

Governing Documents of Recreational Equipment, Inc.

GOVERNANCE PRINCIPLES



1. Introduction.

Recreational Equipment, Inc. (“REI” or the “company” or the “co-op”) was founded in 1938 as a member-owned organization. This co-operative business model continues today to serve the best interest of its membership. The co-op was originally incorporated in Washington State in 1956 and then re-incorporated under Washington law, RCW 24.06, in 1970.

The following principles have been approved by the board of directors and, in combination with the company’s bylaws, committee charters, and board policies, provide the framework for the governance of REI. These principles and other aspects of REI governance will be reviewed periodically to ensure that they reflect leading practices and are aligned with the co-op’s values.

2. Roles of Board and Management.

REI’s business is conducted by its employees, managers and officers under the direction of the Chief Executive Officer (President) and the oversight of the board of directors to serve the best interests of co-op members. Doing this means responsibly addressing the concerns of stakeholders and interested parties, which include members, customers, employees, suppliers and the communities in which REI does business.

3. Functions of the Board.

The board of directors works closely with the President and executive leaders to set the direction of the company with REI values at the center and in the context of relevant marketplaces of the outdoor industry and specialty retail. The board is accountable to the co-op membership for the long-term viability and success of the co-op.

In addition to its general oversight of management, the board performs a number of specific functions, including:

- a. Reviewing, approving and monitoring annual and multi-year financial and strategic plans and budgets.
- b. Reviewing and approving major company actions, such as material capital investments in technology systems and distribution centers.
- c. Selecting, evaluating and setting the compensation of the President and overseeing succession planning for the President.
- d. Providing counsel on the selection, evaluation, development and compensation of key executive officers, including incentive or bonus plans that apply to those officers.
- e. Approving the yearly distribution of profits generated by the co-op.
- f. Assessing major risks to which the co-op may be exposed and assuring that management implements reasonable plans for the mitigation of those risks.
- g. Ensuring that processes are in place for maintaining the integrity of the company, including the accuracy of financial statements, compliance with applicable laws and the company’s articles of incorporation, bylaws and code of conduct.

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4. Board Committees; Rotation of Leadership.

A substantial part of the board's oversight and governance responsibilities are carried out by committees of the board. The board currently has four standing committees: Audit and Finance Committee; Nominating and Governance Committee; Compensation Committee; and Executive Committee. The Executive Committee is composed of the chair of the board, the vice-chair of the board, and the chairs of each of the other three standing committees. Only independent directors sit on these committees. The chair of the Audit and Finance Committee and typically two or more other directors must qualify as "financial experts" under SEC rules (even though SEC rules do not apply to REI).

REI believes that rotation of board leadership is healthy for the board and the co-op. Through the rotation of committee assignments and board leadership, the board balances continuity and experience with fresh perspectives. The composition of the committees typically changes every two years, or every year that a new director joins the board through the election process. The board keeps the best interests of the co-op front of mind when composing committees and selecting board leaders.

5. Qualification and Selection of Directors.

The company's bylaws permit a minimum of ten to a maximum of fourteen directors to serve on the board. All directors must be "active" co-op members, as defined in the bylaws. The President of the co-op is a voting member of the board by virtue of the position.

The Nominating and Governance Committee is responsible for managing the process of board succession. To serve on REI's board, individuals must possess high personal and professional ethics, have demonstrated superior business acumen as an executive leader in a large, complex organization and be an active participant in one or more of the outdoor activities REI supports and promotes. Equally important, directors must appreciate and promote the value of the co-op business model and support REI's commitment to sharing profits with members, employees and the communities in which REI does business. They should also bring an inquisitive and objective perspective, practical wisdom and mature judgment to their service as a director at REI.

REI endeavors to have a board that represents the diversity of the communities in which the co-op operates. This diversity includes gender, ethnicity, age, geography and professional experience. REI has a long history of service by women directors, and women consistently account for 30 percent or more of total directors. Directors must be willing to devote sufficient time to carry out their duties effectively and should be committed to serve on the board for two or more three-year terms.

There may be cases where it is acceptable for members of the REI board to serve on one or more boards of directors of for-profit entities that are not affiliated with REI, as long as that outside commitment would not create a potential conflict of interest and not infringe on the director's capacity and commitment to effectively support their responsibilities in the REI boardroom. However, in recognition of the time and commitment required by directors to serve

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effectively on REI's board of directors, the appointment or election to the board of directors of any for-profit entity (public or private) that is not affiliated with REI will constitute a significant change in that director's professional circumstances that could impact the director's ability to serve effectively as a director. Accordingly, in connection with that appointment or election, each director must provide prompt notice to the Chair of the Nominations & Governance Committee of that appointment or election to the outside board of directors and tender the director's resignation in accordance with the provision below.

In accordance with the Director Appointment and Resignation Policy of the Board of Directors, a current director must tender the director's resignation if any of the following occur: (a) a change in the director's principal job responsibilities; (b) the director no longer meets the standards of independence provided in the Board of Directors Guidelines for Director Independence; or (c) a significant change in the director's personal or professional circumstances that could impact the director's ability to serve effectively as a director, or which reflects poorly on the co-op. Any resignation tendered in accordance with this provision will be effective only upon board acceptance of that resignation. In addition, each nominee for director must irrevocably tender that person's resignation, which will become effective upon the determination of at least 2/3 of the independent directors on the board that the director should be removed as a director.

Each year in which the board is seeking candidates, the Nominating and Governance Committee establishes explicit criteria for screening prospects. The criteria reflect the best judgment of the board as to the profile of a director most likely to help advance the strategic direction and preserve and enhance the culture of the co-op. These criteria describe the skills, experience, expertise, diversity and perspective desired in candidates.

Once those criteria are established, the Nominating and Governance Committee seeks out qualified prospects with the assistance of an expert board recruiter. The committee welcomes self-identification by co-op members who believe they are qualified and meet the criteria. The committee then conducts a screening process to arrive at a recommendation of nominees to submit to the board for approval and approved candidates appear as the board's nominees on the ballot for the upcoming election.

6. Independence of Directors.

All elected members of the board must be independent, non-management directors. A director is independent if he or she does not have a material business or employment relationship with the co-op or with an entity that has a business relationship with the co-op or that is a competitor to the co-op.

The Nominating and Governance Committee has the responsibility for establishing independence guidelines for directors and for evaluating particular circumstances where a director's independence is in question. For example, a director will not be considered independent if:

- a. The director or an immediate family member is currently employed by REI or has been employed by REI within the last three (3) years.

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- 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 employed by a supplier, service provider, or consultant to the company or has a non-employment financial interest in such supplier, service provider, or consultant.
- d. The director is a current elected official, candidate for office or anyone having an official role with a politically affiliated organization.
- e. The director is an employee of an organization that has received a charitable grant from REI.

7. Meetings and Executive Sessions.

The board meets in person at least four times annually, and this includes one multi-day strategic planning retreat with senior management. The President, in consultation with the chair of the board and the Executive Committee, establishes the agenda for each meeting. Any director may request that a matter be placed on the board's agenda by contacting the chair or the President. Board meetings are closed to members and the public. Summary minutes of each board meeting are posted on REI.com after the minutes have been approved by the board at the following meeting.

At each meeting, the board typically holds two executive sessions, one at the beginning with independent directors only, and one at the end with the President.

8. Access to Management and Outside Consultants.

Directors have access to senior management through an informal pairing program, occasional board dinners and the annual board retreat. When necessary and appropriate in fulfilling its duties, the board can conduct independent investigations and hire outside consultants or experts at the company's expense. Directors have access to company records and files, and directors may contact other directors without informing management. The board retains independent consultants to provide advice on executive and board compensation, to assist with director recruiting and to facilitate the annual and bi-annual board, director and President evaluations.

9. Board, Director and President Evaluations.

Biannual Evaluation of the Board: In a commitment to continuous improvement, the board conducts an evaluation of its own effectiveness every two years. The Nominating and Governance Committee is responsible for conducting the evaluation. The interim year between evaluations is used to address the improvement opportunities identified in the evaluation. To promote candor and comprehensiveness, the evaluation is facilitated by an experienced independent consultant. Both the board and executive leaders participate in the evaluation, and the evaluation report is provided to all directors and participating executive leaders.

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Annual Evaluation of Directors Prior to Re-Nomination: Each year as part of the election cycle, the Nominating and Governance Committee partners with an independent consultant to conduct a candid and thorough evaluation of the effectiveness of each incumbent director whose term will expire at the next annual co-op meeting and who desires to seek re-election to the board. Both the board and executive leaders participate in the evaluation. The results are shared with the director and inform the Nominating and Governance Committee's recommendation on re-nomination of that director.

Annual Evaluation of the President: The board has delegated to the Executive Committee the responsibility to conduct an annual evaluation of the President. The board retains an expert consultant to facilitate the annual evaluation of the President, which typically takes place during the first quarter of each year. The evaluation is comprehensive, involving the entire board and select members of the executive leadership team and covering both quantitative and qualitative dimensions of performance. Results from the company's annual employee survey are considered in the evaluation. The board chair reports the results of the evaluation to the full board and the report is a primary factor in the board's determination of the President's compensation for the upcoming year.

10. Directors' Compensation.

The Compensation Committee is charged with responsibility for developing the recommendation for director compensation on a bi-annual basis. The committee retains an expert independent consultant on board compensation to research prevailing practices among companies of similar size, scope and complexity, including companies in the retail industry and the outdoor industry.

Director compensation needs to be adequate to attract highly qualified individuals who are co-op members and who possess the business acumen, leadership experience and character attributes to successfully guide the co-op for the long term. At the same time, director compensation needs to reflect the special nature of the co-op and REI's values. In that context, the board's compensation is set below the median for comparable companies. The chair of the board, the vice chair, and the chairs of three standing committees (Audit & Finance, Compensation and Nominating & Governance) receive additional compensation in recognition of the additional work and responsibilities associated with those leadership roles.

The current compensation for members of the board can be found [here](#).

11. Ethics and Conflicts of Interest.

The board expects directors and officers to act ethically at all times and to acknowledge their adherence to REI's Code of Conduct through a Conflict of Interest Financial Disclosure process every year. This process is administered by the General Counsel's office. If an actual or potential conflict of interest arises for a director, he or she must promptly inform the chair of the Audit and Finance Committee and the General Counsel. The board, through the Audit and Finance Committee, will resolve any conflict of interest question involving directors or the President. All directors must recuse themselves from any discussion or decision affecting their personal business or professional

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interest.

12. Communicating Concerns to the Board.

The board has established several means for members or others to communicate their concerns about the co-op or the actions of the board or of officers, employees, or other agents of the company. If the concern relates to the co-op's financial statements, accounting practices, or internal controls, the concern should be submitted in writing to the chair of the Audit and Finance Committee or the chair of the board. If the concern relates to the board's governance practices, business ethics or corporate conduct, the concern should be submitted in writing to the chair of the Nominating and Governance Committee or the chair of the board. This can be accomplished by emailing board@rei.com or sending a note through regular mail.

REI's Code of Conduct prohibits the co-op or any of its employees from retaliating or taking any adverse action against anyone for raising a concern. If a member, customer, or employee prefers to raise his or her concern in a confidential or anonymous matter, the concern may be directed to the General Counsel's office at the co-op's headquarters, to board@rei.com, or to the REI Ethics and Compliance hotline at 888-256-4920 or reportlineweb.com/rei.