



**RESTORATION HARDWARE HOLDINGS, INC.**

**COMPENSATION COMMITTEE CHARTER**

**I. PURPOSE**

The Compensation Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Restoration Hardware Holdings, Inc. (the “Company”) to assist the Board in discharging its responsibilities relating to compensation of the Company’s directors and executive officers and to undertake those specific duties and responsibilities listed below and such other duties as the Board shall from time to time prescribe. All powers of the Committee are subject to the restrictions designated in the Company’s Amended and Restated Bylaws (the “Bylaws”) and by applicable law.

**II. COMMITTEE MEMBERSHIP**

Committee members shall be appointed by the Board, based on the recommendation of the Nominating and Corporate Governance Committee, and shall serve until their successors shall be duly elected and qualified or until their earlier resignation or removal. Committee members may be removed at any time by vote of the Board.

The Committee shall consist of no fewer than two members. Each member of the Committee shall meet applicable independence requirements for membership of a Compensation Committee in accordance with listing standards of the New York Stock Exchange (the “NYSE”).

**III. STRUCTURE AND MEETINGS**

The Committee shall conduct its business in accordance with this Charter, the Company’s Bylaws and any direction by the Board. The Committee chairperson shall be designated by the Board, or, if it does not do so, the Committee members shall elect a chairperson by a vote of the majority of the full Committee. In the event of a tie vote on any issue, the chairperson’s vote shall decide the issue.

The Committee shall meet from time to time at a time and place determined by the Committee chairperson, with meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment provided that all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

The Committee chairperson will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The chairperson of the Committee (or other member designated by the chairperson or the Committee in the chairperson’s absence) shall regularly report to the full Board on its proceedings. The Committee will maintain written minutes of its meetings, which minutes will be maintained with the books and records of the Company.

As necessary or desirable, the chairperson of the Committee may invite any director, officer or employee of the Company, or other persons whose advice and counsel are sought by the Committee, to be present at meetings of the Committee, consistent with the maintenance of confidentiality of compensation discussions. The CEO should not be present during voting or deliberations on the CEO’s compensation.

#### **IV. DUTIES AND RESPONSIBILITIES**

The Committee shall:

- a. Annually review and approve the Company's corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of such goals and objectives, and, either as a Committee or together with the other independent directors of the Board (as directed by the Board), determine and approve the CEO's compensation level based on this evaluation, to the extent not otherwise determined by an existing employment agreement or arrangement approved by the Board and/or the Committee. In determining the long-term incentive component of the CEO's compensation, the Committee will consider the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the Company's CEO in past years.
- b. Annually review and, if appropriate, approve (or make recommendations to the Board regarding approval of) the following with respect to the Company's executive officers: i) annual base salary levels; ii) annual incentive compensation levels; iii) long-term incentive compensation levels; and iv) any supplemental or special benefits.
- c. Review and approve (or make recommendations to the Board regarding approval of) executive officers employment agreements, severance agreements, and change of control agreements/provisions, in each case prior to the Company's entering into such agreements/provisions, as, when and if appropriate.
- d. Annually review and make recommendations to the Board with respect to non-CEO compensation, incentive-compensation plans and equity based-plans.
- e. Administer the Company's incentive-compensation plans and equity based-plans as in effect and as adopted from time to time by the Board, to the extent such administration is not delegated, in whole or in part, to any secondary committee, including any committee of the Board, to the extent permissible under applicable law, or otherwise retained by the Board.
- f. Approve any new equity compensation plan or any material change to an existing plan where stockholder approval has not been obtained.
- g. Review and approve any stock option award or any other type of award as may be required for complying with any tax, securities, or other regulatory (including NYSE) requirement, or otherwise determined to be appropriate or desirable by the Committee or Board.
- h. Ensure appropriate overall corporate performance measures and goals linked to compensation are set and determine the extent that established goals have been achieved and any related compensation earned.
- i. Review and discuss with the Company's management the "Compensation Discussion and Analysis" required to be included in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC, and recommend to the Board whether or not to include such "Compensation Discussion and Analysis" in such proxy statement or annual report.

- j. Advise the Board regarding risks to the Company of its compensation policies and practices and the disclosure of any such risks as required by SEC rules in the Company's proxy statement.
- k. Perform such other functions and have such other powers consistent with this Charter, the Company's Bylaws and governing law as the Committee or the Board may deem appropriate.
- l. Produce a Committee report on executive compensation as required to be included in the Company's annual proxy statement, annual report on Form 10-K or other filing required to be made with the SEC.

## **V. PERFORMANCE EVALUATION**

The Committee shall perform an annual evaluation of the Committee's own performance. The Committee also shall annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

## **VI. COMMITTEE RESOURCES**

The Committee shall be empowered, without the approval of the Board or management, to retain or obtain the advice of a compensation consultant, legal counsel or other advisor (any such consultant, counsel or other advisor retained to assist the Committee, a "Compensation Advisor"). To the extent required by the rules of the NYSE, the Committee shall have the sole authority to retain, obtain the advice of, and terminate any such Compensation Advisor, shall be directly responsible for appointing, compensating and providing oversight of the work of any such Compensation Advisor, and shall, prior to hiring each Compensation Advisor, consider all independence criteria for such Compensation Advisor, in accordance with applicable SEC rules and the rules of the NYSE. Any such Compensation Advisor shall report directly to the Committee. The Committee shall receive appropriate funding, as determined by the Committee, from the Company for payment of: a) compensation to any advisor employed by the Committee, including any Compensation Advisor; and b) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. Compensation Advisor shall include any compensation advisor acting for the Committee including any compensation firm, consulting firm or attorney acting in the capacity of a Compensation Advisor.

The Committee may form and delegate authority to subcommittees.

## **VII. DISCLOSURE OF CHARTER**

This Charter will be made available on the Company's website.