

Governing Documents of Recreational Equipment, Inc.

GOVERNANCE PRINCIPLES

1. Introduction.

Recreational Equipment, Inc. (“REI” or the “Company”) was founded as a cooperative in 1938 and this structure continues to serve the best interest of the members. As outlined in its strategic plan, REI’s purpose is “To serve our members by selling great gear and promoting an outdoor lifestyle; to help people have fun, appreciate nature, and become stewards for the environment.” The following principles have been approved by the Board of Directors and, in combination with committee charters and the Company’s bylaws, provide the framework for the governance of REI. These principles and other aspects of REI governance will be reviewed annually to ensure they remain current and consistent with industry best practices.

2. Roles of Board and Management.

REI’s business is conducted by its employees, managers and officers, under the direction of the Chief Executive Office (CEO) and the oversight of the Board of Directors to serve the best interests of the Company and its members. Both the Board of Directors and management recognize that the best interests of the members are advanced by responsibly addressing the concerns of all stakeholders and interested parties, including members, customers, employees, suppliers, and the communities in which REI does business.

3. Functions of the Board.

The Board of Directors reviews and discusses reports by management on the performance of the Company, its plans and prospects as well as immediate issues facing the Company. Directors are expected to attend all scheduled Board and committee meetings. In addition to its general oversight of management, the Board also performs a number of specific functions including:

- a) selecting, evaluating and setting the compensation of the CEO and overseeing CEO and corporate officer succession planning;
- b) providing counsel on selection, evaluation and development of corporate officers; providing oversight of the compensation of corporate officers; and annually electing corporate officers;

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- c) reviewing, approving and monitoring fundamental financial and strategic plans, budgets and major corporate actions;
- d) determining the distribution of profits;
- e) assessing major risks facing the Company and reviewing options for their mitigation; and
- f) ensuring processes are in place for maintaining the integrity of the Company, the financial statements, compliance with law, the Company's Articles of Incorporation, Bylaws and Code of Conduct; and relationships with members, customers and vendors.

4. Qualification and Selection of Directors.

Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the best interests of the members. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. REI endeavors to have a Board that represents the diversity of its communities. Directors must be willing to devote sufficient time to carry out their duties and responsibilities effectively and should be committed to serve on the Board for two or more terms. Directors should offer their resignations (a) in the event of a change in their principal job responsibilities; or (b) in the event of a significant change in their personal circumstances that impacts the ability of the Director to properly serve on the Board of the Company or reflects poorly on the Company.

The Board of Directors shall consist of not less than ten (10) nor more than thirteen (13) directors, ten of whom shall be elected and up to two of whom may be appointed by a two thirds majority vote of the Board of Directors and one of whom shall be the President of the Company. All directors shall be "active members" of the Company.

5. Independence of Directors.

All elected members of the Board shall be independent, non-management directors.

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A director is independent if he or she does not have a material relationship with the Company. A director will not be considered independent if:

- a) the director or an immediate family member is employed by the Company;
- b) the director or an immediate family member was employed by the Company as an officer within the last five (5) years;
- c) the director or an immediate family member is or was within the last five (5) years employed by the Company's auditor as a partner or manager;
- d) the director or an immediate family member is or was within the last five (5) years employed by a company that is in competition with the Company;
- e) the director or an immediate family member is or was within the last five (5) years employed by a supplier to the Company and the supplier derives annual revenues from business with REI that exceed one percent of either company's total revenues;
- f) the director is a partner of or of counsel to a law firm that performs substantial legal services to the Company on a regular basis; and
- g) the director is a partner, officer or employee of an investment bank or consulting firm that performs substantial services to the Company on a regular basis.

6. Financial Expert.

The Board shall have two or more independent directors who each qualify as a financial expert, defined as a person who has all of the following attributes:

- a) An understanding of GAAP and financial statements;
- b) The ability to assess the general application of such principles in connection with accounting for estimates, accruals and reserves;

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- c) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;
- d) An understanding of internal controls and procedures for preparation of financial reports; and
- e) An understanding of audit committee functions.

7. Meetings.

The Board shall have six regularly scheduled Board meetings per year, one of which shall be a multi-day retreat. The Chair of the Board, in consultation with the CEO, will be responsible for establishing agendas for each meeting, but any director by contacting the Chair or Secretary may request that a matter be placed on the Board's agenda. Visitors and presenters may only be present at meetings if their attendance is approved in advance by either the CEO or Chair.

Consistent with current practice, a portion of each regularly scheduled Board meeting shall be devoted to an executive session. The executive session may have selected management and employees present, but the non-management directors should allow time to meet at each meeting without management present.

8. Access to Management and to Outside Consultants.

Non-management directors shall have access to individual members of management or to other employees of REI on a confidential basis. When necessary and appropriate in fulfilling its duties, the Board of Directors is authorized to conduct independent investigations and to hire outside consultants or experts at the Company's expense. Directors shall have access to Company records and files and directors may contact other directors without informing Company management regarding the purpose or even the occurrence of such contact.

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9. Annual Evaluations.

a) CEO: At the beginning of each year the Executive Committee, meeting without the CEO, with input from the entire Board, will recommend performance goals for the CEO for approval by the Board. The goals may be annual or multi-year as appropriate. At year end, the CEO will report to the Board on the progress achieved against the goals. The Executive Committee, in a meeting without the CEO, will evaluate the CEO, and recommend to the full Board his or her compensation. The committee may, among other things, consider feedback from members, from employee surveys and other Board members. The Board will set the CEO compensation. The CEO evaluation and compensation will be reviewed in a private session of the non-management directors.

b) Directors: The Nominating and Governance Committee shall conduct an annual evaluation which addresses (i) the effectiveness of the Board of Directors, and (ii) the effectiveness of all directors individually. The evaluation shall assess the Board's and individual's contributions to the Company and identify areas that could be improved. The Nominating and Governance Committee shall review the results of the evaluation of those directors whose terms expire in the year of the election following each evaluation.

c) Committees: Each committee shall perform an annual evaluation of its effectiveness. The results of these evaluations will be discussed with the full Board.

10. Board committees.

A substantial portion of the Board's oversight and governance responsibilities are carried out by committees of the Board. The chair of each committee, in consultation with the Committee staff, will determine the agenda for each committee meeting.

The Board currently has four standing committees, the Audit and Finance Committee, the Nominating and Governance Committee, the Compensation Committee and the Executive Committee. Each of these standing committees will be composed exclusively of independent directors except that the CEO shall be a member of the Executive Committee. At least one member of the

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Audit and Finance Committee shall be a financial expert as defined in paragraph 6 hereof.

11. Directors Compensation.

The Compensation Committee shall be responsible for recommending to the Board compensation and benefit programs for non-employee directors.

The Committee shall recommend compensation increases no greater than those authorized by the Company's bylaws. The Chair of the Board shall receive an additional fee. Directors shall be permitted to defer the receipt of their cash compensation.

Directors shall be entitled during their terms of their office, to a discount under the same rules and conditions that such discount is available to REI employees.

12. Communicating Concerns to the Board.

The Company has established several means for members or others to communicate their concerns to the Board of Directors. If the concern relates to the Company's financial statements, accounting practices, or internal controls, the concern shall be submitted in writing to the Chair of the Audit and Finance Committee or the Chair of the Board of Directors. If the concern relates to the Company's governance practices, business ethics or corporate conduct, the concern shall be submitted in writing to the Chair of the Nominating and Governance Committee or the Chair of the Board of Directors.

The Company "Code of Conduct" prohibits the Company or any of its employees from retaliating or taking any adverse action against anyone for raising a concern. If a member, customer or employee, nevertheless, prefers to raise his or her concern in a confidential or anonymous matter, the concern may be directed to the General Counsel of the Company at the Company's headquarters, to the Board email account at Board@rei.com or in the case of employees, by telephone at 1-877-888-0002.

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13. Director Orientation and Continuing Education.

All new directors shall be provided an orientation program, including personal briefing sessions from corporate officers, on the Company's accounting policies, financial reporting, business strategies and industry issues. Directors shall participate in continuing educational programs including business briefings and visits to the Company's facilities.

14. Ethics and Conflicts of Interest.

The Board expects directors and officers to act ethically at all times and to acknowledge annually their adherence to the Code of Conduct published by the Company. If an actual or potential conflict of interest arises for a director, he or she should promptly inform the Chair. The Board, through the Nominating and Governance Committee, shall resolve any conflict of interest question involving Directors, the CEO or corporate officers. All directors will recuse themselves from any discussion or decision affecting their personal business or professional interest.

15. Profit Distribution.

The Audit and Finance Committee shall maintain Profit Distribution Principles and recommend to the Board distribution of the cooperative patronage refund for its consideration at the Board's first Board meeting of each calendar year.