

ZALE CORPORATION
CORPORATE GOVERNANCE GUIDELINES
(As of February 2013)

To provide guidance to the Nominating and Corporate Governance Committee and the Board of Directors with regard to matters of corporate governance, the Board has adopted the following principles:

Responsibility of the Board

1. ***Mission.*** The primary mission of the Board is to advance the interests of the Company's stockholders by creating a valuable long-term business. The Board believes that this mission is best served by establishing a corporate culture of accountability, responsibility and ethical behavior through the careful selection and evaluation of senior management and members of the Board and by carrying out the Board's responsibilities with honesty and integrity.

2. ***Commitment.*** In discharging their obligations, directors should be entitled to rely on the honesty and integrity of the Company's senior management and its outside advisers and auditors. Board members are expected to devote the time necessary to appropriately discharge their responsibilities and to rigorously prepare for and, to the extent possible, attend in person and participate in all Board meetings and meetings of Board committees on which they serve. Each Board member is expected to ensure that other commitments do not materially interfere with the member's service as a director.

Nominating and Related Responsibilities

1. ***Recommendations.*** The Nominating and Corporate Governance Committee shall recommend candidates for election to the Board in accordance with the policies and principles in its Charter and the criteria described herein.

2. ***Candidates Proposed by Stockholders.*** The Committee will consider for nomination candidates proposed by stockholders, provided that they are made in accordance with any procedures that the Committee may establish and the relevant provisions, if any, of the Company's Bylaws.

3. ***Qualification.*** In evaluating potential new directors, the Committee shall consider the requirements of independence and expertise under the New York Stock Exchange rules, the qualification requirements that the Board has established for directors that are set forth below and in the Committee's Charter and such other criteria the Committee or Board shall deem relevant in evaluating the potential effectiveness of candidates as members of the Board in light of the particular needs of the Board at such time.

4. ***Invitations.*** Any invitation to join the Board should be extended by the Board through the Chairman of the Board.

5. ***Lead Independent Director.*** To promote the independent operation of the Board, at any time the Chairman of the Board is not independent, the Board also shall designate

a lead independent director to lead meetings of the independent directors and to perform such other duties as the Board may prescribe.

6. **Size and Composition.** The Committee shall, from time to time, as the Committee deems appropriate, evaluate the size and composition of the Board in light of operating requirements of the Company, including consideration of appropriate areas of expertise to be represented on the Board. Collectively, the Board should have knowledge and expertise in areas such as general management, finance, accounting, marketing, brand management, the jewelry industry, public policy, operations, strategic planning, and technology, and in other areas that the Board determines are desirable and helpful to fulfilling its role. Diversity in gender, race and background of directors, consistent with the Board's requirements for knowledge and experience, are desirable in the mix of the Board.

7. **Orientation and Continuing Education.** The Company shall establish an orientation program for new directors that includes presentations by senior management. All directors also will be invited to participate in the orientation program. Periodically, the Company will provide opportunities for directors to visit the Company's facilities in order to provide greater understanding of the Company's business and operations. The Company also will provide, or will provide directors the opportunity to attend, appropriate continuing education programs.

8. **Service on Other Boards.** No director should serve on more than four other boards of directors of companies with equity securities registered under the Securities Exchange Act of 1934 without the approval of the Board. The Chief Executive Officer may not serve as a director or official of the board of directors of a for-profit company without the prior approval of the Chairman. Other officers and employees may not serve as a director or official of the board of directors of a for-profit company without the prior approval of the Chief Executive Officer.

9. **Stock Ownership.** Directors should share in the ownership of the Company in order to fully align their interests with those of the Company's stockholders. It is not a requirement that a candidate, in order to be extended an invitation to join the Board, hold Zale common stock. However, in assessing whether to re-nominate an incumbent director, the Committee shall consider the level of the director's holdings of Zale common stock. Generally, subject to unusual personal circumstances, a director is required, within 5 years following his or her first election to the Board (or if later the effective date of these guidelines), to hold shares of Zale Common stock at least equal to three times the annual retainer fee paid to the director and shall maintain not less than such level of stock ownership while serving as a director of the Company. Additionally, other than for the purpose of paying taxes on equity interests that vest under the Company's benefit plans, directors should not dispose of any shares of Zale common stock until the foregoing stock ownership level is achieved.

10. **Changes in Professional Responsibilities.** The Board should consider whether a change in an individual's professional responsibility directly or indirectly impacts that person's ability to fulfill his or her obligations as a director of the Company.

11. **Term Limits.** The Board establishes the following term limit guidelines: (a) no director shall serve on the Board for a period in excess of 12 years; (b) no director shall serve in the position of Non-Executive Chair for more than five consecutive terms of one year each; and (c) no director shall serve as the Chair of the same Committee for a period in excess of two consecutive three year terms. The Board considers the foregoing term limit guidelines as

waivable if and when the circumstances dictate, as determined in the sole discretion of the Board.

Director Compensation and Performance

1. ***Compensation Policy and Compensation Review.*** It is the policy of the Board to provide directors with a mix of compensation, including a periodic cash retainer, meeting attendance fees and annual equity grants based on continued service on the Board and Company performance. Proposed changes in Board compensation shall initially be reviewed by the Compensation Committee, but any changes in the compensation of directors shall require the approval of the Board. In considering its compensation, the Board shall be cognizant that compensation and emoluments beyond what are customary could influence, or could be perceived as influencing, independence. The Compensation Committee shall periodically review the status of Board compensation. The Compensation Committee shall discuss its review with the Board.

2. ***Annual Performance Review.*** At least annually, the Nominating and Corporate Governance Committee shall evaluate and report to the Board the performance of the Board and the Company's management against these guidelines. In addition, from time-to-time as appropriate, the Chairman, in conjunction with the lead independent director, if any, will initiate a Board evaluation process designed to assess the adequacy and quality of the information and recommendations presented by Board committees to the Board, the manner in which such matters were discussed and debated, and the adequacy of the number and length of meetings of the Board and the committees in light of their responsibilities.

3. ***Transactions with Directors or Their Affiliates.*** The Company does not engage in transactions with directors or their affiliates if a transaction would cast into doubt the independence of a director, would present the appearance of a conflict of interest or is otherwise prohibited by law, rule or regulation. This prohibition includes significant business dealings with directors or their affiliates, and consulting contracts with, or other indirect forms of compensation to, a director. Any waiver of this policy may be made only by the Board or a Board committee and must be immediately disclosed.

The Board does not believe that charitable contributions to organizations with which a director is affiliated raise the same governance issues and concerns as non-charitable transactions so long as such charitable contributions are (1) in an amount not exceeding \$25,000 per year, (2) made pursuant to a general corporate giving program established by the Company, approved by the Board and administered by disinterested officers appointed by the Board, or (3) pursuant to non-program contributions the facts of which are disclosed to the Board and approval of which is granted by the Board in accordance with the provisions of the General Corporation Law of the State of Delaware governing "interested director" transactions (currently, Section 144 thereof) as if such contributions were required to be so approved by the terms of the General Corporation Law of the State of Delaware.

Board Meetings

1. ***Schedule.*** Board meetings are scheduled in advance and held not less than quarterly. The Board will hold special meetings as required. The Nominating and Corporate Governance Committee shall work with the Chairman, the lead independent director, if any, the Chief Executive Officer and the Secretary to schedule meetings appropriately.

2. ***Distribution of Board Material.*** Information that is important to the Board's understanding of the Company's business should be distributed to the directors a reasonable period of time before the Board meeting.

3. ***Meetings of Non-Management Directors.*** The non-management directors shall meet at regularly scheduled executive sessions without management. In addition, at least once each year the non-management directors who are independent shall meet without those who are not independent. Meetings of the non-management directors should generally coincide with regularly scheduled Board meetings; however, a majority of the non-management directors may call a meeting of the non-management directors at any time. If present, the Chairman, and otherwise the lead independent director, if any, shall preside at meetings of the non-management directors. Otherwise, at each meeting of non-management directors one non-management director shall serve as the presiding director and shall supervise the conduct thereof, with this responsibility rotating among the non-management directors on an alphabetical basis. The presiding non-management director shall communicate the results of each such meeting to the Chief Executive Officer and the Board, as appropriate.

4. ***Board Presentations and Access to Employees and Advisers.*** Directors shall have full access to officers and employees of the Company and, as necessary and appropriate, the Company's independent advisers, including legal counsel and independent accountants. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer, the Secretary or, if appropriate, directly by the director. Each director will use his or her judgment to ensure that any such contact is not disruptive to the business operations of the Company.

The Board encourages the Chief Executive Officer and other executive officers to invite to Board meetings officers, other key employees and independent advisers whom can provide additional insight into the items being discussed or whom the Chief Executive Officer or other executive officers believe should be given exposure to the Board.

5. ***Board Interaction with Investors, Media and Others.*** The Board believes that senior management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do so with the knowledge of executive officers and, in most instances, at the request of executive officers.

6. ***Communications from Shareholders and other interested parties.*** The Board believes that it is appropriate for shareholders and other interested parties to be able to communicate with the Board in a timely and effective manner. To that end, communications addressed to the Board, either directly or in care of the Company's Secretary, shall be forwarded to the appropriate committee or the appropriate director or, where the Secretary deems it appropriate, the entire Board. If deemed appropriate, the Board or a committee may establish procedures with regard to which communications should be forwarded to it, it being the Board's view that routine consumer complaints and similar items are best handled by management without Board involvement.

Management Evaluation and Succession

1. **General.** The Board's organization and structure should provide an appropriate balance between the powers of the Chief Executive Officer and those of the independent directors, enable the Board to carry out its oversight function, and give the independent directors, in particular, the powers they require to perform their oversight roles.

2. **Chief Executive Officer Selection.** The Board shall select a Chief Executive Officer in a manner that is in the best interests of the Company.

3. **Evaluation of Executive Officers.** The Compensation Committee shall conduct an annual review of the performance of the Chief Executive Officer in light of the goals and objectives of the Company and these guidelines and shall determine the Chief Executive Officer's compensation level based on such review. The Compensation Committee shall also review and approve the compensation level of the other officers and key employees of the Company based on such factors as it deems appropriate.

4. **Succession Planning and Management Development.** The Board shall determine the Company's succession plan, which at a minimum shall include appropriate contingencies in case the Chief Executive Officer retires or is incapacitated. The Board, either directly or through the Nominating and Corporate Governance Committee, will evaluate potential successors to the Chief Executive Officer. The Chief Executive Officer shall at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals. The Chairman of the Board and the lead independent director, if any, shall provide guidance and leadership in this critical area.

Responding To Third Party Offers

1. **No Greenmail.** The Board will not agree to "greenmail." In general, the Company will require that all common stockholders be treated equally in connection with any transaction affecting the rights of common stockholders. The Board will protect its stockholders from any abusive takeover attempts.

2. **Unsolicited Offers.** The Company shall bring to the attention of the Board any unqualified written offers for the Company received from financially capable offerors. In the event that the Company receives unsolicited expressions of interest that do not meet this standard, it shall bring them to the attention of the Chairman (or if the Chairman is also the Chief Executive Officer, to the lead independent director), who shall be responsible for determining whether it is appropriate to bring them to the attention of the Board.

Stockholder Rights

1. **Evaluation.** The Nominating and Corporate Governance Committee shall evaluate each stockholder proposal submitted for inclusion in the Company's proxy materials to determine whether the proposal is eligible for inclusion under the Company's Bylaws, Delaware law and the Securities Exchange Commission's proxy rules and shall recommend to the Board whether the Company should support or oppose the proposal. In evaluating stockholder proposals, the Committee should take into account the extent of the share holdings and the length of time those shares have been held, without precluding proposals made by smaller, individual stockholders. When appropriate, such consideration could include a meeting of the stockholder and representatives of the Committee.

2. ***Response to Approved Proposals.*** Any proposal that is approved by a majority of stockholders at any stockholder meeting and not implemented by the Board will be discussed in the next annual proxy statement of the Company, which will contain an explanation of the Board's reason for not implementing the proposal.