

## **Corporate Governance Guidelines**

The Board of Directors ("Board" or "Board of Directors") of Pier 1 Imports, Inc. (the "Company") has adopted the corporate governance guidelines set forth below as a framework for the governance of the Company. These guidelines should be interpreted in the context of all applicable laws and the Company's Certificate of Incorporation, Bylaws and other corporate governance documents, and are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. These guidelines are subject to modification and the Board may, in the exercise of its discretion, deviate from these guidelines from time to time, as the Board may deem appropriate or as required by applicable laws and regulations.

### 1. Chairman of the Board

Pursuant to the Company's Bylaws, the Chairman of the Board shall be elected annually by the Board from among its members at the first meeting of the Board convened following the annual meeting of shareholders of the Company. The Chairman of the Board may or may not be, at the discretion of the Board of Directors, an employee or an officer of the Company. If the Chairman of the Board is neither an employee nor an officer of the Company he or she may be designated "non-executive". The non-executive Chairman of the Board should be an independent director.

It is the Board's general policy that the positions of Chairman of the Board and Chief Executive Officer ("CEO") should be held by separate persons, and that the Chairman of the Board should be "non-executive". There may be occasions, however, when the Board determines that its general oversight of the Company is best served by combining the role of Chairman of the Board and CEO in one person, with a designation by the Board of an independent director as Independent Lead Director.

To facilitate the process to elect a Chairman of the Board (or Independent Lead Director, as the case may be) it is recommended that any incumbent director who wishes to nominate another director or to be considered for the position of Chairman of the Board (or Independent Lead Director, as the case may be) should make such a nomination or provide such an expression of interest to the Chairman of the Nominating and Corporate Governance Committee no later than 30 days prior to the annual meeting of the Company's shareholders. In any event, a nomination or expression of interest, including those from any newly elected non-incumbent director, may be made at the first meeting of the Board of Directors following the annual meeting of the Company's shareholders. At that meeting, the Board will discuss the nominee(s), and if necessary the Secretary of the Company will distribute a ballot listing the nominees for election as Chairman of the Board (or Independent Lead Director, as the case may be). The nominee receiving a majority of the votes will be elected as Chairman of the Board (or Independent Lead Director, as the case may be).

The primary role, duties and responsibilities of the non-executive Chairman of the Board and Independent Lead Director are set forth in Appendix A and Appendix B, respectively.

2. Chairman of the Executive Committee

If an Executive Committee is designated by the Board, the Chairman of the Executive Committee will be the non-executive Chairman of the Board or Independent Lead Director, as the case may be.

3. Responsibilities and Size of the Board

The Board is the ultimate decision-making body of the Company except for those matters reserved to the shareholders or to a Committee of the Board. Day-to-day management of the Company is the responsibility of management, and the Board's role is the oversight of management's performance of that function. The Board will hold a minimum of four meetings each year.

It is the sense of the Board that the number of directors comprising the Board of Directors should be between six and nine. The Nominating and Corporate Governance Committee of the Board will recommend to the Board for its approval nominees for Board membership, considering the applicable rules and regulations of the Securities and Exchange Commission ("SEC"), New York Stock Exchange ("NYSE") and the applicable provisions of the Company's Certificate of Incorporation and Bylaws. In recommending nominees, the Nominating and Corporate Governance Committee will consider the Board Member Qualification Criteria set forth in Appendix C.

4. Mix of Management and Independent Directors

The Board will be composed of a majority of independent directors. The Board is willing to have members of executive management, in addition to the CEO, as directors, but the Board believes that such membership is not necessary or a prerequisite to any higher management position in the Company.

5. Board Definition of What Constitutes Independence for Directors

An "independent" director is a director who satisfies the subjective and objective independence requirements established by the NYSE.

6. Former Chief Executive Officer's Board Membership

The Board believes this is a matter to be decided in each individual instance. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new

CEO and the Board. The independence of a former CEO serving on the Board will be determined within the meaning of the independence requirements established by the NYSE.

7. Directors Who Change Their Present Job Responsibility

The Board believes that a director should offer to resign from the Board if, since the date of their most recent election to the Board (whether by shareholders or directors), (a) the director's responsibilities, as of the time of election, held in connection with their principal occupation or employment have materially increased or decreased, (b) the director either enters into negotiations for or accepts employment or an engagement by, or a director position with, a competitor or supplier of the Company, or (c) the director's principal occupation or employment, as of the time of election, has changed and the director does not plan to continue similar responsibilities in a new venture. The Board through the Nominating and Corporate Governance Committee will review the continued appropriateness of Board membership under these circumstances and determine whether to accept the resignation.

8. Term Limits

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing 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.

9. Retirement Age

The Board believes that as a general guideline Board of Director nominees who are age 75 or older should mutually consider, in conjunction with the Company, the appropriateness of their continued service as a director.

10. Board Compensation

It is appropriate for the Compensation Committee of the Board to review at least every other year the status of Board compensation in relation to other peer group companies. To create a direct linkage with corporate performance, the Board believes that a meaningful portion of a director's compensation should be used to purchase common stock of the Company and/or deferred into common stock units pursuant to a director deferred stock unit award program. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board.

11. Voluntary Stock Ownership Guidelines

The Board believes that each non-employee director and each officer of the Company, and its employing subsidiaries, should acquire ownership of the Company's common stock. Guidelines for that ownership as adopted by the Board are set forth in Appendix D.

12. Executive Sessions

The Board of Directors will meet in regularly scheduled executive sessions with and without management director(s) present. Also, the independent directors of the Board will meet in regularly scheduled executive sessions. The independent directors may meet in additional executive sessions, with or without management, upon the request of the CEO or any independent director. Executive Sessions will be chaired by the non-executive Chairman of the Board or the Independent Lead Director, as the case may be.

13. Board's Interaction with Public Constituencies

The Board believes that executive management speaks for the Company. It is inappropriate for non-management directors to speak publicly, including to investors, analysts and the press, about matters pertaining to the Company, unless requested by management.

14. Regular Attendance of Non-Directors at Board Meetings

The Board welcomes, by invitation, the regular attendance at each Board meeting of non-Board members who are members of executive management. Should the CEO want to add additional people as attendees on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence.

15. Board Access to Executive Management

Board members have complete access to executive management. It is assumed that (i) Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company, and (ii) other than routine Committee interactions between executive management and Committee chairs, the CEO will be notified of any such contact.

16. Selection of Agenda Items for Board Meetings

The non-executive Chairman of the Board, or Independent Lead Director, as the case may be, together with the CEO will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of item(s) on the agenda.

17. Board Materials Distributed in Advance

It is the sense of the Board that information and data that is important to the Board's understanding of the business to be acted upon at a meeting be distributed in advance of the meeting. Management will make every attempt to see that this material is as brief as possible while still providing the desired information.

18. Board Presentations

As a general rule, presentations on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is sensitive, the presentation may be discussed at the meeting.

19. Number, Structure and Independence of Committees

It is the sense of the Board that the Committee structure of the Company should consist of three standing committees, which are Audit, Compensation, and Nominating and Corporate Governance. An Executive Committee may be designated from time to time by the Board. The Audit, Compensation and Nominating and Corporate Governance Committees will consist entirely of independent directors. There will, from time to time, be occasions in which the Board may want to form additional or special Committees or disband an existing Committee depending upon the circumstances.

It is the sense of the Board that consideration should be given to rotating Committee members periodically, but the Board does not feel that such a rotation should be mandated as a policy since there may be reasons at a given point in time to maintain an individual director's Committee membership for a longer period.

20. Frequency and Length of Committee Meetings

Each Committee Chairman, in consultation with Committee members, will determine the frequency and length of the meetings of the Committee.

21. Committee Agenda

Each Committee Chairman, in consultation with the appropriate members of executive management and staff, will develop the Committee's agenda. Each Committee will issue a schedule of meetings for the ensuing year at the beginning of each year.

## 22. CEO Succession Planning

The CEO and the Board should periodically discuss succession planning. It is the sense of the Board that should the CEO become unable to fulfill the duties and responsibilities of the office, the non-executive Chairman of the Board or the Independent Lead Director, as the case may be, should become the acting CEO. The Board must meet as soon as possible to determine the appropriate action to be taken.

The succession planning process is within the purview of the Board; however, the Board can request assistance from the Nominating and Corporate Governance Committee, or a special committee of the Board, to facilitate that process.

## 23. Director Orientation and Continuing Education

The Company will establish, or identify and provide access to, appropriate orientation programs, sessions or materials for newly elected directors of the Company for their benefit. Directors are encouraged to periodically attend or obtain continuing education programs, sessions or materials on the responsibilities, roles, duties and functions of directors of publicly-traded companies. The Company will reimburse directors for their reasonable expenses incurred in connection therewith. The General Counsel of the Company will be responsible for approving such expenses.

## 24. Annual Performance Evaluation of the Board

The Board, with the assistance of the Nominating and Corporate Governance Committee, will conduct a self-evaluation annually to determine whether it and its Committees are functioning effectively. The full Board will discuss the evaluation report to determine what, if any, action could improve Board and Board Committee performance.

**Appendix A**  
**Non-Executive Chairman of the Board**  
**Primary Role, Duties and Responsibilities**

- Chairs and is the leader of the Board in meetings and executive sessions fostering and facilitating high-quality and balanced debates, encouraging independence, and actively seeking different points of view;
- Works closely with the CEO, Board members and Secretary of the Company to develop and organize meaningful Board agendas and a schedule that focuses directors' attention to and on critical strategic issues, major financial issues and important operational policies that affect the short- and long-term welfare of the Company; guides management to develop appropriate Board materials; may call additional meetings of the Board, if necessary;
- Maintains regular and constructive communications with the directors on matters that may arise between Board meetings and across Board committees;
- Provides oversight of the strategy development process; ensures that the Board periodically reviews the Company's long-term strategy and that the Board oversees management's execution of the strategy;
- Builds trust between the Chairman and other directors by promoting a climate of openness, honesty, candor, mutual respect and genuine team spirit;
- Builds and sustains a strong and productive relationship with the CEO and is a trusted confidant who can coach and challenge the CEO, as appropriate;
- Acts as principal liaison between directors and the CEO, sharing with the CEO important matters emerging from executive sessions of the non-management/independent Board members;
- Leads the Board's evaluation of the CEO's performance and works with the Compensation Committee in its considerations of the CEO's compensation;
- Coordinates Board development of a CEO succession plan which is reviewed from time to time, as needed;
- Is a strong and positive advocate, internally and externally, of the Company - its values, vision and goals; is willing to meet with major shareholders and other stakeholders if requested and chairs the annual meeting of shareholders;
- Ensures Board and Board committee effectiveness, supports the Nominating and Corporate Governance Committee in evaluating annually Board and Board committee performance and directors' performance and value-added contributions to the Company and the Board; and
- Recommends who the Board should retain as outside advisors and consultants that report directly to the Board.

**Appendix B**  
**Independent Lead Director**  
**Responsibilities**

- Chairs executive sessions of the Board;
- Builds and sustains strong and productive relationships with the CEO;
- Acts as principal liaison between non-management directors and the CEO, sharing with the CEO important matters emerging from non-management/independent executive sessions of the Board;
- Works closely with the CEO and Secretary of the Company to develop and organize meaningful Board agendas that focus directors' attention to and on critical strategic issues, major financial issues and important operational policies that affect the short- and long-term welfare of the Company;
- Coordinates Board development of a CEO succession plan which is reviewed from time to time, as needed;
- Leads the Board's evaluation of the CEO's performance and works with the Compensation Committee in its considerations of the CEO's compensation;
- In consultation with other directors, determines quality, quantity and timeliness of information from management;
- Makes recommendations about retaining consultants for the Board;
- Is a trusted confidant with the CEO and other directors, as appropriate;
- Is a strong and positive advocate, internally and externally, of the Company—its values, vision and goals;
- Maintains regular and constructive communications with the directors on matters that may arise between Board meetings; and
- Other duties as requested by the Board of Directors.
- Supports each Board committee in fulfilling its duty.



## **Appendix C**

### **Board Member Qualification Criteria**

The Board of Directors of the Company should perform at the highest level of professionalism and competence to provide a competitive advantage to the Company. In order to do that, the Board should be comprised of individuals who have achieved a high level of distinction in their careers and who collectively possess a broad range of skills, backgrounds and experience relevant to the business of the Company.

Candidates for Board membership should possess the requisite intelligence, education and experience to make a significant contribution to the membership of the Board and should have and maintain a reputation of integrity, trust, respect and adherence to the highest ethical standards. Importantly, candidates should be dedicated to serving the interests of all of the Company's shareholders and be able to commit the appropriate amount of time to the Board in the fulfillment of their duties.

The overall ability and experience of a candidate and the particular needs of the Board, including those required to oversee the strategy and operations of the Company over the longer-term, should determine the candidate's suitability for membership on the Board. However, the following qualities and characteristics will be considered in evaluating the candidacy of an individual for membership on the Board:

#### *Leadership and Management Experience.*

The candidate must have a strong track record in leading and managing organizations at scale. In evaluating such experience, the following questions should be asked: Is the candidate or has the candidate held a senior executive position in a major public company, a recognized privately held entity or a major professional services firm, or an equivalent organization in the public sector?

#### *Relevant Knowledge and Diversity of Background and Experience.*

The candidate must complement the diverse range of skills, perspectives and experience of the Board. To help identify the particular skills, perspectives and experience of the candidate, the following questions should be asked:

Knowledge of the Consumer and Retail Industry. Does the candidate have sufficient experience in, or knowledge of, a consumer-facing company or the retail industry to bring desirable knowledge and skills to the Board? Analysis of this question should include whether the candidate has had significant P&L ownership.

Digital/e-commerce and Technology Experience. Does the candidate have sufficient experience in, or knowledge of, information technology to bring desirable knowledge and

skills to the Board? Analysis of this question should include whether the candidate understands the digital world and broader digital transformation and has experience implementing digital and omni-channel strategies and/or building an e-commerce platform.

International Experience. Does the candidate have sufficient experience in, or knowledge of, leading a global business and understanding the challenges of entering new markets and navigating local and regional geopolitical sensitivities to bring desirable knowledge and skills to the Board?

Financial Expertise. Does the candidate have a sufficient understanding of financial reporting and internal control principles or financial management experience to bring desirable knowledge and skills to the Board? Analysis of this questions will include whether the candidate is a qualified audit committee financial expert and/or has experience as a CEO, CFO or other financial senior leader. All candidates are expected to have a high level of financial literacy.

Other Functional Expertise. Does the candidate have sufficient experience in, or knowledge of, marketing and branding, including data and analytics; merchandising; human capital; and/or operations?

Knowledge of the Duties of Director. Does the candidate understand and appreciate fully the legal responsibilities and duties of a director and the governance processes of a public company? If the candidate has prior public company board experience, have they contributed to strategic planning, CEO and broader C-suite succession, and capital investment and allocation decisions? *Personal and Professional Ethics, Integrity and Professionalism.*

The Board candidate must possess and exhibit the highest ethical standards, a strong sense of professionalism and be prepared to serve the interests of all of the Company's shareholders. In evaluating such matters, the following questions should be asked:

Reputation. Does the candidate have a reputation of high moral and ethical character and integrity?

Individual Characteristics. Does the candidate have the necessary personal attributes to enable him or her to actively contribute to Board deliberations including, without limitation, intelligence, self-assuredness, objectivity, possess an independent perspective, sound business judgment, a willingness to constructively challenge management and ask the right questions, communication skills, dedication and commitment?

Availability and Interest. Does the candidate have sufficient time available to discharge the duties of Board membership? Is the candidate committed to serve as a representative of all the Company's shareholders?

Compatibility. Will the candidate be able to maintain a good working relationship with other Board members and contribute to the Board's constructive working relationship with the senior management of the Company?

Interlocking Directorships. Does the candidate have any prohibited interlocking relationships or other potential conflicts of interest?

*Diversity.*

The Board is interested in candidates who can bring diverse perspectives and experiences and welcomes candidates with diversity in but not limited to gender, ethnic background, geographic origin, and professional experience. The following questions will be considered in evaluating the candidacy of an individual for membership on the Board: In what ways does the candidate add to the diversity of the Board? Does the candidate help the Board more fully reflect the diversity of the Company's customers, suppliers and stakeholders?

## **Appendix D**

### **Summary of Stock Ownership Guidelines**

#### Board of Directors

The Board believes that each non-employee director should, within five years of becoming a member of the Board, acquire ownership of shares of the common stock of the Company equal in value to five times one-half of the non-employee Director annual retainer (i.e. 5 x \$75,000). Shares counted as meeting this ownership level, shall include shares of common stock owned or beneficially owned directly or indirectly (other than shares which might be acquired by exercise of an option, or unvested performance-based restricted stock), unvested time-based restricted stock and deferred stock units under a director deferred stock unit award program.

#### Officers Overview

The Board of Directors effective March 1, 2010 adopted the *Pier 1 Imports Executive Stock Ownership Guidelines* establishing targeted ownership levels of Pier 1 Imports common stock for officers at a level of vice president or higher.

#### Ownership Targets

The targeted ownership level is expressed as a number of shares of common stock of the Company equal in value to a multiple of base salary, based on the organization level of the officer. Except for adjustments necessary to reflect any subdivision or consolidation of common stock shares, recapitalizations, reclassifications, or similar non-economic events, the targeted level of shares will not change unless the organizational level of the officer's position changes or the Board of Directors changes the targeted level of ownership. The targeted ownership levels by officer position are:

CEO -	6 times base salary
SR. EVP -	3 times base salary
EVP -	2.5 times base salary
SVP -	2 times base salary
VP -	1 times base salary

#### Measurement of Ownership Targets

Common stock counted toward satisfaction of the applicable target includes any:

- Shares of common stock owned or beneficially owned directly or indirectly (other than shares which might be acquired by exercise of an option, or unvested performance-based restricted stock);
- Unvested time-based restricted stock; and
- Any deferred stock units.

### Achievement

Officers should be able to achieve their targeted ownership level within five years of March 1, 2010, or within five years of their election to an office, if later than that date. A milestone of 50% of the target should be achieved by the third anniversary of the applicable date.