

## **Saks Incorporated**

### **Corporate Governance Guidelines**

*Amended as of September 13, 2012*

#### **General**

1. The Board of Directors of Saks Incorporated has adopted these Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of its responsibilities and to serve best the interests of the Company and its shareholders.
2. These Guidelines are reviewed by the Board at least annually and are subject to modification from time to time by the Board as it considers appropriate to the best interests of the Company or as required by applicable laws and regulations. These Guidelines should be interpreted in the context of all applicable laws and the Company's Charter, Bylaws, and other corporate governance documents. The Guidelines 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.
3. The Board believes in a governing style that emphasizes strategic leadership, outward vision, focus on the future, proactivity, respect for diversity in perspective, governance by consensus, a constructive partnership with management, and ethical conduct with respect to the Board's responsibilities and the Company's business.

#### **Role of the Board of Directors**

1. The Board is legally responsible for the management of the Company's business and its affairs in order to protect and enhance the assets of the Company in the interest of all shareholders. The Board approves the goals of the business, the objectives and policies within which it is managed, and then evaluates management performance. The Board of Directors will review the Company's operating and strategic plans on at least an annual basis. The Board also assesses the major risks facing the Company and reviews plans for their mitigation.
2. The Board oversees management of the business through the Chief Executive Officer, who is charged with the day-to-day management of the Company, and with the development and implementation of its business strategy. The Board selects and evaluates the Chief Executive Officer, and oversees Chief Executive Officer succession planning.
3. Directors should be committed to the Company, as evidenced by regular Board and committee attendance, preparation for and active participation in meetings, and attention to the interests of the shareholders.

4. Each director shall discharge all duties as a director, including duties as a member of a committee, in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director reasonably believes to be in the best interests of the corporation, and otherwise in compliance with applicable law and rules.

### **Board Composition and Attendance**

1. The Directors must possess an understanding of the Company's strategies and business, act in the Company's best interests, engage in ethical behavior with respect to Board responsibilities and the Company's business, comply with all laws and regulations applicable to the Board and the Company, and demonstrate loyalty and pride in the Company and its reputation.
2. Although Tennessee law provides that directors are elected by a plurality of the votes cast at a shareholder meeting, the Board believes it is in the best interest of the Company and its shareholders that, in uncontested elections, directors receive more votes cast for than against his or her election in order to be elected to the Board. Accordingly, if no shareholder provides the Company notice, in accordance with the Company's Bylaws, of an intention to nominate one or more candidates to compete with the Board nominees in an election of directors, or if the shareholder(s) have withdrawn all such nominations on or before the tenth (10<sup>th</sup>) day prior to date on which the Company mails the notice of shareholders' meeting to the Company's shareholders, any nominee, in order to be elected or re-elected to the Board, must receive more votes cast for than against his or her election or re-election (the "Required Vote"). "Votes cast" include votes for or against (withheld from) each nominee but exclude abstentions and broker non-votes.

The Board's policy shall be to nominate for election or re-election as members of the Board only candidates who have executed the form of resignation letter attached as Exhibit A (a "Resignation Letter") to these Corporate Governance Guidelines. In addition, the Board's policy shall be to fill vacancies on the Board (including those created by an expansion in the size of the Board) only with persons who execute a Resignation Letter.

If an incumbent director fails to receive the Required Vote for re-election, the Corporate Governance Committee will act on an expedited basis on that director's Resignation Letter to determine whether to recommend that the director's resignation be accepted and will submit such recommendation for consideration by the Board. The Board shall act promptly on the tendered resignation, taking into account the Corporate Governance Committee's recommendation, and shall endeavor to publicly disclose its decision within ninety (90) days from the date of certification of the election results. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Board also recommends that any management director abstain from any decision regarding the resignation of any independent director. The Corporate Governance

Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation.

To the extent that one or more directors' resignations are accepted by the Board, or if a nominee who is not an incumbent director is not elected, then the Board in its discretion may determine either to fill such vacancy or vacancies or to reduce the size of the Board.

In contested elections, in which there are more nominees than positions then open for election on the Board, directors shall be elected by a plurality vote. This means that the positions on the Board being filled will be filled by those persons who receive the most Votes cast.

3. The Board's policy is that the same person may hold the positions of Chairman of the Board and Chief Executive Officer. If the positions of Chairman of the Board and Chief Executive Officer are held by the same person, an independent Lead Director shall be appointed by the Board. If the positions of Chairman of the Board and Chief Executive Officer are held by different persons, the Chairman of the Board shall be appointed the independent Lead Director. The Lead Director shall chair the executive sessions of the independent directors and perform such other duties and responsibilities as maybe assigned from time to time by the full Board, and in the absence of the Lead Director, as otherwise determined by the Board.
4. A significant majority of the Board should be composed of Independent Directors as that term is defined in the rules of the New York Stock Exchange or other appropriate authority as determined by the Board.
5. In accordance with the Company's Charter, Directors are elected for one-year terms at the annual meeting of shareholders.
6. Term limits for Directors are not appropriate for the Board. The Company operates in a complex and diverse competitive environment. Experienced Directors often have a better understanding of the Company and its operations. Imposing term limits could reduce the overall level of experience of Directors and the Board's overall effectiveness. The Board includes individuals from diverse backgrounds with unique experiences who, without mandatory term limits, bring new ideas and fresh approaches to their duties as Directors. Directors clearly understand they are not guaranteed a position until retirement. Directors stand for election only after being nominated by the Board. If nominated, they must be elected by the shareholders. Upon completion of their term, to serve another term they must be re-nominated and stand for election again.
7. No Director will be nominated by the Board to stand for election or re-election after reaching age 72, although the Board may determine, in special circumstances, that this policy should not apply with respect to any particular director.

8. The Company's Bylaws establish a range of one to eighteen for the number of Directors. The preferred size of the Board is between ten and thirteen Directors. This size allows diversity of contribution while promoting timely action on critical and time-sensitive issues.
9. The Board expects that all Directors will devote sufficient time to the full performance of their Board duties and responsibilities, including attending all Board meetings and all meetings of committees on which the Director serves. Any Director who attends less than 75% of Board and committee meetings in a fiscal year will provide an explanation to the Chair of the Corporate Governance Committee immediately following the fiscal year end. A candidate accepting nomination to the Board is assumed to understand his or her obligation under these Guidelines and acknowledges that adherence to these Guidelines will be taken into consideration when the Corporate Governance Committee nominates candidates for election to the Board, and an excessive number of absences, excused or non-excused, may be grounds for not re-nominating an incumbent director.
10. The Company's Bylaws require that Directors who are also officers of the Company to submit a letter of resignation as such to the Board of Directors upon any termination of employment as an officer of the Corporation and that Directors who are not officers of the Company must submit a letter of resignation from the Board upon any change in the Director's principal business or other activity in which the Director was engaged at the time of the Director's most recent election to the Board. The Board's Corporate Governance Committee will review the letter of resignation and make a recommendation, based on all of the relevant facts and circumstances (including the needs of the Board), as to whether the Board should accept the Director's resignation.
11. Each Board member is expected to be mindful of the number of other boards or governing bodies on which he or she serves and of his or her other existing and planned future commitments, so that such other directorships and commitments do not materially interfere with his or her service as an effective and active member of the Company's Board nor negatively affect the Company's reputation. In particular, Directors should not be members of boards of directors or executive officers of, or consultants or advisors to, companies that compete with the Company or whose interests conflict with those of the Company. Prior to accepting an invitation to be nominated, appointed or serve on the board (or equivalent governing body) of any public or for profit private company, Board members must advise and obtain the consent of the Chairperson of the Corporate Governance Committee.

### **Board Selection; Orientation and Continuing Education**

1. The Corporate Governance Committee is responsible for screening and recommending new Director candidates. The Board will discuss each candidate before deciding to nominate the candidate for election to the Board by the shareholders or to elect the candidate to the Board to fill a vacancy.
2. Board candidates (a) must possess personal and business integrity, accountability, informed judgment, business literacy, and high performance standards and (b) be able to contribute knowledge, experience, and skills in at least one of the following core competencies: accounting and finance, management, marketing, industry knowledge, leadership, or strategy.
3. The Corporate Governance Committee will review with the Board on an annual basis the appropriate skills and characteristics required of Board members.
4. The Company shall provide new directors with a suitable orientation program to familiarize them with the Company's operating businesses and to introduce senior management and primary outside advisors and auditors. The Corporate Governance Committee shall consider what continuing education programs may be appropriate for members of the Board. The Company also provides internal training programs and presentations by outside advisors from time to time to address financial reporting, accounting, regulatory or legal developments.

### **Board Meetings; Access to Management and Advisors**

1. Board meetings will be regularly scheduled and well planned. Whenever feasible, Directors will receive materials related to items to be acted upon in advance of meetings. Directors are expected to review these materials prior to the meetings and come to the meetings fully prepared to discuss all issues on meeting agendas.
2. Meetings should be scheduled and be of such length to allow sufficient time for in-depth discussion of operating, strategic, and corporate governance matters.
3. The Board meeting format should allow Directors to interact with Company management, as appropriate. Non-Board members who are key members of senior management should be regularly invited to Board meetings, as appropriate and as determined by the Board from time to time. Board members shall have complete access to Company management throughout the year.
4. Each regularly scheduled Board meeting shall include an executive session without management or inside directors present. When the non-employee directors meet without the Chairman of the Board and the Chief Executive Officer, the Lead Director will preside, and in the Lead Director's absence, as otherwise determined by the Board.

5. The Chairman of the Board sets the agenda for all Board meetings following consultation with all Board members. Board members are encouraged to suggest to the Chairman agenda items and topics to be covered at the Board meetings. The Chairman shall regularly solicit from the members of the Board recommendations as to matters to be brought before the Board and shall ensure that such matters receive appropriate consideration.
6. The Board should create and maintain an atmosphere that encourages frank and collegial discussions among Board members and between Board members and management.
7. The Board should be kept informed on a timely basis of developments relating to the Company through memoranda from the Chief Executive Officer and other officers, as well as through receipt of timely copies of financial information, press releases, analysts' research reports, media coverage, and other relevant data.
8. The Board and each of its committees will have access, at the Company's expense, to outside accounting, legal, corporate governance, and other advisors as and when the Board or committee members determine that retention of or consultation with such advisors is advisable.

### **Board Committees**

1. The Board may establish and seek the advice of, and delegate responsibilities to, committees of the Board. The Board generally will appoint committee members upon the recommendation of the Corporate Governance Committee.
2. The Board has established the following Committees, which shall have the responsibilities set forth in their respective Charters: Audit, Finance, Human Resources and Compensation, and Corporate Governance. The Board has also established an Executive Committee. The Executive Committee is to execute responsibilities specifically delegated by action of the Board.
3. In compliance with currently applicable rules of the New York Stock Exchange and the Company's policies concerning director independence, all members of the Audit Committee, Human Resources and Compensation Committee, and the Corporate Governance Committee (which is the Company's Nominating Committee) must be independent.
4. Each Independent Director must serve on at least one Board Committee. Committee memberships will be reviewed annually by the Board with the recommendation of the Corporate Governance Committee and assignments may be changed from time to time.

5. The Corporate Governance Committee, with each other of the Board's committees, will review each committee charter annually to ensure that the charter remains relevant and complies with all applicable law and rules.

### **Performance Evaluation and Succession Planning**

1. The Human Resources and Compensation Committee will evaluate the performance of the Chairman of the Board and the Chief Executive Officer annually. The Human Resources and Compensation Committee will present a report to the Independent Directors of the Board regarding its evaluations.
2. The Corporate Governance Committee will lead the Board in an annual assessment of the effectiveness of the Board and each Committee of the Board and a biennial assessment of the effectiveness of individual directors.
3. Succession planning and management development will be a major priority of the Board working with the Chief Executive Officer, who will report annually to the Board on succession planning and management development for the senior executive team.

### **Stock Ownership and Board Compensation**

1. Senior executives of the Company are strongly encouraged to hold a personally meaningful equity interest in the Company through means including (but not limited to) direct stock purchases, participation in the Company's Employee Stock Ownership and 401(k) Plans, and exercise and retention of stock options. This stock ownership aligns the interests of management and shareholders. The Board of Directors will from time to time establish definitive stock-ownership guidelines for senior executives.
2. Non-employee Directors are expected to hold outright (that is, excluding options) a personally significant amount of the Company's common stock, with a minimum ownership of at least five (5) times such Director's annual cash retainer, to be achieved within a reasonable period of time. Until the ownership requirement is satisfied, non-employee Directors are required to hold 75% of the vested shares from their annual equity grant. Phantom shares deferred under the Company's Deferred Compensation Plan for Non-Employee Directors ("Deferred Compensation Plan") count toward the total requirement. This required ownership aligns the interests of Directors and shareholders.
3. Directors will receive their Board retainers and meeting fees in cash, which may be deferred in accordance with the Company's Deferred Compensation Plan.
4. The Human Resources and Compensation Committee of the Board is responsible for evaluating and recommending Board compensation to the full Board. Compensation

for non-employee directors should be competitive and will be benchmarked with peer companies routinely to assist in the determination of an appropriate fee structure.

5. Incentive compensation plans for senior executive officers will link pay directly and objectively to measured operating and strategic goals approved by the Human Resources and Compensation Committee.

### **Code of Conduct and Conflicts of Interest**

1. The Company has issued a Code of Business Conduct and Ethics and related conflict of interest policies designed to ensure full and accurate public disclosure with respect to its financial affairs, to avoid inappropriate conflicts of interest and to require Company approval of unavoidable conflicts, when lawful and otherwise appropriate.
2. The Board will review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company), and only those directors who the Board affirmatively determines have no material relationship with the Company will be considered independent. The Company will disclose these determinations with respect to independence in its annual Securities and Exchange Commission filings.

**Exhibit A**  
**to**  
**Saks Incorporated Corporate Governance Guidelines**

**Form Resignation**

[Date]

Attention: Chairperson of the Board of Directors

Dear \_\_\_\_\_:

In accordance with the Corporate Governance Guidelines and the Policy on Majority Voting (the “Policy”) for Directors of Saks Incorporated (the “Company”), I hereby tender my resignation as a member of the Board of Directors (the “Board”) of the Company, provided that this resignation shall be effective only in the event that:

- (i) I fail to receive that number of votes required by the Policy (the “Required Vote”) at the next meeting of the shareholders of the Company at which my position on the Board will be subject to election (the “Applicable Annual Meeting”) and
- (ii) the Board accepts this resignation.

If I receive the Required Vote at the Applicable Annual Meeting, this resignation will be deemed withdrawn upon my re-election. However, if I do not receive the Required Vote, this resignation will be deemed withdrawn if and when the Board decides not to accept this resignation in accordance with the Policy. This resignation may not be withdrawn by me at any time other than as set forth in this paragraph.

Very truly yours,

\_\_\_\_\_  
Director