

# C R O S S

## **A.T. CROSS COMPANY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES FOR THE BOARD OF DIRECTORS**

The Board of Directors (the “Board”) of A.T. Cross Company (the “Company”) has adopted the following Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and senior management level, with a view to best serving the interests of the various stakeholders of the Company, including enhancing long-term shareholder value, while fulfilling the Board’s fiduciary responsibilities. These Guidelines will be reviewed annually by the Nominating and Corporate Governance Committee (the “NCGC”) and the Board, and are subject to modification from time to time by the Board. Waivers of these Guidelines may be made only by the Nominating and Corporate Governance Committee or the Board.

### **THE BOARD**

#### Purpose

The Board of the Company is responsible for overseeing the exercise of corporate powers and ensuring that the Company’s business and affairs are managed to meet its stated goals and objectives. The Board recognizes its responsibility to engage, and provide for the continuity of, executive management that possesses the character, skills and experience necessary to attain the Company’s goals. The Board also recognizes its responsibility to select nominees for the Board of Directors who possess appropriate qualifications and competencies to enable them to help the Company to achieve its goals and reflect a reasonable diversity of backgrounds and perspectives.

The Board is also responsible for reviewing and establishing procedures designed to ensure that the Company’s Management and employees operate in a legal and ethically responsible manner.

#### Authority and Responsibilities of the Board

The fundamental responsibility of the Company’s Board of Directors is to promote the best interests of the Company and its shareholders by overseeing the management of the Company’s business and affairs. In doing so, Board members have two basic legal obligations to the Company and its shareholders: (1) the duty of care, which generally

requires that Board members exercise appropriate diligence in making decisions and in overseeing management of the Company; and (2) the duty of loyalty, which generally requires that the Board members make decisions based on the best interests of the Company and its shareholders, without regard to any personal interest.

The Board has the authority to retain, at the Company's expense, consultants, legal counsel or others to assist the Board in conducting its business and meeting its responsibilities to the Company and its shareholders, and authority to approve such consultants', counsel's or other firm's or individual's fees and other retention terms.

#### Election and Size of the Board of Directors

The Board shall be comprised of not less than five nor more than nine members, a majority of whom shall meet the independence requirements of NASDAQ as may be in effect from time to time. The number of directors is fixed by vote of both the Class A and Class B shareholders at the annual meeting of shareholders. Class A shareholders, voting as a class, have the right to elect one third of the number of directors so fixed. If the fixed number is not evenly divisible by three, then the holders of Class A common stock have the right to elect that number of directors which is the nearest whole number when the total number to be elected is divided by three; holders of Class B common stock, voting as a class, shall elect the remaining number of directors so fixed. Holders of a majority of the Class B shares issued and outstanding and present in person or represented by proxy will constitute a quorum for the annual meeting of stockholders and for the election of Class B directors. Holders of a majority of the Class A shares issued and outstanding and present in person or represented by proxy will constitute a quorum for the election of Class A directors.

It is the policy of the Board that the number of directors not exceed the number that can function efficiently as a body, while properly staffing necessary Board committees. Historically there have been nine directors, and it is the sense of the Board that this size permits diversity of experience without hindering effective discussion or diminishing individual accountability. Directors are elected to one-year terms.

#### Selection of the Chairman of the Board and CEO

The Board elects the Chairman of the Board and the CEO. It is the policy of the Board that the positions of Chairman of the Board and CEO be held by different individuals, except in unusual circumstances.

## **BOARD MEETINGS; COMPOSITION OF BOARD**

### Frequency

The Board shall meet at least four (4) times each fiscal year, and may hold additional meetings in person or telephonically as often as may be necessary or appropriate, at the discretion of the Chairman of the Board and the President and Chief Executive Officer. One meeting of the Board each fiscal year shall be dedicated primarily to strategic planning for the Company.

### Attendance; Annual Meeting

Members of the Board are expected to use all reasonable efforts to attend each meeting. The Chairman of the Board and the President and Chief Executive Officer or their designee may also request that members of management, legal counsel, or other advisors attend the meetings of the Board.

Minutes of each meeting shall be prepared under the direction of the Chairman of the Board and the CEO and circulated to each member of the Board for review and approval.

The Company's policy requires the attendance of all directors at the Annual Meeting of Shareholders, except for absences due to causes beyond the reasonable control of the director.

### Agenda for Board Meetings

The Chairman of the Board sets the agenda for Board meetings. Directors are invited to suggest inclusion of items on the agenda, and are free to raise at any Board meeting subjects that are not specifically on the agenda. Materials related to agenda items are provided to directors sufficiently in advance of Board meetings, where necessary, to permit directors to review and prepare for discussion.

### Executive Sessions of Independent Directors

Executive sessions or meetings of independent directors without management present are held at least twice a year. The independent members of the Board shall select an independent director for a term of two years to assume the responsibility of chairing the scheduled executive sessions of independent directors and to assume such other responsibilities as the independent directors may designate from time to time. The presiding independent director shall serve in that capacity for not more than two consecutive two-year terms or until such person's successor shall have been duly selected by the independent members of the Board.

### Determination of Independence of Non-Employee Directors

No relationship between any non-employee director and the Company should be of a nature that could compromise the independence or judgment of any Board member in governing the affairs of the Company. The determination of what constitutes independence for a non-employee director in any individual situation shall be made by the Board in light of the totality of the facts and circumstances relating to such situation and in compliance with the requirements of the NASDAQ's applicable listing standards and other applicable rules and regulations.

### Board Membership Criteria

The NCGC is responsible for, among other things, reviewing on an annual basis the appropriate skills and characteristics required of directors in the context of prevailing business conditions and for making recommendations regarding the size and composition of the Board. The objective is a Board that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience and that are aligned with the Company's strategic objectives.

### Procedure for Selecting New Director Candidates

The Board is ultimately responsible for the selection of nominees for director, but delegates the screening and nomination process to the NCGC. The NCGC is expected to consult with the Chairman of the Board and the President and Chief Executive Officer, and others as set forth in the NCGC Charter, in determining the qualifications desired in new Board members, meeting and interviewing candidates, and making recommendations of candidates to the full Board.

### Extending the Invitation to a Potential New Director to Join the Board

Upon concurrence of the members of the Board, invitations to join the Board will generally be extended on behalf of the Board by the Chairman of the Board and the Chairman of the NCGC. Other Board members may participate as appropriate.

### Board Member Orientation

All new directors will receive orientation materials and will undergo an orientation process to acquaint them with the business, history, current circumstances, key issues and top managers of the Company. Directors are selected based in part on their familiarity with the functioning of public companies and boards of directors generally. The NCGC may request directors to participate in continuing education programs related to the particular responsibilities or committee assignments on the Board.

## **COMMITTEE MATTERS**

### Committees

The Board Committees are the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee (“NCGC”) and the Executive Committee, all of which report to the Board of Directors. Except for the Executive Committee, all members of committees shall be non-employee directors of the Company and meet the independence requirements of NASDAQ as may be applicable to the individual committees, applicable law (including, with respect to Audit Committee membership, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended) and the applicable rules and regulations of the Securities and Exchange Commission (including, with respect to Audit Committee members, Rule 10A-3), in each case as may be in effect from time to time. The purpose and responsibilities of each committee shall be captured in a charter which is approved by the Board. The Board considers its current committee structure to be appropriate but the number and scope of committees may be revised as appropriate to meeting changing conditions and needs.

### Committee Member Assignments

The NCGC is responsible for reviewing and recommending to the Board the assignment of directors to various committees. The NCGC will also recommend to the Board from time to time changes in committee assignments to ensure diversity of Board member experience and to vary the exposure of the members to the affairs of the Company.

### Frequency and Length of Committee Meetings

Generally, committees meet in conjunction with regular Board meetings. Committee chairs may also call meetings when they deem it necessary or appropriate. Committee meetings may be as frequent and as long as needed.

### Committee Meeting Agendas

The agenda for each committee meeting is developed by the chair of the committee in consultation with appropriate members of management. The agenda for each meeting shall be circulated or discussed in advance of the meeting and Committee members may suggest additional items for consideration.

## **BOARD TERMS AND CONDITIONS; ASSESSING PERFORMANCE**

### Board Compensation

A director who is also an employee of the Company does not receive additional compensation for service as a director. Bi-annually, the Compensation Committee of the Board will review the compensation of the non-employee directors and committee members in relation to other comparable companies nationwide. The Compensation Committee reviews the level and form of director compensation and how it compares to director compensation at companies of comparable size, industry, and complexity. Changes to director compensation are proposed to the Board for consideration.

### Stock Ownership

The Board believes that it is important that each non-employee director owns shares of the Company's stock. Accordingly, Directors' annual retainer compensation is structured so that 60% of that retainer must be paid in Company stock. By the terms of each grant, Directors may not sell, transfer or otherwise assign these shares prior to the earlier of three years following the issuance of such shares or twelve months following the Director's ceasing to be on the Board of Directors.

### Board Interaction with Institutional Investors, the Media and Customers

The Board believes that the responsibility lies with management for communications and relationships on behalf of the Company with institutional investors, the media and customers. Therefore, the Board may participate occasionally in such interaction, but will generally do so only at the request of or with the prior knowledge of management.

### Access to Senior Management

All Board members have access to senior management, with the expectation that such contact will be minimally disruptive to the business operations of the Company. The President and Chief Executive Officer is encouraged to invite senior managers who can provide additional insight into business matters being discussed, and those with high future potential who should be given personal exposure to members of the Board, to the meetings.

### Assessing Board and Committee Performance

The NCGC oversees an annual self-evaluation of the Board and a bi-annual self evaluation of the committees to assess their effectiveness and performance.

### Time to Devote to Company Business

The NCGC considers the number of other public company boards on which a prospective nominee is a member to ensure that an individual has sufficient time to appropriately dedicate to Company business. Accordingly, directors are expected to advise in writing the Chairman of the Board and the Chair of the NCGC in advance of accepting any other public company directorship or any assignment to the audit committee of the board of any other public company.

Similarly, the NCGC considers the experience provided by, and time demands of, the candidate's principal occupation or business association. When a director's principal occupation or business association changes substantially during his or her tenure as a director, the director is expected to notify the NCGC of such changes.

### Term Limits

There are no term limits for service on the Board of Directors. The absence of term limits allow the Company to retain Board members who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

### Mandatory Retirement

A Board member must retire immediately before the Company's annual meeting of stockholders if he or she will have attained the age of 70 as of the date of such annual meeting. No person who is 70 will be elected to the Board of Directors during the calendar year in which he or she attains age 70. Notwithstanding the foregoing, Board members who were on the Board as of April 1998 must retire immediately before the Company's annual meeting of stockholders if he or she will have attained the age of 75 as of the date of such annual meeting.

## **MANAGEMENT REVIEW AND SUCCESSION**

### Succession Planning

The Board plans for succession of the CEO and certain other senior management positions in order to assure the orderly functioning and transition of the management of the Company in the event of emergency or retirement of the CEO or other senior managers.

Annually the President and CEO will review succession planning with the NCGC which will then provide its input to the plan. The President and CEO will then present such succession plan to the Board with a recommendation as to succession in the event of each senior officer's termination of employment with the Company for any reason (including death or disability).

**Unless required by law or Company governing documents, these Corporate Governance Principles and Practices are intended to provide a set of flexible guidelines for the effective functioning of the Board of Directors. The Board may modify or amend these Corporate Governance Principles and Practices and the authority and responsibilities of the Board set forth herein at any time.**