

## **RARE Hospitality International, Inc.**

### **Corporate Governance Policy**

The Board of Directors of RARE Hospitality International, Inc. (the "Company") has adopted principles of governance that provide a structure within which the Company's directors can effectively represent the Company's shareholders in the pursuit of long-term shareholder value. These principles are set forth below.

#### **ROLE OF THE BOARD**

The Company's directors are expected to promote the best interests of the Company's shareholders. This requires effective corporate governance, the exercise of fiduciary duties, compliance with applicable laws and regulations, and the maintenance of accounting, financial and other controls. The Board will (a) provide strategic direction on the Company's business; (b) review and approve major corporate plans and strategies; (c) provide policy advice and guidance to the Company's executives; and (d) participate in the selection, evaluation and replacement of the Chief Executive Officer of the Company.

#### **OPERATION OF THE BOARD**

1. Chairman of the Board and Chief Executive Officer. The Board believes that, under normal circumstances, the Chief Executive Officer of the Company should also serve as the Chairman of the Board. The Chairman of the Board and Chief Executive Officer is responsible to the Board for the overall management and functioning of the Company.
2. Regular Attendance of Non-Directors at Board Meetings. The Chief Financial Officer and the General Counsel will be present during Board meetings, except where there is a specific reason for one or both of them to be excluded. In addition, the Chairman may invite one or more members of Management to be in attendance at Board meetings from time to time as appropriate.
3. Frequency of Board Meetings. The Board meets five times annually, in the months of February, April, July, October, and December. In addition, the Board may hold additional meetings from time to time as necessary.
4. Agenda and Board Materials. The Chairman establishes the agenda for each Board meeting. Each director may suggest the inclusion of additional items on the agenda. Each director may raise at any regular Board meeting subjects for discussion that are not on the meeting's formal agenda. Prior to each meeting of the Board, the

directors receive an agenda for the meeting, along with copies of any available written materials supporting each agenda item. Any written materials not available in advance are provided at the meeting. Management endeavors to provide copies of presentations on specific subjects prior to each meeting in order to allow the Board to focus on issues identified through a review of the presentation materials.

5. Director Attendance. Each director is expected to attend all meetings of the Board, all meetings of Board committees of which the director is a member and the Company's annual meeting of shareholders.

6. Executive Session of Directors. From time to time, and at least twice annually, the directors meet in executive session without non-director employees. In addition, the independent directors meet alone in executive session after every Board meeting. At each meeting of independent directors in executive session, one director will be appointed to chair the session. The chair position will rotate among independent directors.

7. Board Access to Senior Management. Members of the Board have open access to corporate management at all times, and Board members use judgment to ensure that contacts are not disruptive to the Company's business operations.

8. Board Interaction with Institutional Investors and Other Stakeholders. The Board believes that it is Management's responsibility to speak for the Company. It is expected that directors will do so only with the knowledge of the Chief Executive Officer.

## **BOARD STRUCTURE AND COMPENSATION**

1. Size of the Board. The Board currently has eight members. The Bylaws of the Company prescribe that the number of directors will not be less than three nor more than eleven.

2. Board Independence. It is the intention of the Board that there will always be at least a majority of independent directors and that, as Board vacancies arise, independence should be a factor of increasing importance in the selection of new candidates for nomination to the Board. The Board has adopted the following definition of "independent director" for purposes of evaluating director nominees: a director who (a) is not an employee of the Company and has not been for at least three (3) years, (b) is not an immediate family member of a current or former (within 3 years) executive officer of the Company, (c) has not accepted, and whose immediate family has not accepted, compensation from the Company during the current or immediate past fiscal year in excess of \$60,000 (other than Board compensation, retirement plan compensation or non-discretionary compensation), (d) does not have a significant relationship with another corporation to which the Company made or from which the Company received payments in excess of 5% of the corporation's gross revenues in the current or former (within 3 years) fiscal year; and (e) is free from any other relationship that, in the opinion of the

Board of Directors, would interfere with the exercise of independent judgment as a Board member. Standing committee members are appointed in accordance with the independence standards set forth in the NASDAQ rules, as modified from time to time.

In addition to being an independent director, as defined above, each member of the Company's Audit Committee may not, except in his or her capacity as a member of the Audit Committee, the Board or any other Board committee of the Company, (1) accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or (2) be an affiliated person of the Company or any subsidiary of the Company.

3. Board Membership Criteria. Each member of the Board must possess the individual qualities of integrity and accountability, informed judgment, financial literacy, mature confidence, and high performance standards. In addition to these qualities, members of the Board must be committed to devote the time and effort necessary to be productive members of the Board, including learning the business of the Company and the Board, doing all work necessary to actively participate in Board meetings, and attending, whenever possible, all meetings of the Board and its committees. No individual may serve on the Board during a period in which he or she serves on more than three for profit corporate Boards (inclusive of the Company's Board).

4. Board Selection. It is expected that all directors will be alert to potential Board candidates with appropriate skills and characteristics and communicate information regarding Board selection matters to the Governance/Nominating Committee of the Board, which will exercise initiative in recommending to the Board candidates for directorships. The criteria for reviewing candidates include characteristics such as: proven integrity, mature and independent judgment, vision and imagination, ability to objectively appraise problems, ability to evaluate strategic options and risks, sound business experience and acumen, relevant technological, political, economic social/cultural or business expertise, social consciousness, achievement of prominence in career, familiarity with issues affecting the Company's businesses, absence of conflicts of interest, ability to work well with others and contribution to the Board's desired level of diversity and balance.

The Board endorses the value of seeking qualified directors from diverse backgrounds otherwise relevant to the Company's mission, strategy and business operations and the perceived needs of the Board at a given time.

5. Directors' Retirement and Tenure Policy. The Board has adopted the following retirement policy: (a) independent directors must resign after having served five 3-year terms, (b) no individual may be elected to serve as a director after attaining the age of 70, (c) no employee director may be elected to serve as a director after ceasing to be an employee, unless requested to do so by the Board, and (d) directors who change employment or major responsibilities must submit their resignation from the Board for consideration by the Board.

6. Conflicts of Interest. If an actual or potential conflict of interest develops because of a change in the business operations of the Company or a subsidiary, or because of a director's circumstances (for example, on-going competition between the Company and a business with which the director is affiliated), or if a director has or obtains any affiliation with a public or privately held commercial enterprise that may create potential embarrassment to the Company or possible inconsistency with company policies or values, the director should report such matter immediately to the Chairman of the Governance/Nominating Committee for evaluation and recommendation to the Board on appropriate action.

7. Director Compensation. The Compensation Committee is charged with the responsibility of reviewing the compensation of the Board of Directors and recommending changes thereto to the full Board of Directors from time to time, but at least biannually. In this regard, the Compensation Committee may ask Management to report to the Committee from time to time on the status of the Board's compensation in relation to other similarly situated companies. Directors who are Company employees are not compensated for their service as directors.

8. Share Ownership of Directors and Executive Officers. The Board believes that directors and executive officers should be shareholders and have a financial stake in the Company. While the Board does not believe it appropriate to specify the level of share ownership an individual should hold, all directors and executive officers must develop a meaningful ownership position in the Company over time, depending upon individual circumstances.

9. Board Performance. The Board regularly surveys its members to assess the Board's contribution as a whole and to specifically review areas in which the Board and/or Management believes a better contribution could be made. The purpose is to increase the effectiveness of the Board.

## **COMMITTEE STRUCTURE**

1. Number, Structure and Independence of Committees. The Board has established the following standing committees:

Audit Committee. In accordance with the Committee's written charter, the Audit Committee assists the Board of Directors in overseeing the quality and integrity of the accounting, auditing and financial reporting practices of the Company. The Committee annually hires, compensates, evaluates and makes decisions on whether to replace independent auditors for the Company. It also pre-approves the provision of any audit and non-audit services performed by such independent auditors, and monitors the independence and performance of the independent auditors and the Company's systems of internal controls regarding finance, accounting and legal compliance.

Compensation Committee. The Compensation Committee evaluates and establishes the compensation of the directors and executive officers of the Company, evaluates the performance of the Chief Executive Officer, works with the Chief Executive Officer on succession planning for key positions within the Company, makes recommendations to the Board regarding all equity-based and other compensation plans, and administers the Company's executive-level incentive compensation plans.

Governance/Nominating Committee. The Governance/Nominating Committee reviews significant corporate governance issues and recommends governance policies and procedures to the Board, as appropriate. It also identifies, evaluates and recommends candidates for election as director and considers nominees for the Board recommended by the Company's shareholders.

It is the policy of the Board that only independent directors serve on the Board's standing committees.

2. Frequency of Committee Meetings. Each committee chair, in consultation with committee members and the Chairman of the Board, determines the frequency of the meetings of the committee. Each committee prepares minutes of its meetings.

## **MISCELLANEOUS**

1. Resources. The Board (and Board committees to the extent so provided in the applicable committee charters or otherwise authorized by the Board) may use reasonable amounts of time of the Company's independent auditors, outside lawyers and shall have the authority to hire independent accounting experts, lawyers and other consultants to assist and advise the Board (and any of its committees that are authorized to seek such advice and assistance) in connection with its responsibilities. The Board (and any such committees) shall keep the Company's Chief Financial Officer advised as to the general range of anticipated expenses for outside consultants hired by the Board (or such committees).

2. Director Education. Each new director will be given an orientation with respect to his or her duties as a director. Each director, whether new or not, will cooperate in fulfilling any continuing education guidelines that may be recommended generally or on an ad hoc basis by the Governance/Nominating Committee to help assure that such director has the necessary skills to perform his or her responsibilities as a director. Directors must be informed of and stay current on their duties and obligations to shareholders.

3. Code of Conduct. The Company will maintain, and the Audit Committee will oversee compliance with, a Code of Conduct for directors, officers and other employees of the Company.

The operation of the Board of Directors is a dynamic and evolving process. As such, this policy is reviewed periodically and will change from time to time. No policy can cover each and every issue that may surface, but this policy sets the proper tone for the operation of the Company's Board of Directors and assists the Board in fulfilling its obligations to shareholders.