

**DIAMOND FOODS, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

**I. PURPOSE**

These guidelines have been adopted by the Board of Directors (the “*Board*”) of Diamond Foods, Inc. (the “*Company*”) as a statement of the principles of governance by which the Board manages its affairs and serve as a reflection of the Board’s commitment to sound corporate governance. These guidelines may be modified by the Board from time to time as the Board deems necessary or advisable.

**II. DIRECTOR RESPONSIBILITIES AND EXPECTATIONS**

The core responsibility of the directors is to exercise their business judgment and to act in what they reasonably believe to be in the best interests of the Company.

Serving on a board requires significant time and attention on the part of directors. Directors must participate in board meetings, review relevant materials, serve on board committees and prepare for meetings and discussions with management. Consequently, directors must be willing and able to make the necessary time commitment.

Directors are expected to maintain an attitude of constructive involvement and oversight; they are expected to ask incisive, probing questions and require accurate, direct answers; they are expected to act with integrity; and they are expected to demonstrate a commitment to the Company, its values and its business plan and to long-term shareholder value.

In performing their oversight responsibilities, directors rely on the competence and integrity of management in carrying out their responsibilities. It is the responsibility of management to operate the Company in an effective and ethical manner in order to produce value for stockholders.

**III. BOARD MEMBERSHIP**

**A. Number of Directors; Independence**

Consistent with the Company’s Bylaws (“*Bylaws*”), the Board shall from time to time determine the number of directors. At least 60% of the Company’s directors shall meet the definition of “Independent Directors” within the meaning of the applicable rules of the NASDAQ Stock Market or other exchange on which the Company’s securities are listed. The Company’s Nominating and Governance Committee will periodically review the independence requirements.

**B. Selection of New Director Candidates**

The Nominating and Governance Committee of the Board (the “*Nominating and Governance Committee*”) is responsible for identifying and recommending to the Board qualified candidates to fill vacancies on the Board, as provided in the Charter of the Nominating and Governance Committee. To recommend a prospective nominee for the Nominating and Governance Committee’s consideration, submit the candidate's name

and qualifications to the Company's Secretary in writing to the following address: Diamond Foods, Inc., Attn: Secretary, 600 Montgomery Street, San Francisco, CA 94111. When submitting candidates for nomination to be elected at the Company's annual meeting of stockholders, stockholders must follow the notice procedures and provide the information required by the Bylaws.

**C. Director Candidate Criteria**

Each director shall have the ability to apply good business judgment and must be able to exercise his or her duties of loyalty and care. Each director must periodically evaluate whether he or she can make the necessary time commitment to properly exercise the duties and obligations of the position. The goal of the Nominating and Governance Committee is to ensure that the members of our Board have a variety of perspectives and skills derived from high-quality business and professional experience. The Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on our Board. To this end, the committee seeks nominees with high professional and personal integrity, an understanding of our business lines and industry, diversity of background and perspective, broad-based business acumen and the ability to think strategically. In addition, the committee considers the level of the candidate's commitment to active participation as a director, both at Board and committee meetings and otherwise. Additionally, the Nominating and Governance Committee may consider diversity when identifying and evaluating candidates for the position of director. The Nominating and Governance Committee may specify any additional minimum qualifications for service as a member of the Board.

**D. Extending an Invitation**

The invitation to join the Board is to be extended by the Board, acting through the Board Chair.

**E. Director Orientation and Continuing Education**

Materials and briefings are provided to new directors, on an individualized basis, to permit them to become familiar with the Company's business, industry and corporate governance practices.

The Company also encourages its directors to participate in continuing director education programs intended to enhance their participation in the Board and to stay up to date with current corporate governance issues and principles. The Company will reimburse Board members for expenses associated with continuing education programs. It is expected that directors will equally apportion their expenses among all of the companies on whose boards they serve.

**F. Changes in Principal Position or Responsibility**

Any director who is employed by the Company will submit to the Board Chair and Nominating and Governance Committee Chair a written resignation as a director of the Board upon the termination of employment (for any reason) with the Company.

A non-employee director who experiences a material change in his or her

principal employment or professional position at any time after being elected to the Board shall so notify the Board. The Board will review the continued appropriateness of the continued service of such individual as a director of the Board.

**G. Term Limitations, Retirement and Other Directorships**

Membership on the Board is not subject to term limits. In connection with each director nomination recommendation, the Nominating and Governance Committee shall consider the issue of continuing director tenure and whether the Board will be exposed to new ideas and viewpoints and will maintain willingness to critically examine the status quo.

Directors on the Board are not subject to mandatory retirement. However, the Board, via the Nominating and Governance Committee, in considering re-nomination of a director, will review the continued appropriateness of such director's ability to serve. The Board will determine whether or not the continued service of such individual as a director of the Board will be in the best interests of the Company and its stockholders.

Directors are expected to notify the Board Chair, Chief Executive Officer (“*CEO*”) and the Secretary before accepting a seat on the board of another public company in the event that tenure on such board raises a potential conflict of interest. Each Board member is expected to ensure that other existing and planned future commitments, including service on other companies' boards of directors, do not interfere with service as a director of the Company.

**H. Voting for Directors**

In accordance with the Bylaws, in an Uncontested Election (as defined below), a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. Therefore, the Board shall nominate for election or re-election as director only candidates who agree to tender irrevocable resignations in the form attached hereto as Exhibit A that will be effective upon (a) the failure to receive the required vote at the next annual meeting at which they face re-election in an Uncontested Election and (b) the date that is the earlier of 90 days after the certification of the shareholder vote and the date on which the office held by such director has been filled by the Board. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, irrevocable resignations in the form attached hereto as Exhibit A in accordance with this Section III.H.

For purposes of this Section III.H an “*Uncontested Election*” shall mean an election for directors where none of the Company's stockholders has provided the Company notice of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if the Company's stockholders have withdrawn all such nominations by the tenth day before the Company mails its notice of meeting to the stockholders.

If an incumbent director fails to receive the required vote for re-election, the Nominating and Governance Committee will act on an expedited basis, and in any event within 90 days following certification of the shareholder vote, to determine whether to

appoint a new director, to re-appoint the incumbent director or to allow the directorship to remain vacant and will submit such recommendation for prompt consideration by the Board. If the Board does not act on such recommendation within 90 days following certification of the shareholder vote, the incumbent director's resignation shall be deemed effective on the 90<sup>th</sup> day. The Board expects the director whose resignation has been tendered to abstain from participating in any decision regarding that resignation. The Nominating and Governance Committee and the Board may consider any factors they deem relevant in deciding the appropriate course of action.

Within 90 days following certification of the shareholder vote, the Board shall publicly disclose its decision regarding whether to appoint a new director, to re-appoint the incumbent director or to allow the directorship to remain vacant in a Form 8-K furnished to the Securities and Exchange Commission and as may otherwise be required pursuant to Delaware law in such instance.

#### **I. Director Stock Ownership**

Directors are encouraged to own stock of the Company to align more closely their interest with those of the stockholders in general. Such holdings should be considered long-term investments, and short-term investments in the Company's stock are discouraged. The Company's non-employee directors are expected to hold \$250,000 of shares of the Company's common stock, including: shares beneficially owned by the director or his or her immediate family members residing in the same household, regardless of how such shares were acquired; shares beneficially owned through any business entity controlled by the director; shares held in trust for the benefit of the director or his or her family; and vested and unvested shares of restricted stock granted under the Company's equity incentive plans. Non-employee directors have five years from the date of implementation of the policy or commencement of board service to meet such guideline.

### **IV. FUNCTIONING OF THE BOARD**

#### **A. Board Chair and CEO**

Consistent with the Bylaws, the Chair of the Board is elected by the Board. The Board Chair shall be an independent director and shall have the following responsibilities, in addition to the duties that all directors have: presiding at all meetings of the Board, including executive sessions of the independent directors; serving as a liaison between the CEO and the independent directors; consulting with the CEO regarding the agenda for meetings of the Board and the information sent to the Board; having the authority to call meetings of the Board and/or of the independent directors; and such other duties and responsibilities as the Board may from time to time authorize.

Consistent with the Bylaws, the CEO is elected by the Board. The CEO, under the direction and oversight of the Board, generally manages the business and affairs of the Company. The CEO ensures the directives and policies adopted by the Board are carried out and fulfills the responsibilities of the office set forth in the Bylaws.

#### **B. Frequency of Board Meetings**

Meetings of the Board are typically held quarterly. Additional meetings will be held as needed and shall be called in accordance with the Bylaws.

**C. Agenda Items for Board Meetings**

Each meeting may include regular items of business as well as special items that may require consideration by the Board. Directors are encouraged to suggest additional topics for inclusion on the agenda.

**D. Board Materials Distributed in Advance**

In advance of each meeting, information important to the Board's understanding of issues scheduled for discussion at the ensuing Board meeting are distributed in writing to the Board. Those responsible for preparing such information shall see that this material provides the information necessary to ensure an informed judgment can be reached. In the event of a pressing need for the Board or committee to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

**E. Attendance at Board and Committee Meetings**

Each of our directors is expected to make every reasonable effort to participate in all meetings of the Board. Appropriate officers of the Company may be invited by the Board, Board Chair, Committee Chairs or CEO to attend the general session of the regular meetings of the Board. The Board encourages management to bring managers into Board and committee meetings from time to time who: (a) can provide additional insight on items being discussed, or (b) have potential for additional leadership responsibilities.

Proxy materials of the Company prepared in connection with the Annual Meeting of the stockholders must provide certain disclosures related to Board and Board Committee meeting attendance as required by the rules of the U.S. Securities and Exchange Commission.

**F. Sessions of Non-Management and Independent Directors**

The Board Chair shall lead regularly scheduled meetings and meetings as required of non-management directors. Absent exigent circumstances, the agenda for regularly scheduled Board meetings will include a meeting of "independent directors," as required by Marketplace Rule 4350(c)(2) of the NASDAQ Stock Market, in executive session.

**G. Matters for Board Consideration**

In addition to matters requiring specific approval, the Board receives and considers regular reports regarding the long-term strategy, business operations, financial condition and other affairs of the Company and provides advice and counsel to management regarding such topics. Periodically, the Board establishes standards for transactions and commitments that require Board approval. Examples of this include the annual operating plan for the Company and certain significant transactions not in the ordinary course of business or any matter requiring approval under the Company's Certificate of Incorporation or Bylaws. The respective committee charters also specify

certain matters requiring review and approval by the committees.

**H. Board Access to Management**

Board members have complete access to management and all information regarding the business or the affairs of the Company. Board members will use judgment to assure this contact is not distracting to the business operation of the Company, and that such contact, if in writing, be copied to the CEO and the Board Chair.

**I. Evaluation of the CEO**

The Board will evaluate the performance and effectiveness of the CEO annually, based on objective criteria, which includes performance of the business, accomplishment of long-term strategic objectives, and management development.

**J. Succession Planning; Management Development; Human Resource Strategy**

The CEO will periodically report to the Board regarding succession planning, senior executive evaluation and development and the Company's human resource strategy.

The Board shall adopt a policy or procedure designed to ensure the stability and accountability of the Company in the event of the departure of the CEO. Pursuant to such policy or procedure, among other things, the Board shall appoint an interim CEO in an effort to ensure that the organization operates with minimal disruption and that the Company continues to operate in an effective manner.

**K. Annual Meeting Attendance**

Directors are expected to attend the Company's annual meeting of stockholders.

**L. Board Communication with Stakeholders**

The Board believes that management should speak on behalf of the Company to parties such as investors, media, customers, suppliers, employees and other constituents. From time to time, individual directors may be requested by management to meet or otherwise communicate with various constituencies involved with the Company. In addition, the Board and its committees shall issue reports directly to the Company's stockholders, as the Board deems appropriate or as required by applicable law or regulation. Examples of this include annual reports of the Compensation Committee of the Board (the "*Compensation Committee*") and Audit Committee of the Board (the "*Audit Committee*") in connection with the Company's annual proxy statement.

**M. Code of Conduct and Ethics**

The Company has adopted a Code of Conduct and Ethics, which makes clear its standards of high integrity and ethical behavior as well as the requirement of compliance with all applicable laws in the conduct of the Company's business. In addition, this code is consistent with the requirements of the Sarbanes-Oxley Act and within the meaning of the applicable rules of the NASDAQ Stock Market or other exchange on which the Company's securities are listed. The Board expects directors, as well as the Company's

officers and employees, to act ethically at all times, to adhere to the Code of Conduct and Ethics, and to disclose any conflicts of interest to the appropriate officer or committee.

**N. Confidentiality**

The Board believes that maintaining confidentiality of information and deliberations is an imperative.

**V. COMMITTEES OF THE BOARD**

**A. Number of Committees**

The standing committees of the Board are the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Each committee will consist of at least three directors, all of whom shall be independent directors. The Board has adopted charters for each of the three committees listed above, which are available on the Company's website at [www.diamondfoods.com](http://www.diamondfoods.com) in the "Investors--Corporate Governance" section. Any new standing committee that may be formed will have a charter recommended by that committee and ultimately approved by the Board. Finally, the Board may establish other committees, as it deems appropriate from time to time.

**B. Committee Membership**

The Board will appoint all members and the chair of its various committees.

**C. Committee Meetings**

Committee Chairs, in consultation with management and other committee members, will determine the frequency and length of any additional meetings of each committee.

The regularly scheduled meeting dates will be published annually in advance of each fiscal year. To the extent practicable, the committees will meet at a time corresponding to regular meetings of the full Board, so as to accommodate to the extent feasible or practicable the travel and other schedule requirements of directors.

Committee Chairs shall provide a report to the full Board of the activities and decisions and recommendations of the committee.

**D. Agenda**

The Chair of each committee, in consultation with members of management and staff, will develop the committee's agenda. Individual committee members are also encouraged to suggest additional topics for inclusion on the agenda.

**VI. INDEPENDENT ADVISORS**

**A. Professional Consultants**

The Board and the committees of the Board are each authorized to retain

independent attorneys, consultants or other independent persons to provide advice and assistance as the Board or any committee of the Board deems appropriate. Management may recommend various professional consultants to assist the Board in their selection.

**B. Independent Registered Public Accounting Firm**

The Board, upon recommendation from the Audit Committee, shall nominate the Company's Independent Registered Public Accounting Firm to the stockholders for approval at each annual meeting of stockholders.

**C. Management Support of the Board**

Management of the Company will also assist the Board and the committees of the Board with their functions by providing information, recommendations or other support as needed or requested.

**VII. INTERPRETATION**

In the event of any conflict between the Company's Certificate of Incorporation or Bylaws and these guidelines, the Certificate of Incorporation or Bylaws shall govern.

**Exhibit A**

**Form Resignation Letter**

[Date]

Diamond Foods, Inc.  
600 Montgomery Street  
San Francisco, California 94111  
Attention: Secretary of the Corporation

Re: Resignation

Dear Secretary:

In accordance with the Corporate Governance Guidelines of Diamond Foods, Inc. (the “*Corporation*”) regarding majority voting in director elections, I hereby tender my resignation as a director of the Corporation’s Board of Directors (the “*Board*”), provided that this resignation shall be effective only in the event that I fail to receive a sufficient number of votes for re-election as set forth in the Corporation’s Bylaws and Corporate Governance Guidelines (the “*Required Vote*”) at the next meeting of the stockholders of the Corporation at which my seat on the Board will be subject to election (the “*Applicable Annual Meeting*”). In the event that I do not receive the Required Vote at the Applicable Annual Meeting, this resignation shall be effective on the date that is the earlier of 90 days after the certification of the shareholder vote and the date on which my seat on the Board has been filled by the Board, in accordance with the Corporation’s Corporate Governance Guidelines.

If I am re-elected at the Applicable Annual Meeting by the Required Vote, this resignation will be deemed withdrawn upon my re-election. This resignation may not be withdrawn by me at any time other than as set forth in this paragraph.

Very truly yours,

---

Director