage the Company. Instead, the Board has delegated to management the power and responsibility to conduct the Company's day-to-day operations.

The Board adopted the Guidelines to provide a framework for the governance of the Company, along with the Charters of the Board’s Committees, and are in addition to, and not intended to change or contravene, any federal or state law or regulation or the Certificate of Incorporation or By-laws of the Company.

### **COMPOSITION OF THE BOARD**

**Size of the Board.** Upon recommendation of the Governance and Nominating Committee, the Board will periodically evaluate the size of the Board and may alter its size to accommodate the availability of one or more outstanding candidates, or to augment the Board’s capabilities, or as otherwise necessary to meet the Board’s objectives.

**Independence of Directors.** The Board must at all times have a majority of directors who satisfy the standards of independence established by the Board consistent with applicable statutes, U.S. Securities and Exchange Commission regulations, and the Listing Standards of the New York Stock Exchange. Annually, the Board will affirmatively determine whether each director has any direct or indirect material relationship with the Company, by applying the following guidelines:

- (a) A director will not be independent if:
  - (i) The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer, of the Company.
  - (ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 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) The director or an immediate family member is a current partner or employee of a firm that is the Company’s internal or external auditor; (B) the director has an immediate family

member who is a current partner employee of such firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time.

- (iv) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
  - (v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or receives payments from, the Company for property or services in an amount which, in any of the last three fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.
  - (vi) The director provides legal, accounting or financial advisory services to the Company or any member of the Company's senior management.
  - (vii) The director is an executive officer of a charitable (i.e., tax exempt) organization that receives significant contributions from the Company. For purposes of these guidelines, "significant contributions" shall mean contributions to any such organization in any year that exceeds the greater of \$1 million, or 2% of such organization's consolidated gross revenues (the Company's automatic matching of employee charitable contributions will not be included in the amount of the Company's contributions for this purpose).
  - (viii) An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who share such person's home.
  - (vii) In addition to the foregoing, the Board will also consider all other relevant facts and circumstances in determining a director's status as an independent director.
- (b) For relationships not covered by these Guidelines, the entire Board will determine whether the relationship is material or not and therefore whether the director would be independent or not after considering all relevant facts and circumstances. In particular, when assessing the materiality of a director's relationship with the Company, the Board should consider the issue not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. If the Board determines that any such relationship is not material and would not otherwise impair the director's independence of judgment, then the Company will disclose in its next proxy statement the basis for such determination.

**Selection of the Chairman.** At the first Board meeting following a meeting of stockholders at which directors are elected, and upon recommendation of the Governance and Nominating Committee, the Board will elect a Chairman from among its members who will preside at all meetings of the Board and the stockholders.

**Combined Chairman and Chief Executive Officer.** The Board does not have a policy on whether the roles of Chairman and Chief Executive Officer should be separate and, if they are to be separate, whether or not the Chairman should be selected from the non-management directors. Nevertheless, the Board customarily combines the roles of Chairman and Chief Executive Officer, and the Board believes it provides an efficient and

effective leadership model for the Company. The Governance and Nominating Committee will consider the combination or separation of these offices as part of the succession planning process.

**Lead Director.** So long as the Chairman is the Chief Executive Officer or otherwise an employee of the Company, then one of the independent members of the Board will be named as Lead Director. The Lead Director will be chosen annually by a majority of the independent directors upon recommendation of the Governance and Nominating Committee. The Lead Director shall: (1) act as the key liaison with the Chief Executive Officer; (2) assist the Chairman of the Board in setting the Board agenda; (3) chair all executive sessions held outside the presence of the management directors, the Chief Executive Officer, and other Company personnel; (4) communicate Board member feedback to the Chief Executive Officer; and (5) perform other responsibilities that the independent directors as a whole might designate from time to time. The name of and a means of directly contacting the Lead Director will be disclosed in the Company's annual proxy statement in accordance with New York Stock Exchange Listing Standards.

**Board Membership Criteria.** The Governance and Nominating Committee will assess the appropriate mix of skills and characteristics required of Board members in the context of the needs of the Board at a given point in time and will periodically review and update the criteria as appropriate. In seeking Board members, the Board seeks to achieve a mix of members that represents a diversity of background and experience.

All Board members will possess the following qualifications:

- (i) High personal and professional ethics, integrity, an inquiring and independent mind, practical wisdom, and mature judgment;
- (ii) Broad training and experience at the policy making level in business, government, education and technology or in areas that are relevant to the Company's activities;
- (iii) 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;
- (iv) Willingness to devote the required amount of time to carry out the duties and responsibilities of Board membership;
- (v) Commitment to serve on the Board over a period of several years to develop knowledge about the Company's principal operations;
- (vi) Willingness to represent the best long-term interests of all stockholders rather than special constituencies, and to objectively appraise management performance; and
- (vii) Involvement only in activities or interests that do not create a conflict with the director's responsibilities to the Company and its stockholders.

**Selection of New Director Candidates.** The Board will be responsible for nominating its own members and for filling vacancies on the Board that may occur between annual meetings of stockholders. All directors will be alert to potential Board candidates with appropriate skills and characteristics and will communicate such information to the Governance and Nominating Committee.

The Board delegates the new director identification and screening process to the Governance and Nominating Committee, with direct input from the Chairman and the Chief Executive Officer. There will be full Board discussion before the Board invites an individual to join the Board. Upon Board approval, the Chairman will extend the invitation to join the Board, subject to shareholder approval at the next annual meeting.

Each year at the Company's annual meeting, the Board will recommend a slate of directors for election or re-election by stockholders for a one-year term. The Board's recommendations are based on recommendations, advice and information supplied by the Governance and Nominating Committee as to the qualifications of each individual.

Upon recommendation of the Governance and Nominating Committee, the Board may fill vacancies in existing or new director positions in accordance with the Company's By-laws. Such directors serve only until the next Annual Meeting of Stockholders unless re-elected by the stockholders to a further term at that time.

Stockholders may propose nominees for consideration by the Governance and Nominating Committee. To be considered by the Committee, a stockholder submission of a nominee for director must be received by the Company's Secretary not less than 90 days and no earlier than 120 days prior to the first anniversary of the preceding year's annual meeting; provided however, in the event that the date of the meeting is more than 30 days before or more than 60 days after such anniversary date, notice must be received not earlier than the 120<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of the meeting is first made. The submission must include biographical information including, but not limited to, the proposed candidate's name, age, business address, residence address, principal occupation or employment for the previous five years and the number of shares of common stock of the Company owned beneficially or of record.

**Director Tenure; Mandatory Retirement.** In determining whether to recommend a director for re-election, the Governance and Nominating Committee shall: (1) apply the director candidate selection criteria established in these Guidelines; (2) consider the director's past attendance at meetings; and (3) participation in and contributions to the activities of the Board. Renomination to the Board will be based on the needs of the Board at the time of determination, and Board members will not have an expectation they will be automatically renominated when their term expires.

The Board wishes to retain the contribution of directors who have been able to develop over time increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole. Therefore, there will be no limit to the number of terms a director may serve. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and nomination process described in these Guidelines.

The Board has adopted a retirement policy for directors. Under the policy, directors may not be appointed or stand for re-election after age 72; provided however, the Board may approve the nomination for re-election of a director at age 72 for one additional one-year term, if the Board determines that for corporate governance reasons such continued service is warranted.

**Directors Who Change Job Responsibilities.** A management director must submit to the Chairman of the Governance and Nominating Committee an offer of his/her resignation from the Board at the time he/she ceases to be a corporate officer. That Committee will then review whether such individual should continue to serve as a member of the Board. A former employee continuing service on the Board may not serve on the Audit Committee, the Human Resources Committee, or the Governance and Nominating Committee until at least three years has elapsed since he/she was an employee.

A non-management director who retires or experiences a substantial change in the principal occupation or business association he/she held when originally invited to join the Board, must notify the Chairman of the Governance and Nominating Committee and offer his/her resignation from the Board. That Committee will then review whether such individual should continue to serve as a member of the Board. It is not intended

that directors who retire or experience a change in position or responsibility will automatically leave the Board, but there should be an opportunity for the Board to review the continued appropriateness of Board membership under these changed circumstances.

**Conflicts of Interest.** Directors of the Company will act ethically at all times and acknowledge their adherence to the policies of the Company's Code of Corporate Conduct. If an actual or potential conflict of interest develops because of a change in the Company's business operations or in a director's circumstances, the director must promptly report such conflict to the Chairman of the Audit Committee. If a significant conflict exists and cannot be resolved appropriately, the director must resign.

If a director has a charitable, personal, business or professional interest in a matter before the Board or any Committee of the Board, the director must disclose the interest to the full Board and/or to the Committee and must excuse himself or herself from participation in the discussion and may not vote on the matter.

**Service on Other Boards.** Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively and to avoid actual or potential conflicts of time or of interest that may arise from serving on other boards. To that end, each director must inform the Chairman of the Governance and Nominating Committee prior to accepting invitations to serve as a director on other boards. Without express approval of the Governance and Nominating Committee: (i) no director who is a sitting CEO will simultaneously serve on the boards of directors of more than two other public companies; (ii) no director who is not a sitting CEO will simultaneously serve on the boards of directors of more than four other public companies; and (iii) no member of the Audit Committee may simultaneously serve on the Audit Committees of more than two other public companies.

No executive officer of the Company may serve on the board of a significant competitor or customer, or significant potential competitor or customers. All executive officers must consult with the Company's Chief Executive Officer before accepting an appointment to an outside Board, and the Chief Executive Officer will consult with the Board prior to any executive officer accepting any outside board memberships.

## BOARD MEETINGS

**Board Meetings Generally.** Board meetings will be regularly scheduled and well planned. The meetings will allow sufficient time for in-depth discussion of operating and strategic matters, and they will be held in an atmosphere that encourages frank and collegial discussions among directors and between directors and management.

Meetings generally will be held in the Company's St. Louis corporate headquarters. As a means of providing directors with first-hand knowledge to make strategic decisions and for their continuing education about the environment in which the Company operates, meetings may occasionally be held at other locations.

**Schedule of Board Meetings.** The Board will meet four times per year in regularly scheduled meetings and will meet more often as necessary. Regular meetings of the Board will be held in conjunction with the release of earnings at the end of each fiscal quarter, generally during the first week of the months of February, May, August and November. The May meeting will be held in conjunction with the Annual Meeting of Stockholders. A forward schedule of Board meetings for ensuing years will be considered annually.

**Special Meetings.** Subject to the notice provisions of the Bylaws, the Chairman may call additional meetings as necessary to address important or urgent Company issues. Any member may request that the Chairman call a special meeting. Special meetings may be held in person or by telephone or other form of interactive electronic communication.

**Attendance of Directors.** Each director is expected to attend the full length of all Board meetings, all meetings of Committees of which the director is a member, and the Annual Meeting of Stockholders. The Board recognizes that conflicts may arise from time to time that will prevent a director from attending a meeting. If a director cannot attend a meeting, he/she must give notice of that fact to the Chairman as early as practicable. Each director will endeavor to keep such absences to a minimum. Any extraordinary circumstance that would cause a member to attend fewer than 75% of all Board meetings should be discussed with the Chairman as far in advance as possible.

The Company By-Laws provide that directors may participate in Board meetings and Committee meetings by conference telephone. However, as a matter of policy, all directors should attend in person whenever possible.

**Regular Attendance of Non-Directors at Board Meetings.** The Board meeting format will allow directors to interact with Company management. The Board favors the regular attendance at each Board Meeting of the Secretary, the Chief Financial Officer, the General Counsel, and other non-Board members who report directly to the Chief Executive Officer. Should the Chief Executive Officer wish to add additional people as attendees on a regular basis, he/she will suggest this to the Board for its concurrence.

**Agendas and Background Information.** The Chairman and Chief Executive Officer will establish the agenda for each Board meeting after discussion with the Lead Director. Any director may ask that an item be added to the agenda. The Board agenda will include any issues discussed during a meeting of the non-management directors that the Lead Director believes should be addressed by the entire Board. Certain items pertinent to the oversight and monitoring function of the Board will be brought to the Board regularly. The Board will review the Company's long-term strategic and business plans and the most significant financial, accounting and risk management issues facing the Company at least one board meeting each year. While the Board believes that a carefully planned agenda is important for effective Board meetings, the agenda will be flexible enough to accommodate unexpected developments.

The Secretary will distribute a proposed agenda to each director sufficiently in advance of each Board meeting to assure directors are apprised of the principal matters to be considered. In addition, information important to the directors' understanding of the matters to be considered will be distributed prior to the meeting. On those occasions in which the subject matter is too sensitive to document in advance of the meeting, the presentation will be discussed at the meeting. Prior to the meeting, directors should review the materials provided in advance of the meeting and may request supplemental information from management. Presentations to the Board will rely on directors having reviewed information in the briefing materials, thereby allowing more time for discussion, clarification and feedback.

**Executive Sessions; Meetings of Non-Management and Independent Directors.** The Board may hold an executive session at any Board meeting, during which only the directors are present. The Non-management directors will meet without management in executive session at each regular meeting of the Board and more frequently from time to time as they deem necessary or desirable. Independent directors will meet without management and without non-independent directors at least once a year, and more frequently from time to time as they deem necessary or desirable. The Lead Director will develop the agendas for the executive sessions.

**Minutes.** The Corporate Secretary serves as secretary to the Board. The Secretary will record the proceedings at all Board meetings except during executive sessions of the Board where another person present will be designated by the Lead Director to act as secretary of the meeting. Minutes of meetings will be sent to directors promptly after the meeting they record. Copies of the minutes of all Board and Committee meetings will be available to any director at any time.

## BOARD COMMITTEES

**Committees Generally.** The Board has established Committees so that certain important matters can be addressed in more depth than may be possible in a full Board meeting. Board Committees will be limited to those considered basic to or required for the operation of a publicly owned company.

**Standing Committees.** The three standing Committees of the Board are the Audit Committee, the Human Resources Committee, and the Governance and Nominating Committee. The Governance and Nominating Committee will regularly review the Board's committee structure and make recommendations to the full Board as appropriate. The Board may add, eliminate, and change the Charter or composition of any Committee at any time, except to the extent that such a change would violate the Company's Certificate of Incorporation, the Company's Bylaws, the rules and regulations of the U.S. Securities and Exchange Commission, or the Listing Standards of the New York Stock Exchange. The Board may appoint special committees from time to time to act upon such matters as the Board may delegate to them.

Directors are expected to serve on one or more committees. Each Committee will be comprised of three or more members of the Board, the exact number to be determined from time to time by the Board upon recommendation of the Governance and Nominating Committee. The Board will appoint Committee members and Committee chairmen annually upon recommendation of the Governance and Nominating Committee, with consideration given to the preferences of individual directors. Upon recommendation of the Governance and Nominating Committee, or upon its own initiative, the Board may fill vacancies on any Committee and may remove a Committee member at any time with or without cause.

With respect to the Audit Committee, the Human Resources Committee, and the Governance and Nominating Committee:

- (i) All members of the Committees must be free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment on matters within its scope.
- (ii) All members of the Committees must be an "independent director" as defined in these Guidelines.
- (iii) All members of the Committees must: (a) satisfy the independence standards of the current New York Stock Exchange Listing Standards; (b) meet the definition of "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended; and (c) meet the definition of "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended.

The Governance and Nominating Committee will annually consider rotating committee membership with a view towards balancing director experience and interest, Committee continuity and needs, and evolving legal and regulatory considerations, but rotation will not be mandated as a policy.

**Committee Authority.** In the case of special committees, their duties will be set forth in a Board resolution, which will include both (1) the authority to act on behalf of the Board on certain designated matters, and (2) the authority to make recommendations to the Board on other matters.

The respective authority of the Audit Committee, the Human Resources Committee, and the Governance and Nominating Committee will be set forth in its written Charter, each of which Charters is incorporated into these Guidelines by this reference. The charters set forth the purposes and duties of the Committees, as well as certain qualifications for Committee membership. The Charters also provide that each Committee will annually evaluate its performance and include such other provisions as may be required by the New York

Stock Exchange. Under the oversight of the Governance and Nominating Committee, each Committee will review its Charter annually and recommend any appropriate modifications to the Board. The Committee Charters may be amended by the Board at any time upon recommendation of the Committee or the Governance and Nominating Committee. The Company will make the Charters of the Committees freely available to stockholders on request and will publish them on the Company's web site, in the manner and at such times as may be required by applicable law or regulations.

## COMMITTEE MEETINGS

**Chairman.** The Committee Chairman will be responsible for leadership of the Committee, including overseeing the agenda, presiding over the meetings and reporting to the full Board. If a Chairman is not present at a meeting, the members of the Committee may designate a Chairman.

**Frequency and Length of Committee Meetings.** The Committee Chairman, in consultation with the appropriate members of management, will determine the frequency and length of Committee meetings, which will allow sufficient time for in-depth discussion of all items on the agenda. To the extent possible, Committee meetings will not be held concurrently to minimize the necessity that directors be absent from certain Committee meetings. Each Committee will extend an invitation to all non-Committee Board members to attend the Committee meetings to gain a broader perspective.

**Agenda.** The Committee Chairman, in consultation with members of the Committee, the Chairman of the Governance and Nominating Committee, and appropriate members of management, will develop the agenda for each Committee meeting. Appropriate members of management and staff will prepare agendas for Committee meetings and the Corporate Secretary will send them to the Committee members with sufficient related background materials in advance of the meeting. Any director is free to suggest items for inclusion in any Committee agenda and to raise at any Committee meeting subjects that are not on the agenda for that meeting. A forward agenda of subjects for each Committee to discuss during the ensuing year (to the degree they can be foreseen) will be prepared and furnished to all directors at each regular meeting.

**Frequency of Meetings; Quorum; Voting.** Each Committee will meet in person, or telephonically, or take action without meeting by unanimous written consent, as often as necessary to carry out its responsibilities, but in any event will meet not less than two times each year. Meetings may be called by the Committee Chairman or at the request of a majority of Committee members, the Chairman of the Board, or a majority of the Board. One-half of the members of a Committee will constitute a quorum at any meeting. When more than two members are present, the act of a majority of the members present will be the act of the Committee. When only two members are present, the unanimous vote of the two members will be the act of the Committee.

**Executive Session.** Each Committee may meet periodically, in its sole discretion, in executive session or in private sessions with such persons as the Committee deems advisable, to discuss any matters that the Committee believes should be discussed privately.

**Members of Management.** Any Committee may invite to its meetings any officer, employee or director of the Company and any other person that it deems appropriate in order to carry out its responsibilities. Each member of the Committee will be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, prepared or presented by those persons.

**Other Rules of Procedure.** Each Committee will be governed by the same rules regarding meetings as are applicable to the Board. A Committee is authorized to adopt its own rules of procedure not inconsistent with (1) any provisions of these Guidelines, (2) any provisions of its Charter, (3) any provision of the Certificate or Bylaws of the Company, or (4) the laws of the State of Delaware.

**Retaining Consultants.** Each Committee will have authority to retain and approve the fees and other retention terms of legal and other advisors as it deems necessary for the fulfillment of its responsibilities. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications. Any Committee may also conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities.

**Subcommittees.** Any Committee may, in its discretion, delegate all or any portion of its responsibilities to subcommittees, provided the subcommittees are composed entirely of directors satisfying the qualifications and independence standards applicable to that Committee.

## **PERFORMANCE REVIEWS**

**Assessing the Board's Performance.** Under the auspices of the Governance and Nominating Committee, the Board will annually conduct a self-evaluation to determine whether it, its members, and its Committees are functioning effectively. The Governance and Nominating Committee will receive comments from all directors and will report annually to the Board on an assessment of the Board's performance. The Governance and Nominating Committee may engage an independent governance expert to facilitate the evaluation process. A performance review of individual directors may be conducted also, with peer review and/or self review techniques. The report of the Governance and Nominating Committee will be discussed with the Board following the compilation of results, and the Board will take appropriate actions in response. The Board and Committee assessments will focus on contribution to the Company as a whole and areas in which the Board or management believes that the Board's role and effectiveness could improve.

**Assessing Committee Performance.** Each Committee will perform an annual evaluation of the performance of the Committee, including reviewing the compliance of the Committee with its Charter and such other matters as the Committee may determine. The Committee will conduct such evaluations in such manner as it deems appropriate consistent with the requirements of the Board.

**Chairman and Chief Executive Officer Performance Assessment.** The Human Resources Committee will annually assess the performance of the Chief Executive Officer, in executive session. In evaluating the Chief Executive Officer, the Committee will take into consideration the executive's performance in both qualitative and quantitative areas, including: (1) leadership and vision; (2) integrity; (3) keeping the Board informed on matters affecting the Company and its operating units; (4) performance of the business (including such measurements as achievement of financial objectives and goals); (5) development and implementation of initiatives to provide long-term economic benefit to the Company; (6) accomplishment of strategic objectives; and (7) development of management.

The Chairman of the Human Resources Committee will review the results of the assessment with the Chief Executive Officer. The Human Resources Committee will report to the independent directors regarding the Committee's evaluation of the Chief Executive Officer's performance, and use the evaluation in considering the Chief Executive Officer's compensation for the ensuing year.

**Senior Management Performance Assessment.** The Board will determine that a satisfactory system is in place for education, development, and orderly succession of senior and mid-level managers throughout the Company. The Board has delegated to the Chief Executive Officer the responsibility to assess the performance of the senior management team. The Chief Executive Officer will report regularly to the Board his assessment of each officer's performance.

## COMPENSATION

**Director Compensation.** Each director who is not an employee of the Company or of a subsidiary of the Company will receive a reasonable retainer and an additional fee for serving as chairman of a committee. Such fees may all be paid or partially paid in cash or Company stock. In addition, each non-employee director will receive an annual grant of restricted stock at the May meeting of the Board. The Governance and Nominating Committee will annually review and recommend to the Board compensation and benefits for non-employee directors. In discharging this duty, the committee will be guided by four goals:

- (i) compensation should fairly pay directors for the work involved in overseeing the management of the company, given its size and scope;
- (ii) compensation should align directors' interests with the long-term interests of stockholders;
- (iii) compensation should be competitive with director compensation at other U.S. companies of comparable size and scope; and
- (iv) the structure of the compensation should be in alignment with the compensation of management and be simple, transparent and easy for stockholders to understand.

Independent directors may not receive consulting, advisory or other compensatory fees from the Company in addition to their Board compensation. If a person is elected a director other than at an annual meeting of stockholders, their retainer will be prorated as of the date when the director was elected.

Travel expenses incurred in attending all meetings will be reimbursed.

The Company maintains a Deferred Compensation Plan under which a director may elect to defer all or a portion of his/her fees until retirement. Each non-employee director will be a participant in the Company's travel accident insurance program at a level of \$500,000. Each non-employee director will also be entitled to group term life coverage in the amount of \$100,000. There is a modest amount of deemed income to each director for these coverages.

**Stock Ownership Guidelines.** So their interests will be aligned with those of the shareholders, each director is required to own common stock of the Company. Employee members of the Board are required to own stock in accordance with the Company's share ownership guidelines for Company executives. Each non-employee director is required to own shares of common stock equal to three times their annual cash retainer. Equity to be included in counting such stock ownership will be both (i) outright and beneficially owned stock and (ii) vested equity awards subject to deferred compensation. Unexercised stock options and unvested equity awards do not count towards satisfying the requirement. Non-employee directors are required to hold fifty percent (50%) of the shares of common stock received from the Company through equity compensation grants until they have attained the applicable level of stock ownership

## APPROVAL OF RELATED PARTY TRANSACTIONS

**Related Party Transactions Generally.** The Board and management of the Company make it a priority to operate the Company in the best interest of the stockholders. The Board and management also recognize that related party transactions present a heightened risk of a conflict of interest and/or improper valuation (or the perception thereof). Therefore, the Board has adopted this policy which will be followed in connection with all related party transactions.

**Transactions Subject to Policy.** A related party transaction is any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which the Company is a participant and in which a Related Person has a direct or indirect interest involving more than \$120,000. In order for the transaction, arrangement or

relationship to be subject to this policy, there must be a financial aspect to the transaction, which may for example involve payments between the Company and the Related Person or otherwise providing value to one of the parties.

“Related Persons” include:

- (i) all directors and executive officers of the Company;
- (ii) any nominee for director;
- (iii) any immediate family member of a director, nominee for director or executive officer of the Company; and
- (iv) any holder of more than five percent (5%) of the Company’s common stock, or an immediate family member of such holder.

“Immediate family members” include children, stepchildren, parents, stepparents, spouses, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and any other person sharing a household (other than a tenant or employee).

An “indirect” interest of a Related Person in a transaction includes a Related Person serving as an officer or employee of, or being a significant investor or equity holder in, an entity that is a party to a transaction with the Company.

**Approval of Related Party Transactions.** The Governance and Nominating Committee must approve or ratify any Related Party Transaction subject to this policy. The Related Party Transaction should be presented to the Committee by an executive officer of the Company before the Related Party Transaction begins requesting that the Committee consider the Related Party transaction at its next meeting.

**Standards for Approval of Transactions.** The Governance and Nominating Committee will analyze the following factors, in addition to any other factors the Committee deems appropriate, in determining whether to approve or ratify a Related Party Transaction:

- (i) whether the terms are fair to the Company;
- (ii) whether the transaction is material to the Company;
- (iii) the role the Related Person has played in arranging the Related Party Transaction;
- (iv) the structure of the Related Party Transaction; and
- (v) the interests of all Related Persons in the Related Party Transaction.

A Related Party Transaction will only be approved or ratified by the Committee if the Committee determines that the Related Party Transaction is beneficial to the Company and the terms of the Related Party Transaction are fair to the Company.

**Approval Process.** The Governance and Nominating Committee may, in its sole discretion, approve or deny any Related Party Transaction. Approval of a Related Party Transaction may be conditioned upon the Company and the Related Person taking any or all of the following additional actions, or any other actions that the Committee deems appropriate:

- (i) requiring the Related Person to resign from, or change position within, an entity that is involved in the Related Party Transaction with the Company;
- (ii) assuring that the Related Person will not be directly involved in negotiating the terms of the Related Party Transaction or in the ongoing relationship between the Company and the other persons or entities involved in the Related Party Transaction;

- (iii) limiting the duration or magnitude of the Related Party Transaction;
- (iv) requiring that information about the Related Party Transaction be documented and that reports reflecting the nature and amount of the Related Party Transaction be delivered to the Committee on a regular basis;
- (v) requiring that the Company have the right to terminate the Related Party Transaction by giving a specified period of advance notice; or
- (vi) appointing a Company representative to monitor various aspects of the Related Party Transaction.

## **OTHER BOARD PRACTICES**

**Designation of SEC Officers and Executive Officers.** Until otherwise determined by the Board, for purposes of Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”) the term “officer,” and for purposes of Regulation 14A and Form 10-K under the Exchange Act the term “executive officer,” will mean the Company’s Chief Executive Officer, Chief Financial Officer, President, and Vice President of the Company in charge of a principal business unit, division or function (such as sales, administration or finance), and any other officer of the Company or any of its subsidiaries who performs a policy making function or any other person who performs similar policy making functions for the Company.

**Selection of the Chief Executive Officer.** The Chief Executive Officer will be responsible to the Board for the overall management and functioning of the Company. The Board will be free to make this choice in any way that seems best for the Company and its stockholders at a particular point in time.

**Succession Planning.** Succession planning and management development are major priorities of the Board. The Human Resources Committee will develop and periodically report to the Board on succession planning for the Chief Executive Officer and other key executives, including succession in the case of emergencies or retirement. The Human Resources Committee will work with the Board to identify, evaluate and recommend potential successors to the Chief Executive Officer and other key executives. When a succession of the Chief Executive Officer occurs, the Human Resources Committee will manage the process of identifying and selecting the new Chief Executive Officer with the full participation of the full Board and the current Chief Executive Officer. The Chief Executive Officer will at all times make available to the Board his or her recommendations and evaluations of potential successors.

**Board Access to Senior Management.** Providing advice and counsel to management occurs both in formal Board and Committee meetings and through informal director contact with management. In addition, information needed by a director in decision-making generally will be found within the Company. All directors, including the Lead Director, have complete access to all members of management throughout the year. A director may request from management any information he/she considers helpful in the performance of his/her duties. It is assumed that Board members will take into account the importance of ensuring that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chairman and the Chief Executive Officer, as appropriate. No individual director should give direction to Company employees during these meetings.

In addition, the Board encourages the Chief Executive Officer to bring managers into Board or Committee meetings who: (a) can provide additional insight into the items being considered, and/or (b) represent managers with future potential whom the Chief Executive Officer believes should be given exposure to the Board.

**Board Access to Information.** Between Board meetings, management will keep the Board informed on a timely basis of significant Company activities through memoranda from the Chief Executive Officer, as well as through receipt of timely copies of financial information, press releases, and other relevant data.

**Board Access to Outside Advisors.** Directors have complete access to the Company's outside counsel and auditors. The Board and each Committee have the power to hire independent legal, financial or other advisors as they may deem necessary or appropriate, without consulting or obtaining the approval of any officer of the Company in advance.

**Capital Appropriations Guidelines.** Consistent with the Board's duty to delegate to management the day-to-day operation of the Company's business, the Board will exercise business judgment in establishing and revising guidelines for authorization of expenditures or other corporate actions, and these will be periodically reviewed with management.

**Interaction with Institutional Investors, the Press, Customers, etc.** Management will speak for the Company, and will be responsible for establishing effective communications with the Company's stakeholder groups; i.e., shareholders, customers, employees, communities, suppliers, creditors, governments, and subsidiaries. The Chairman and individual directors may, from time to time meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that directors will do this only at the request of management. If comments from the Board are appropriate they should come from the Chairman.

Interested parties, including stockholders, who wish to communicate with the Board or with individual directors will be advised in the proxy statement that they should do so in writing addressed to the Chair of the Governance and Nominating Committee, c/o Furniture Brands International, Inc., 1North Brentwood Blvd., St. Louis, MO 63105. Stockholders will also be advised that all appropriate stockholder correspondence will be forwarded to the Chair of the Governance and Nominating Committee. The Company will not, however, forward sales or marketing materials or correspondence not clearly identified as shareholder correspondence, and will not be required to forward any communication determined in his good faith belief to be frivolous, irrelevant, offensive, outside the scope of Board matters, or duplicative of other communications previously forwarded to the Board. The Corporate Secretary will review all communications and maintain a log of all communications, the date on which they were received, the general subject matter and other similar information.

Interested parties (including stockholders) who wish to communicate with the non-management directors as a group or the Lead Director may do so by sending the communication to the attention of the Corporate Secretary at the Company's headquarters, which communication will prominently display the legend "**Non-Management Director Communication.**" The non-management director group, with assistance from those legal, financial or other advisors they may deem appropriate, will respond to such communications from interested parties as they deem to be necessary.

**New Director Orientation.** Each new director will receive a detailed orientation fashioned by the Chief Executive Officer, approved by the Governance and Nominating Committee, and administered by the Secretary to meet the requirements determined necessary on an individual basis to completely orient the director to the industry, the Company and the Board. This orientation will include presentations by senior management to familiarize new directors with: (1) the Company's strategic plans; (2) its significant financial, accounting, legal and risk management issues; (3) its regulatory compliance programs; (4) its Code of Corporate Conduct; (5) principal officers; (6) internal and independent auditors; and (7) to meet with senior operating and functional managers of the Company, in order that the new member can become familiar with the Company's strategic plans, financial statements, and key policies and practices. This orientation should begin as soon as practicable after the new Board member is elected, and should be complete within one (1) year after he or she joins the Board.

**Continuing Director Education.** From time to time, management advises, or invites outside experts to attend Board meetings and advise the Board on its responsibilities, management's responsibilities and developments relative to corporate governance and best corporate practices. Board members may attend, at

the Company's expense, director education programs sponsored or accredited by the New York Stock Exchange or any other accredited third party.

**Review of Corporate Governance Guidelines.** The Board has developed and approved these Guidelines in recognition that the Board operates in a dynamic and evolving process. The Guidelines do not constitute fixed policy or Board resolutions, but are a statement of current practices subject to continuing review and change. Recognizing that best practices for corporate boards, and practical considerations, will change over time, the Governance and Nominating Committee will monitor developments in these areas, review the Guidelines annually, and amend them as it deems appropriate.