

Pier 1 Imports Corporate Governance Guidelines

1. Selection of Chairman of the Board and Chief Executive Officer

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 stockholders of the Corporation. 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 Corporation. If the Chairman of the Board is neither an employee nor an officer of the Corporation, he or she may be designated "non-executive."

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 concurrent designation by the Board of an independent Director as Independent Lead Director.

In order to facilitate the election process, it is recommended that any 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 stockholders. Newly elected Directors may make such a nomination or provide such an expression of interest at the first meeting of the Board of Directors following the annual meeting of stockholders. At the first meeting of the Board of Directors following the annual stockholders meeting, the Board will discuss the nominees, and the Secretary of the Company will then 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).

In general, a non-executive Chairman of the Board is the leader of the Board with the primary responsibilities of keeping the members focused on the objectives at hand, shaping meeting agendas, leading discussions and, occasionally, serving as a Board spokesperson.

The primary role, duties and responsibilities of the non-executive Chairman of the Board are:

- Chairs and sets the tone for meetings of the Board and the Executive Committee, and actively encourages all Directors to participate, ask questions and express openly and honestly their views;
- 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;
- Builds and sustains strong and productive relationships with the CEO;
- Ensures that CEO succession planning is reviewed and that the Compensation Committee engages the Board in such discussions;
- Builds trust between the Chairman and other Directors by promoting a climate of openness, honesty, candor, mutual respect and genuine team spirit;
- Chairs the annual meeting of stockholders, expressing the values, vision and goals of the Company with a high degree of professionalism;
- 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;
- Leads the Board's evaluation of the CEO's performance and works with the Compensation Committee in its considerations of the CEO's compensation;

- 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;
- Supports the Nominating and Corporate Governance Committee in evaluating annually Board performance and Directors' performance and value-added contributions to the Company and the Board;
- Maintains regular and constructive communications with the Directors on matters that may arise between Board meetings; and
- Makes recommendations about retaining consultants to the Board.

In the event that the positions of CEO and Chairman of the Board are not separated, but are combined into one person, the Board will elect an Independent Lead Director. While there are some similarities in the role of Independent Lead Director and non-executive Chairman of the Board, the following responsibilities noted below are believed to be more applicable for an Independent Lead Director:

- Chairs executive sessions of the Board and is Chairman of the Executive Committee;
- 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;
- Ensures that CEO succession planning is reviewed and that the Compensation Committee engages the Board in such discussions;
- 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.

2. Chairman of the Executive Committee

The Chairman of the Executive Committee will be an independent Director. When the Chairman of the Board is an independent Director, the Chairman of the Board will serve as the Chairman of the Executive Committee.

The Chairman of the Executive Committee will be responsible for developing the agenda for and chairing the sessions of independent Directors.

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 stockholders or to a committee of the Board. Day-to-day management of the corporation is the responsibility of Management, and the Board's role is the oversight of Management's performance of that function. It is the sense of the Board that the number of Directors should be between six and nine. The Nominating and Corporate Governance Committee of the Board will be responsible for recommending for Board approval nominees for Board membership subject to applicable rules and regulations of the Securities and Exchange Commission ("SEC") and New York Stock Exchange ("NYSE"). The Board will hold a minimum of four meetings each year.

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 Management, in addition to the Chief Executive Officer, as Directors, but the Board believes that Management should encourage senior managers to understand that Board membership is not necessary or a prerequisite to any higher management position in the Company. Managers, other than the Chairman and Chief Executive Officer, currently may attend Board meetings by invitation.

5. Board Definition of What Constitutes Independence for Directors

Individuals shall be deemed independent Directors if they satisfy the independence requirements prescribed by the listing standards of 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 Chief Executive Officer and the Board. The independence of a former Chief Executive Officer serving on the Board will be determined in accordance with the rules of 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 stockholders or directors), (a) the director's responsibilities, as of the time of election, held in connection with 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 service as a director.

10. Board Compensation and Voluntary Stock Ownership Guidelines

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. As part of a Director's total compensation and to create a direct linkage with corporate performance, the Board believes that a meaningful portion of a Director's compensation should be provided in common stock and/or common stock units. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board.

The Board believes that each non-employee Director should, within five years of becoming a member of the Board, acquire ownership of 50,000 or more shares of the common stock of the Company. Shares counted as meeting this ownership level, which is voluntary, shall include open-market purchases, shares held in trust for beneficial ownership of family, shares acquired upon exercise of stock options, time and performance based restricted shares for which restrictions have lapsed, and deferred stock units under a director deferred stock unit award program.

11. Executive Sessions of Independent Directors

The independent Directors of the Board will meet in regularly scheduled Executive Sessions without Management present. The independent Directors will meet in additional Executive Sessions, with or without Management, upon the request of the Chief Executive Officer or any independent Director. Executive Sessions will be chaired by the Chairman of the Executive Committee.

12. Board's Interaction with Public Constituencies

The Board believes that 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.

13. 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 senior management. Should the Chief Executive Officer 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.

14. Board Access to Senior Management

Board members have complete access to Management. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chief Executive Officer.

15. Selection of Agenda Items for Board Meetings

As noted above, the Chairman of the Board, or Lead Independent Director, as the case may be, along with the Chief Executive Officer will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of item(s) on the agenda.

16. 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 writing well 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.

17. 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 too sensitive to put on paper, the presentation will be discussed at the meeting.

18. Number, Structure and Independence of Committees

The Committee structure of the Company will consist of four committees, which are Audit, Compensation, Executive and Nominating and Corporate Governance. The Audit, Compensation and Nominating and Corporate Governance Committees will consist entirely of independent directors in accordance with the rules of the NYSE. There will, from time to time, be occasions in which the Board may want to form new 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.

19. Frequency and Length of Committee Meetings

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

20. Committee Agenda

The Chairman of the Committee, in consultation with the appropriate members of 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.

21. Succession Planning

The Chief Executive Officer and the Board should periodically discuss succession planning. Should the Chief Executive Officer become unexpectedly disabled or in the event of an emergency, the Chairman of the Executive Committee shall become the acting Chief Executive Officer, provided that the Board must meet as soon as possible to determine the appropriate action to be taken.

22. Director Orientation and Continuing Education

The Board or 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 either prior to or within a reasonable period of time after their nomination or election as a Director. The Board or the Company will encourage, but not require, Directors to periodically pursue or obtain appropriate programs, sessions or materials as to the responsibilities of directors of publicly-traded companies, and the Company will reimburse Directors for their reasonable, pre-approved expenses incurred in connection therewith. The General Counsel of the Company will be responsible for pre-approving such expenses.

23. 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. The Board, with the assistance of the Nominating and Corporate Governance Committee, as appropriate, shall review these Corporate Governance Guidelines on an annual basis to determine whether any changes are appropriate.

A. Board Member Qualification Criteria

It is the intent of the Board of Directors that the Board itself performs at the highest level of professionalism and competence and provides a competitive advantage to the Company. In order to do so, the Board should be comprised of individuals who have achieved a high level of distinction in business, education or public service and who collectively possess a broad range of skills, backgrounds and experience relevant to the business of the Company. Candidates should possess the necessary skills and requisite intelligence, education and experience to make a significant contribution to the membership of the Board of Directors and should at all times 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 make himself or herself available to the Board of Directors in the fulfillment of his or her duties. Director candidates who are also employees of the Company should be members of the Company's executive management who have or are in the position to have a broad base of information about the Company and its business.

The overall ability and experience of a candidate and the particular needs of the Board at the time of the Board's consideration should determine the candidate's suitability for membership on the Board of Directors. However, the following qualities and characteristics should be considered in evaluating the candidacy of an individual as a director for the Board of Directors:

Management and Leadership Experience.

The candidate must have extensive experience in business, education or public service. In evaluating such experience, the following questions should be asked:

Candidates from the Field of Business. Is the candidate, or has the candidate been, the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of, or has the candidate held a senior level position in, a major public company, a recognized privately held entity or a recognized investment management, consulting or law firm?

Candidates from the Field of Education. Does the candidate hold, or has the candidate held, either a significant position at a prominent educational institution comparable to the position of university or college president and/or dean of a school within a university or college, or a senior faculty position in an area of study important or relevant to the Company?

Candidates from the Field of Public Service. Does the candidate hold, or has the candidate held, an elected or appointed senior position in a highly visible nonprofit or governmental organization?

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:

General Knowledge of the Retail Industry. Does the candidate have sufficient experience in, or knowledge of, the retail industry to bring desirable knowledge and skills to the Board? Analysis of this question should include consideration of the Company's trade secrets, confidential information, business operating models and competitors of the Company.

Information Technology Experience. Does the candidate have sufficient experience in, or knowledge of, information technology to bring desirable knowledge and skills to the Board?

International Business Experience. Does the candidate have sufficient experience in, or knowledge of, international business transactions or an understanding of the cultural differences of non-English speaking countries to bring desirable knowledge and skills to the Board?

Financial Literacy. 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?

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?

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 in the Business Community. 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, independence, a willingness to ask difficult 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 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 working relationship with the senior management of the Company?

Interlocking Directorships. Does the candidate have any prohibited interlocking relationships with other Boards of Directors or Board members?