

# **RUSS BERRIE AND COMPANY, INC. CORPORATE GOVERNANCE GUIDELINES**

## **1. Director Qualifications**

The Board will have a majority of directors who meet the criteria for independence required by the New York Stock Exchange. The Nominating/Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' qualifications as independent, as well as consideration of the skills and experience of candidates in the context of the needs of the Board. Nominees for directorship will be recommended to the Board by the Nominating/Governance Committee in accordance with the policies and principles in its charter and criteria approved by the Board.

The Board does not feel that it is appropriate to limit the number of public company boards on which a director may serve. The Board does not believe it should establish term limits.

## **2. Director Responsibilities**

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting will generally be distributed in writing to the directors before the meeting, and directors should review any such materials in advance of the meeting.

To the extent practicable, the Chairman of the Board, or in the event that the Board has no Chairman, the Presiding Director of the Company, together with senior management, if appropriate, will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

To promote open discussion among the non-management directors, the non-management directors will meet in executive session without management participation at least quarterly. The Chairman of the Board shall preside at such meetings unless the Chairman is not a non-management director, or in the event that the Board has no

Chairman, in which case the director who presides at these meetings will be chosen by the non-management directors. The name of the person presiding at any such meeting, or the procedure used to determine such presiding person, will be disclosed in the annual proxy statement.

### **3. Board Committees**

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating/Governance Committee. All of the members of these committees will be independent directors under the criteria established by the New York Stock Exchange and the rules of the Securities and Exchange Commission. Committee members will be appointed by the Board upon recommendation of the Nominating/Governance Committee with consideration of the desires of individual directors.

Each committee will have its own charter. The charters will set forth the purposes and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

The Chairman of each committee, in consultation with the committee members, and management, if appropriate, will develop the committee's agenda, and will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The schedule for each committee will be furnished to all committee members once established.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

### **4. Director Access to Officers, Employees and Advisors**

Directors shall have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Corporate Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.

The Board will request the regular attendance at each Board meeting of senior officers of the Company as it deems appropriate.

The Board and its Committees each has full authority to retain such financial, legal or other advisors or consultants as it deems necessary or appropriate at the Company's expense.

## **5. Director Compensation**

The form and amount of director compensation will be determined by the Board upon recommendation by the Compensation Committee in accordance with the policies and principles set forth in its charter, and the Compensation Committee will conduct an annual review of director compensation. The Board will be aware that the directors' independence may be compromised if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting arrangements with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated. The Board will critically evaluate each of these matters when determining the form and amount of director compensation, and the independence of a director.

## **6. Director Orientation and Continuing Education**

New directors will attend presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. New directors are encouraged to visit Company headquarters and, to the extent practical, certain of the Company's significant facilities. In addition, the Company encourages the participation of all directors in continuing education programs with respect to their roles as directors, and shall reimburse any director for all reasonable costs incurred in connection therewith.

## **7. CEO Evaluation and Management Succession**

The Compensation Committee will conduct an annual review of CEO's performance, in accordance with the provisions of its charter. The Board of Directors will be provided with a copy of such review.

The Nominating/Governance Committee should make an annual report to the Board on succession planning in the event of an emergency involving, or the retirement of, the CEO. The entire Board will work with the Nominating/Governance Committee to nominate and evaluate potential successors to the CEO should such events arise.

## **8. Annual Performance Evaluation**

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating/Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.