

Governance Guidelines

Introduction

The Company's Board of Directors has adopted and published the following set of guidelines to provide its shareholders and others with insight into its corporate governance practices. These guidelines have been established in conjunction with, and are subject to, the requirements of applicable state and federal law, the listing standards of the New York Stock Exchange and the Company's certificate of incorporation and bylaws. The Company is committed to maintaining high standards of corporate governance, and these guidelines will be reviewed annually and revised by the Board from time to time as circumstances warrant.

Board Composition and Director Qualification Standards

1. **Size of Board.** The Company's bylaws provide that the Board shall consist of not less than six nor more than fifteen directors, with the exact number within that range to be set from time to time by the Board. It is the sense of the Board that a size of seven to ten directors is appropriate for the Company at this time.

2. **Board Independence.** The Company's bylaws provide that a substantial majority of the members of the Board of Directors shall be independent. A director is independent only if the director is a non-management director and the director has no direct or indirect material relationship to the Company. To be independent, a director must also satisfy any other independence requirements under applicable law, regulation or listing standard of the New York Stock Exchange. To assist in determining whether a director is independent, the Board has adopted the standards set forth in [Appendix A](#) to these guidelines. Compliance with these independence standards is reviewed at least annually.

3. **Membership Criteria.** All directors are elected annually for one-year terms. The Nominating and Corporate Governance Committee of the Board is responsible for identifying and recommending to the Board individuals who are qualified to become Board members. The Committee and the Board believe that each director candidate must satisfy certain minimum threshold criteria in order to be considered eligible to serve on the Company's Board. In this regard, a candidate must exhibit very high personal and professional ethics, integrity and values. In addition, a candidate must not have any conflicting interest that would materially impair his or her ability to discharge the fiduciary duties of a director. A candidate must also be committed to the best interests of the Company's shareholders and be able to represent fairly and equally all shareholders without favoring or advancing any particular shareholder or other constituency. Finally, a candidate must be able to devote adequate time to the activities of the Board. Current Board members are also evaluated in light of their past level of service and contribution. These factors, and others, are considered by the Nominating and Corporate Governance Committee and the Board in the context of the Board as a whole and in light of the Board's needs at a particular time.

4. Board Leadership. The Chairman is selected by the Board of Directors as it deems to be in the best interests of the Company from time to time, and may be either a management or a non-management director. If the Chairman of the Board is not an independent director, the Board also will appoint a Lead Independent Director. Currently, the Chairman of the Board is an independent director.

5. Change in Principal Occupation/Business Association. If a director's principal occupation or business association changes substantially during his or her tenure as a director, that director is required to advise the Chairman of the Board and submit in writing an offer to resign. The Chairman will refer the matter to the Nominating and Corporate Governance Committee, which in turn will consider, among other things, whether such change in principal occupation or business association results in an unacceptable conflict of interest with the Company or adversely affects the director's ability to perform his or her duties as a Board member. The Committee will make a recommendation to the Board whether or not to accept the resignation offer. After considering the recommendation of the Committee, the Board will accept or decline to accept the resignation offer. The director who submitted the offer of resignation shall not participate in the Committee's recommendation or the full Board's decision.

6. Service on Other Public Boards. A director may not serve on the boards of more than four other public corporations in addition to the Company's Board of Directors. Directors, however, should consult with the Chairman in advance of accepting an invitation to serve on the board of another public corporation to confirm that service on such other board does not interfere with the director's service on the Company's Board or create an unacceptable conflict of interest. No member of the Company's Audit Committee may serve on the audit committee (or board committee performing similar functions) of more than two other public corporations without the prior approval of the Company's Board of Directors. Regardless of a director's outside activities, a director is always required to be able to devote sufficient time and attention to the Company's business and to the performance of the director's duties as a Board member.

7. Election of Directors. In an uncontested election of directors, any nominee who has a greater number of votes "withheld" from his or her election than votes "for" such election (a "Majority Withheld Vote") shall submit in writing an offer to resign to the Chairman of the Board promptly upon certification of the shareholder vote. The Chairman shall refer the matter to the Nominating and Corporate Governance Committee, which shall consider, among other things, the reasons for the Majority Withheld Vote. The Nominating and Corporate Governance Committee shall recommend to the Board whether or not to accept the resignation offer. After considering the recommendation of the Committee, the Board will determine whether or not to accept the resignation, and if it does not accept the resignation offer, whether any further action is needed to address the reasons for the Majority Withheld Vote. The Board shall disclose publicly its determination and the basis therefore promptly after making its determination. The director who received the Majority Withheld Vote shall not participate in the Committee's recommendation or the full Board's decision.

Responsibilities of the Board of Directors

8. **Oversight Responsibility.** The primary responsibilities of the Board of Directors are to oversee the Company's business and affairs and provide counseling and direction to the management of the Company in the interest and for the benefit of the Company's shareholders. Certain key responsibilities include:

- A. Selecting, evaluating, and approving the compensation of the Chief Executive Officer, and overseeing management to see that they conduct the Company's business in a manner consistent with the standards and practices of the Company and in accordance with any specific plans, instructions or directions of the Board. The Board's annual formal evaluation of the Chief Executive Officer generally includes input from senior management and such other procedures as the Board may specify to provide the Board with adequate familiarity with the actions and performance of the Chief Executive Officer to permit a thorough and appropriate review.
- B. As discussed below, planning for succession with respect to the position of Chief Executive Officer and monitoring and advising on management's succession planning for executive officers and other key positions;
- C. Reviewing, and where appropriate approving, the Company's major financial and business objectives, strategies and transactions;
- D. Overseeing the processes for maintaining the integrity of the Company with regards to its financial statements and other public disclosures, and compliance with law and Company policies;
- E. Overseeing the conduct of the Company's business and assessing the Company's business risks to evaluate whether the business is being properly managed; and
- F. Identifying and nominating qualified candidates to serve on the Board.

The Board of Directors has delegated to the Chief Executive Officer, working with the other senior executives of the Company, the authority and responsibility for managing the business of the Company in a manner consistent with the standards and practices of the Company and applicable laws and regulations, and in accordance with any specific plans, instructions or directions of the Board. The Chief Executive Officer and the other senior executives are responsible for seeking the advice and, in appropriate situations, the approval of the Board of Directors with respect to the important actions to be undertaken by the Company.

9. **Succession Planning.** The Compensation and Management Succession Committee is responsible for oversight of the development and maintenance of succession planning for the Chief Executive Officer, other executive officers, and other key positions, and for making recommendations to the Board of Directors and/or the Chief Executive Officer of candidates to fill these positions. The succession planning process includes consideration of both ordinary course succession, in the event of planned promotions and retirements, and planning for situations where the Chief Executive Officer or another member of senior management unexpectedly becomes unable to

perform the duties of their positions. To assist the Committee and the Board with regard to succession planning, the Chief Executive Officer provides regular assessments of persons considered to be potential successors to the Chief Executive Officer as well as other key senior management positions. In addition, the Committee and the Board may use such other information gathering procedures as they deem appropriate and necessary, including direct access to any employee, the use of 360-degree reviews, and assistance from the Company's Human Resources Department or outside consultants.

10. Access to Employees and Company Sites. In performing its responsibilities, the Board has complete and unfettered access to contact and to meet with any employee of the Company or any of its subsidiaries, and to visit any Company site, worldwide. Board members are encouraged to make arrangements in advance to visit Company sites and meet with local management, and shall receive assistance from the Corporate Secretary, whenever requested, in arranging and facilitating such meetings and site visits. The Board encourages having both management and non-management employees make presentations to the Board of Directors to provide the Board with exposure to the day-to-day workings of the Company from a broad range of perspectives.

11. Access to Independent Auditors and Advisors. In performing their responsibilities, the Board and its committees have full access to the Company's independent auditors as well as the full authority to retain at any time, at the expense of the Company, such outside financial, legal or other advisors, including other independent auditors, as they determine to be appropriate.

Board Compensation

12. Non-Management Directors. Only non-management members of the Board are compensated for their services. Members of the Board that also serve in a management capacity do not receive any additional compensation for their service on the Board. It is the Board's general policy that Board compensation should be a mix of cash and equity-based compensation. Directors are also reimbursed for their travel expenses incurred in connection with their duties, and receive other benefits such as the right to use, and the right to purchase at a discount, the Company's products. The Board periodically reviews the compensation and benefits the directors receive for service on the Board and the committees of the Board. The compensation paid to the Board members is disclosed at least annually in the Company's proxy statement issued in connection with the annual meeting of shareholders.

13. Stock Ownership. In order to promote ownership of the Company's common stock by the Company's non-employee directors and executive officers and thereby more closely align their interests with the interests of the Company's shareholders, the Board of Directors has adopted stock ownership guidelines requiring the Company's non-employee directors and executive officers to hold the Company's common stock in at least the following minimum amounts:

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| Non-employee Directors | 3x Annual Retainer |
| Chief Executive Officer | 3x Base Salary |
| Other Executive Officers | 1x Base Salary |

The minimum share ownership requirements are required to be achieved within five years of an individual first becoming subject to these guidelines. Unless a non-employee director or executive officer is in compliance with these guidelines, he or she is required to retain and hold 50% of any "Net Shares" of common stock issued in connection with any equity-based awards granted under the Company's director or executive compensation plans after such non-employee director or executive officer first becomes subject to these guidelines. "Net Shares" are those shares that remain after shares are sold or withheld (i) to pay the exercise price and withholding taxes in the case of stock options or (ii) to pay withholding taxes in the case of restricted stock, restricted stock units or performance shares.

Committees of the Board of Directors

14. Standing Committees. To assist it in discharging its responsibilities, the Board has appointed three standing committees, namely the (i) Audit Committee, (ii) Compensation and Management Succession Committee, and (iii) Nominating and Corporate Governance Committee. The Audit Committee is responsible for representing the Board in discharging its oversight responsibilities relating to the accounting, reporting and financial practices of the Company and its subsidiaries, including the appointment and oversight of the Company's independent auditors. The Compensation and Management Succession Committee is responsible for overseeing the overall compensation structure and significant policies and programs for the Company. It is also responsible for making recommendations concerning executive succession. The Nominating and Corporate Governance Committee is responsible for identifying and recommending qualified candidates to become Board members; it also has the responsibility for overseeing the Company's corporate governance policies. The Audit Committee, Compensation and Management Succession Committee and Nominating and Corporate Governance Committee are comprised solely of independent directors. In addition, directors who serve on the Audit Committee and the Compensation and Management Succession Committee must meet additional, heightened independence criteria applicable to directors serving on these committees under New York Stock Exchange listing standards. The Board typically appoints the new committees, committee members and chairpersons each year following the election of the new Board of Directors at the annual meeting of shareholders. The Board may also create new committees, or disband existing committees, as the business of the Company shall from time to time require. The current committee charters and members are maintained on the Company's website.

Board Meetings and Materials

15. Meetings. The Board of Directors generally meets at least quarterly at regularly scheduled meetings. In addition to these regularly scheduled meetings, the Board holds

special meetings to address specific issues as circumstances require. The Board committees meet as necessary for the conduct of their business, and generally meet at least quarterly. The directors are generally expected to attend shareholder meetings and meetings of the Board and committees in person and to participate in Board and committee meetings by telephone if they are unable to attend in person. The agendas for Board meetings are set by the Chairman and the Chief Executive Officer, with the input of members of management. The Chair of each committee, with management input, sets the agenda for their respective committee meetings, incorporating such Board agenda items that fall within the scope of the committee's responsibilities. Any member of the Board may suggest an item be included on the agenda for consideration by the full Board or the relevant committee. The chairs of the committees report to the full Board the highlights of their committee meetings. The Board and its committees also take action from time to time by written consent, which has the same effect as if the action had been adopted at a meeting.

16. Materials. Information that is important to the Board's understanding of the business to be conducted at a meeting is distributed to the Board members in advance of the meeting. For regularly scheduled meetings, the information is generally provided at least one week in advance. Directors are expected to devote adequate time to prepare for their participation in the meetings. The Company strives to provide sufficiently detailed information so that meeting time is conserved and discussion time is focused on any questions the Board has about the subject matter or materials. In addition, supplemental materials are provided to the Board from time to time, and also upon the request of the Board. In rare circumstances, highly sensitive matters may be discussed at a meeting without materials having first been distributed in advance to reduce the possibility of inadvertent disclosure of such information.

17. Meetings of Non-Management/Independent Directors. At each regularly scheduled Board meeting, there is also scheduled (i) a session where the non-management directors meet privately without any members of management and (ii) if all non-management directors are not independent, a session where the independent directors meet without any non-independent directors. The Chairman of the Board chairs these meetings and generally follows-up on any issues or matters that arise out of such meetings unless the Chairman is not an independent director, in which case the Lead Independent Director performs these duties. The non-management/independent directors also confer informally between meetings and hold other meetings as needed.

18. Director Orientation and Continuing Education. The Chairman of the Board, the Lead Independent Director (if one has been appointed) and the Corporate Secretary are responsible for new director orientation. The orientation is designed to familiarize new directors with the Company's business, strategies and issues and to assist new directors in developing and maintaining the skills necessary for the performance of their Board responsibilities. As part of this orientation, new directors are encouraged to visit the Company's facilities and to meet with employees, including members of senior management, to discuss their respective areas of responsibility. The Chairman of the Board, the Lead Independent Director (if one has been appointed) and the Corporate

Secretary are also responsible for Director Continuing Education programs. These programs may include a mix of in-house and third party presentations and programs. Directors are encouraged to attend such presentations and programs from time to time. The Company reimburses directors for expenses incurred in attending these programs.

Annual Board Assessment

19. Annual Assessment. The Board of Directors and each Board committee on an annual basis conduct, under the direction of the Nominating and Corporate Governance Committee, an annual assessment of the functionality and effectiveness of the Board and the Board committees. As part of this process, the Nominating and Corporate Governance Committee invites input from each director on the performance of the other directors individually. The Committee considers individual director performance at least annually when deciding whether to nominate an incumbent director for re-election.

20. Code of Conduct. Directors must be familiar with and adhere to the Company's Code of Conduct. The Code of Conduct covers the basic standards of conduct applicable to all directors, officers and employees of the Company, as well as the Company's Conflicts of Interest and Ethics Policy and other specific compliance standards and related matters. The Company will promptly disclose on its website any waivers of, or amendments to, any provision of the Code of Conduct that applies to the Company's directors and senior financial and executive officers.

Appendix A

Categorical Independence Standards

Director Independence Standards

An "independent" director is a director whom the Board of Directors has determined has no direct or indirect material relationship to Callaway Golf Company or any of its consolidated subsidiaries (collectively, the "Company").

To assist it in making determinations of director independence, the Board has determined that each of the relationships below is categorically immaterial and therefore, by itself, does not preclude a director from being independent:

1. the director has an immediate family member who is, or has been within the last three years, employed by the Company other than as an executive officer;
2. the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, \$100,000 or less in direct compensation from the Company, not including board 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);

3. (3) (A) the director has an immediate family member who is a current employee of the Company's internal or outside auditor, but does not work on the Company's audit; or (B) the director or an immediate family member was, within the last three years, a partner or employee of the Company's internal or outside auditor but no longer works at the firm and did not personally work on the Company's audit while at the firm;
4. (4) the director or an immediate family member is, or has been within the last three years, employed at another company where any of the Company's present executive officers serves or served at the same time on that company's compensation committee, but the director or the director's immediate family member is (or was) not an executive officer of the other company and his or her compensation is not (or was not) determined or reviewed by that company's compensation committee;
5. (5) the director or an immediate family member is a current employee of a company that has made payments to, or received payments from, the Company for property or services in an amount that, in any of the last three fiscal years, was less than \$1 million, or 2% of the other company's consolidated gross revenues, whichever is greater; or
6. (6) the director, or the director's spouse, is an employee of a non-profit organization to which the Company or the Callaway Golf Foundation has made contributions that, in any of the last three fiscal years, were less than \$1 million, or 2% of such organization's consolidated gross revenues, whichever is greater.

An "immediate family" member includes a director's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the director's home.