

## **GUIDELINES FOR THE BOARD OF DIRECTORS**

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### **I. Introduction**

The Board of Directors of Collective Brands, Inc., a Delaware corporation (the “Company”), acting on the recommendation of its Compensation, Nominating and Governance Committee, has developed and adopted a set of corporate governance principles (the “Guidelines”) to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions.

### **II. Board Composition**

The composition of the Board should balance the following goals:

- The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully;
- The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company’s business;
- A majority of the Board shall consist of directors who the Board has determined have no material relationship with the Company and who are otherwise “independent” under the rules of the New York Stock Exchange, Inc.

### **III. Chairman of the Board**

The Board of Directors shall elect one of its members to serve as Chairman of the Board. The Chairman of the Board shall:

- Chair the meetings of the Board of Directors, other than executive sessions of the Board.
- Plan and organize, in consultation with the Lead Director, and Committee Chairs, the activities of the meetings of the Board of Directors, including setting the agenda for such meetings.
- Determine, together with the Lead Director and the Committee Chairs, the quality, quantity and timeliness of the information that is to be provided to the Board on a regular basis.
- Facilitate on-going formal and informal communications between and among directors.
- Chair the annual and special meetings of the stockholders.

- Arrange for executive sessions of the Board of Directors.

The Chairman of the Board shall serve for an annual term expiring on the date of the Board Meeting immediately following the Annual meeting of stockholders.

#### **IV. Lead Director**

If at any time the Chairman of the Board shall not be an independent director, the independent directors shall elect an independent director to serve as lead director (the “Lead Director”). The Lead Director shall be nominated by the Compensation, Nominating & Governance Committee and shall be elected by the Board for an annual term expiring concurrently with the adjournment of the annual meeting of the stockholders of the Company.

The Lead Director shall:

- (1) Arrange for periodic executive sessions of the Board of Directors.
- (2) Chair all executive sessions of meetings of the Board of Directors.
- (3) Chair the Executive Committee of the Board for a term expiring on the date of the Board Meeting immediately following the annual meeting of stockholders.
- (4) Provide input to the Chairman of the Board, in consultation with the Committee Chairs, with respect to the planning and organization of the activities of and agenda for the meetings of the Board of Directors.
- (5) Provide input on regular basis to the Chairman of the Board with respect to the quality, quantity and timeliness of the information that is to be provided to the Board.
- (6) Facilitate on-going formal and informal communications between and among directors.
- (7) Provide appropriate feedback to the Chairman of the Board regarding the effectiveness of Board meetings.

#### **V. Selection of Chairman of the Board and Chief Executive Officer**

The Board is free to select the Chairman of the Board and the Company’s Chief Executive Officer (the “CEO”) in the manner it considers in the best interests of the Company at any given point in time.

#### **VI. Directors**

*Nominations.* The Board is responsible for selecting the nominees for election to the Company’s Board of Directors. The Company’s Compensation, Nominating and Governance Committee is responsible for recommending to the Board a slate of directors or one or more nominees to fill vacancies occurring between annual meetings of stockholders.

*Criteria.* The Board should, based on the recommendation of the Compensation, Nominating and Governance Committee, select new nominees for the position of independent director considering the following criteria:

- Personal qualities and characteristics, accomplishments and reputation in the business community;
- Current knowledge and contacts in the communities in which the Company does business and in the Company's industry or other industries relevant to the Company's business;
- Ability and willingness to commit adequate time to Board and committee matters;
- The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company; and
- Diversity of viewpoints, background, experience and other demographics.

*Invitation.* The invitation to join the Board should be extended by the Chair of the Compensation, Nominating and Governance Committee and the Chairman of the Board.

*Orientation and Continuing Education.* Management, working with the Board, will provide an orientation process for new directors, including background material on the Company, its business plan and its risk profile, and meetings with senior management. Periodically, management should prepare additional educational sessions for directors on matters relevant to the Company, its business plan and risk profile.

## **VII. Election Term**

The Board does not believe it should establish term limits.

## **VIII. Retirement of Directors**

No non-management director will be nominated for election at any annual meeting occurring subsequent to such director's 72nd birthday.

In order to provide a helpful transition to his or her successor or successors, each management director who shall have served as a chief executive officer of the Company may continue to be nominated for election as a director at any annual meeting occurring prior to such person's 72nd birthday.

Each management director shall resign from the board coincident with such employee's retirement, resignation or termination as an employee of CBI, regardless of age.

## **IX. Board Meetings**

The Board currently plans at least six meetings each year, with further meetings to occur (or action to be taken by unanimous consent) at the discretion of the Board. The meetings will usually consist of committee meetings and the Board meeting.

The agenda for each Board meeting will be prepared by the Office of the Corporate Secretary in conjunction with the Chairman of the Board and Committee Chairs. Management will seek to provide to all directors an agenda and appropriate materials in advance of meetings, although the Board recognizes that this will not always be consistent with the timing of transactions and the operations of the business and that in certain cases it may not be possible.

Materials presented to the Board or its committees should be as concise as possible, while still providing the desired information needed for the directors to make an informed judgment.

## **X. Annual Meeting Attendance.**

The Board of Directors expects all directors to attend the Company's Annual Stockholders' Meeting. While the Board of Directors understands that there may be situations that prevent a director from attending an Annual Stockholders' Meeting, the Board strongly encourages all directors to make attendance at all Annual Stockholders' Meetings a priority.

## **XI. Executive Sessions**

To ensure free and open discussion and communication among the non-management directors of the Board, the non-management directors will meet in executive sessions periodically, with no members of management present. The Lead Director shall preside at the executive sessions.

## **XII. The Committees of the Board**

The Company shall have at least the committees required by the rules of the New York Stock Exchange, Inc. Currently, these are the Audit and Finance Committee and the Compensation, Nominating and Governance Committee. Each of these committees must have a written charter satisfying the rules of the New York Stock Exchange, Inc.

All directors, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee chair will give a periodic report of his or her committee's activities to the Board.

Each of the Compensation, Nominating and Governance Committee and the Audit and Finance Committee shall be composed of at least three directors who the Board has determined have no material relationship with the Company and who are otherwise "independent" under the rules of the New York Stock Exchange, Inc. The required qualifications for the members of each committee shall be set out in the respective

committees' charters. A director may serve on more than one committee for which he or she qualifies.

### **XIII. Management Succession**

At least annually, the Board shall review and concur in a succession plan, developed by management, addressing the policies and principles for selecting a successor to the CEO, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance and skills for possible successors to the CEO.

### **XIV. Executive Compensation**

1. *Evaluating and Approving Salary for the CEO.* The Board, acting through the Compensation, Nominating and Governance Committee, evaluates the performance of the CEO and the Company against the Company's goals and objectives, and approves the compensation level of the CEO.

2. *Evaluating and Approving the Compensation of Management.* The Board, acting through the Compensation, Nominating and Governance Committee, evaluates and approves the overall compensation policies applicable to the Chief Executive Officer and President, other members of the Company's executive management team, the principal executives of each of the Company's operating units, and other employees of the Company or its subsidiaries who earn \$500,000 or more in base compensation.

### **XV. Board Compensation**

The Board should conduct a review from time to time (as the Board in its discretion shall determine) of the components and amount of Board compensation. Management board members shall not receive any compensation or fees for attending board or committee meetings. In periodically reviewing the adequacy of such compensation, the Board will consider, among other things, that non-management directors are expected not only to participate in Board and committee meetings but additionally, to render consultation and advisory activities in assisting management with respect to various matters in which such activities are appropriate.

### **XVI. Expectations of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with Delaware law. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Company. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

1. *Commitment and Attendance.* All independent and management directors should make every effort to attend meetings of the Board and meetings of committees of which they are members. Members may attend by telephone to mitigate conflicts.

2. *Participation in Meetings.* Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Upon request, management will make appropriate personnel available to answer questions a director may have about any aspect of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive prepared to discuss the issues presented.

3. *Loyalty and Ethics.* In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interests possessed by a director.

The Company has adopted a Code of Ethics (the "Code"), including a compliance program to enforce the Code. Certain portions of the Code deal with activities of directors, particularly with respect to transactions in the securities of the Company, potential conflicts of interest, the taking of corporate opportunities for personal use, and competing with the Company. Directors should be familiar with the Code's provisions in these areas and should consult with the Company's General Counsel in the event of any issues. The Board has also approved a policy on related party transactions that applies to all Board members.

4. *Other Directorships.* The Company values the experience directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a director's time and availability and may present conflicts or legal issues. No director should serve on more than six public company boards and no director who is a CEO of a public company should serve on more than three boards of publicly traded companies. Directors should advise the Chair of the Compensation, Nominating and Governance Committee, the Chairman of the Board and the CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses or governmental units.

5. *Contact with Management.* All directors are invited to contact the CEO at any time to discuss any aspect of the Company's business. Directors also have complete access to other members of management. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

Further, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement and substantial knowledge in those areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

6. *Contact with Other Constituencies.* It is important that the Company speak to employees and outside constituencies with a single voice, and that management serve as the primary spokesperson.

7. *Confidentiality.* The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

8. *Equity Ownership Guidelines.* The Board believes that it is important for directors to have an equity stake in the Company. The Board believes that a significant part of a non-employee Board member's compensation should be paid in the form of equity. No non-employee director is permitted to sell any equity acquired from the Company, other than as permitted by the Company's stock plan for non-management directors.

## **XVII. Evaluating Board Performance**

The Board, acting through the Compensation, Nominating and Governance Committee, should conduct a self-evaluation at least annually to determine whether it is functioning effectively. The Compensation, Nominating and Governance Committee should periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively.

Each committee of the Board should conduct a self-evaluation at least annually and report the results to the Board, acting through the Compensation, Nominating and Governance Committee.

## **XVIII. Communications with the Board**

The Board believes that management speaks for the Company. The Board and individual members may, from time to time, meet or otherwise communicate with various constituencies. However, it is expected that Board members will speak for the Company only with the knowledge of management and, in most instances, at the request of management. Stockholders and other interested parties may contact non-management members of the Board by sending written correspondence to the director at the following address:

\_\_\_\_\_, Director  
Collective Brands, Inc.  
c/o General Counsel and Secretary  
3231 SE Sixth Avenue  
Topeka, Kansas 66607

The General Counsel and Secretary will review and forward such correspondence to the Board members.

## **XIX Reliance on Management and Outside Advice**

In performing its functions, the Board and its committee(s) are entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. The Board and its committee(s) shall have the authority to retain and approve the fees and retention terms of its outside advisors.

**XX. Outside Experts**

The Board has the authority to obtain advice and seek assistance from internal or external legal, accounting or other advisors, and has the sole authority to retain or terminate such advisors s.

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