

# **BIG LOTS, INC.**

## **CORPORATE GOVERNANCE GUIDELINES**

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**BIG LOTS, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

**1. SIZE AND STRUCTURE OF THE BOARD**

- 1.1 Size of the Board.** The Board of Directors (the “Board”) of Big Lots, Inc. (the “Company”) presently has nine members. This size is satisfactory under current circumstances, but will be adjusted upward or downward, in accordance with the Company’s Code of Regulations, to reflect the changing needs of the Company or to accommodate the availability of outstanding candidates.
- 1.2 Mix of Management and Independent Directors.** The Board will be composed predominantly of independent directors as required by the New York Stock Exchange. Compliance with the director independence requirements of the New York Stock Exchange and any other director qualification requirements of stock exchanges or regulatory agencies should be reviewed annually by the Nominating/Corporate Governance Committee. The Company’s Chief Executive Officer should be a director. Other members of Management will be considered for Board membership if appropriate.
- 1.3 Board Membership Criteria.** The Nominating/Corporate Governance Committee is responsible for recommending to the Board the appropriate skills and characteristics required of Board members, based on the needs of the Company from time to time. This assessment should include issues of relevant experience, character, intelligence, independence, commitment, judgment, compatibility with the Chief Executive Officer and the Board culture, prominence, diversity, age and other factors deemed relevant. The Nominating/Corporate Governance Committee shall obtain the approval of the full Board as to the criteria it intends to apply before a search for a new director is commenced.
- 1.4 Selection of New Director Candidates; Orientation; Education.** The Board will select new members from candidates identified and screened by the Nominating/Corporate Governance Committee (with input from the Chief Executive Officer and any other officers whose input the Board believes will be helpful). Any invitation to join the Board should be extended through the Chairperson of the Nominating/Corporate Governance Committee and the Chief Executive Officer of the Company, after approval by the full Board. When a new director joins the Board, the Management of the Company shall provide an orientation program for the director. This orientation will include presentations by senior Management to familiarize the new director with the Company’s strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. All new directors shall participate in the orientation program. The Board encourages its members to participate annually in director education programs, the cost of which shall be borne by the Company.

- 1.5 Directors Who Materially Change Their Job Responsibility.** For an individual director who retires or materially changes the responsibility he/she holds while serving on the Board, the director shall promptly notify the Chairperson of the Nominating/Corporate Governance Committee of the change and submit a letter of resignation from the Board. Thereafter, the Nominating/Corporate Governance Committee will review the continued appropriateness of the person's ongoing Board membership under the circumstances leading to the change in job responsibility.
- 1.6 Service on Other Public Company Boards and Audit Committees.** Each director shall advise the Chairperson of the Nominating/Corporate Governance Committee and the Chief Executive Officer in advance of accepting an invitation to join another public company board. No director shall serve on more than four (4) public company boards (including the Company's Board). The Chief Executive Officer shall not serve on more than two (2) public company boards (including the Company's Board). No member of the Audit Committee shall serve on more than three (3) public company audit committees (including the Company's Audit Committee). In calculating service on a public company board or audit committee, service on a board or audit committee of a parent and its substantially owned subsidiary shall qualify as service on a single board or audit committee.
- 1.7 Executive Session of Independent Directors.** The independent directors will meet in Executive Session at least quarterly. The Chairperson of the Board will serve as an interface between the Chief Executive Officer and the full Board. The Chairperson of the Board will be responsible for establishing the agenda for Executive Sessions and, upon conclusion of each meeting, will generally meet with the Chief Executive Officer.
- 1.8 Term of Board Service.** The Board does not believe it should establish term limits. As an alternative to term limits, the Nominating/Corporate Governance Committee will review each director's continuation on the Board annually. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.
- 1.9 Retirement from the Board.** Directors may serve on the Board until the Annual Meeting of the Company next following their 72<sup>nd</sup> birthday, and may not be re-elected after reaching age 72.
- 1.10 Board Compensation Review.** Management should report at least every other year to the Nominating/Corporate Governance Committee about the status of Board compensation in relation to compensation paid by other comparable companies. Changes in Board compensation, if any, should come at the recommendation of the Nominating/Corporate Governance Committee, with approval by the Board.
- 1.11 Majority Vote Policy for the Election of Directors.** Any nominee for director in an uncontested election at a meeting of shareholders at which a quorum is present who receives fewer votes "for" his or her election than votes "against" and/or "withheld" from such election ("Majority Withheld Vote") shall, promptly after the certification of the vote, tender to the Chairperson of the Nominating/Corporate Governance Committee a letter of resignation from the Board. Brokers' non-votes and abstentions will not be considered votes cast "for" or "against" or "withheld" from a nominee's

election at the shareholder meeting. For purposes of this policy, an “uncontested election” shall have the meaning ascribed to it in the Company’s Amended Articles of Incorporation.

The Nominating/Corporate Governance Committee shall promptly thereafter consider the resignation and recommend to the Board whether to accept the resignation or to take other action. The Board will act on the Nominating/Corporate Governance Committee's recommendation no later than 100 days following the certification of the shareholder vote. The Nominating/Corporate Governance Committee, in making its recommendation, and the Board, in making its decision, will evaluate such resignation in light of the best interests of the Company and its shareholders and may consider any factors and other information they deem relevant. The Board may accept or reject the offer of resignation or take other action, including, but not limited to: (i) allow the director who received the Majority Withheld Vote to remain on the Board but not be nominated for reelection to the Board at the next election of directors; (ii) defer acceptance of the resignation until the vacancy can be filled by the Board, in accordance with the Company's Code of Regulations, with a replacement director who possesses certain necessary qualifications held by the director who received the Majority Withheld Vote (for example, audit committee financial expertise); or (iii) provide the director who received the Majority Withheld Vote with the opportunity to cure the underlying cause of the Majority Withheld Vote (for example, if the votes “against” or “withheld” from the director were due to another board directorship, by resigning from the other board) within a specified period and reject the resignation if the director cures the underlying cause of the Majority Withheld Vote within such period. The Company will promptly publicly disclose the Board's decision in a press release or a periodic or current report to the Securities and Exchange Commission.

Any director who tenders his or her resignation pursuant to this provision will not participate in the recommendation of the Nominating/Corporate Governance Committee or the decision of the Board with respect to the tendered resignation (except as expressly permitted by the next paragraph). However, such director shall remain active and engaged in all other Board and committee activities, deliberations and decisions during the pendency of this process.

If a majority of the members of the Nominating/Corporate Governance Committee received a Majority Withheld Vote at the same election, then the independent directors on the Board who did not receive a Majority Withheld Vote will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and to make a recommendation to the Board whether to accept or reject the tendered resignations. If the only directors who did not receive a Majority Withheld Vote in the same election constitute three or fewer directors, then all directors may participate in the Board consideration regarding whether or not to accept the tendered resignations.

## **2. BOARD PROCEDURAL MATTERS**

- 2.1 Selection of Chairperson and Chief Executive Officer.** The Board does not have a fixed policy as to whether the role of the Chief Executive Officer and Chairperson

should be separate. The Board should be free to make these choices in any manner that seems in the best interest of the Company at a given point in time. At the present, the Board has determined that separating the two positions is appropriate.

**2.2 Agenda For Board Meetings.** The Chairperson of the Board will establish and distribute in advance the agenda for each Board meeting. Any director may suggest potential items for the agenda.

**2.3 Information Provided to the Board; Communications.**

**2.3.1 Pre-Meeting.** Information that is important to the matters that will be discussed at Board meetings should be distributed at least five days in advance of the meeting, if possible, so that Board meeting time can be conserved for substantive discussion.

**2.3.2 Between Meetings.** From time to time between meetings the Chairperson of the Board and/or Chief Executive Officer should continue to advise the Board of significant developments.

**2.3.3 Communications.** Regular discussion between the directors and the Chief Executive Officer, and among directors, is encouraged. The Chief Executive Officer should make full use of the Board's talents to the extent feasible and appropriate by conferring with directors about Company matters within the director's areas of expertise.

**2.3.4 Minutes.** Reasonably detailed minutes of each board meeting or action will be kept and distributed to the Board. Such minutes will be prepared within 60 days of the meeting or action to which they relate.

**2.4 Expectations of Directors.**

**2.4.1 Attendance; Availability.** Each director, absent extraordinary circumstances, is required to attend in person each annual of meeting of shareholders. Each director is expected to attend each meeting of the Board and any Committee of which the director is a member, and to be reasonably available to Management and the other directors for consultation between meetings.

**2.4.2 Review of Materials; Operational Issues.** Directors should review carefully information distributed to them prior to Board and Committee meetings. If directors have questions either about the materials distributed or Company operations generally that are not likely to be of general interest or relevance to the entire Board, those issues should be discussed by the director with Management either prior to or between Board meetings.

**2.4.3 Share Ownership.** The Board believes that significant ownership of the Company's common shares by directors further aligns their interests with the interests of the Company's shareholders. Accordingly, the Board has established goals that require each independent director to own an amount of shares equal to five times the then-current annual Board cash retainer. The final trading day of each July shall be the annual measurement date for compliance with these minimum share ownership

requirements – with each director afforded a full five year period following his or her election or appointment, as applicable, to first satisfy these requirements. Each director that is required to meet the minimum share ownership requirements will hold fifty percent of net (after-tax) shares received until his or her minimum share ownership requirements are met or whenever his or her minimum share ownership requirements are not met.

- 2.5 Attendance of Non-Directors at Board Meetings.** The Board encourages Management to bring officers and managers into Board meetings from time to time, when such managers can provide additional insight into the items being discussed, and/or have potential as future members of senior Management. The Board believes that the Company's Chief Financial Officer and General Counsel should attend each Board meeting. If the Chief Executive Officer wishes to add additional personnel as attendees at Board meetings on a regular basis, Board approval should be sought.
- 2.6 Conduct of Meetings.** The Chairperson should conduct Board meetings on the assumption that each director has carefully reviewed all Board materials, and should facilitate open and respectful discussions.
- 2.7 Assessing the Board's Performance.** There should be regular discussions between the Chief Executive Officer and the directors, individually and/or as a group, about how best to maximize each director's contribution to the Board. The Chairperson of the Nominating/Corporate Governance Committee and the Chief Executive Officer should periodically assess the Board's performance and the contributions made by directors, with a view to making full and productive use of directors' talents and improving the performance of the Board. The results of this assessment shall be reviewed with the Nominating/Corporate Governance Committee no less than annually. This assessment should be about the Board's contribution as a whole and specifically reference areas in which the Board and/or Management believes a better contribution could be made. The purpose of these discussions is to increase the overall effectiveness of the Board.
- 2.8 Assessing Individual Director Performance.** The Nominating/Corporate Governance Committee shall review the performance of individual directors annually. In its review, the Nominating/Corporate Governance Committee shall consider, among other items it deems relevant, the attendance, preparation and contribution of each director. If it appears to the Nominating/Corporate Governance Committee, in consultation with the Chief Executive Officer, that a particular director's contribution to the Board is not consistent with the Company's needs, or the director is disruptive to the smooth functioning of the Board, they should hold appropriate discussions with that director and make recommendations to the Nominating/Corporate Governance Committee accordingly.

### **3. COMMITTEE MATTERS**

- 3.1 Number, Title and Charters of Committees.** The Board will have at all times an Audit Committee, a Compensation Committee, and a Nominating/Corporate Governance Committee. All of the members of these committees will be independent directors under the criteria established by the New York Stock Exchange. Each

Committee shall review its charter and activities annually, with the assistance of inside or outside counsel and advisers, as appropriate, to make certain that they are consistent with then-current sound governance practices and legal requirements. There will, from time to time, be occasions when the Board may want to form a new committee or disband or reconstitute a current committee depending upon the circumstances.

- 3.2 **Assignment and Rotation of Committee Members.** The Nominating/Corporate Governance Committee is responsible, after consultation with the Chief Executive Officer and consideration of the desires of individual directors, for recommending the assignment of directors to various Committees. Each independent director is expected to serve at all times on at least one Committee. Consideration will be given to rotating Committee assignments periodically, but rotation will not be mandated as there may be reasons, at a given point in time, to maintain an individual director's Committee membership.
- 3.3 **Frequency and Length of Committee Meetings.** Each Committee Chairperson, in consultation with Committee members, will determine the frequency and length of each Committee's meetings consistent with any requirements set forth in the Committee's charter.
- 3.4 **Committee Agenda.** Each Committee Chairperson, in consultation with the appropriate members of the Committee and Management, will develop the Committee's agenda. Each Committee will issue annually a schedule of agenda items for the upcoming year (to the degree these items can be foreseen). These agendas will be shared with the Board.
- 3.5 **Attendance at Committee Meetings.** Any Committee meeting shall be open to any member of the Board who wishes to attend, unless the subject matter of the meeting involves the particular director. Attendance of non-Board members at Committee meetings will be at the pleasure of the Committee. Committees should regularly have opportunities for executive sessions.
- 3.6 **Minutes and Reports.** Reasonably detailed minutes of each Committee meeting or action will be kept and distributed to the Board. Such minutes will be prepared within 60 days of the meeting or action to which they relate. Each Committee will report regularly, through its Chairperson, to the Board on substantive matters considered by the Committee.

#### 4. **SUCCESSION PLANNING AND MANAGEMENT DEVELOPMENT MATTERS**

- 4.1 **Succession Planning and Management Development.** There should be an annual report by the Chief Executive Officer to the Board on succession planning and management development, both short term and long term, without participation by any other insider. The Nominating / Corporate Governance Committee should monitor issues associated with Chief Executive Officer succession and management

development and will provide a regular report to the Board on these issues. This should include issues associated with preparedness for the possibility of the retirement of, or an emergency situation involving, the Chief Executive Officer or other members of senior Management, the long-term growth and development of the senior Management team, and the Chief Executive Officer's succession planning.

- 4.2 Evaluation of the Chief Executive Officer.** The Compensation Committee should develop with the Chief Executive Officer and discuss with the Board appropriate criteria upon which the Chief Executive Officer's compensation and performance will be evaluated annually. These criteria might include, for example, the operating performance of the Company, both in the absolute and relative to peer companies, accomplishment of long-term strategic objectives, development of Management (including a successor to the Chief Executive Officer) and other relevant factors. The non-employee directors should annually meet in executive sessions to receive and discuss the Compensation Committee's recommendations as to the Chief Executive Officer's compensation and performance. The evaluation will be discussed with the Chief Executive Officer by the chairman of the Company's Compensation Committee.
- 4.3 Share Ownership.** The Board believes that significant ownership of the Company's common shares by members of senior management further aligns their interests with the interests of the Company's shareholders. Accordingly, the Board requires: (i) the Company's Chief Executive Officer to own an amount of shares equal to five times his or her then-current base salary; (ii) each of the Company's Executive Vice Presidents to own an amount of shares equal to two and a half times his or her then-current base salary; and (iii) each of the Company's Senior Vice Presidents to own an amount of shares equal to two times his or her then-current base salary. The final trading day of each July shall be the annual measurement date for compliance with these minimum share ownership requirements – with each executive afforded a full five year period following his or her appointment to the designated position to first satisfy these requirements. Each member of senior management that is required to meet the minimum share ownership requirements will hold fifty percent of net (after-tax) shares received until his or her minimum share ownership requirements are met or whenever his or her minimum share ownership requirements are not met.

## **5. OTHER MATTERS**

- 5.1 Board Access to Management.** Directors shall have complete access to members of the Company's Management team. Directors will use their reasonable judgment to be sure that such contacts are not distracting to the business operations of the Company and that the Chief Executive Officer is made aware of such contacts.
- 5.2 Board Interaction With Institutional Investors, the Press, Customers and Others.** The Company should speak to outside constituencies, such as the press, investors, analysts or the financial community, through senior Management. If individual directors intend to meet or otherwise communicate with outside constituencies about Company matters, this should be done only after consulting with the Chief Executive Officer. Individual directors will maintain confidentiality on all Board related matters and in no event shall any Board member disclose material non-public information concerning the Company. In the event such a disclosure occurs, the Board member

must immediately so advise the Company's General Counsel so that the Company may comply with relevant securities rules and regulations.

- 5.3 Independent Advisors.** The Board and each Committee have the power to hire independent legal, financial or other advisors, as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.
- 5.4 Amendments of Guidelines.** The Board shall have the authority to amend these Guidelines. The Nominating/Corporate Governance Committee will review these Guidelines annually to ensure that they remain suitable for the needs of the Company. In connection with its annual review and at such other times as it deems appropriate, the Nominating/Corporate Governance Committee may recommend needed changes for review and possible approval by the Board.