

**MOHAWK INDUSTRIES, INC. BOARD OF DIRECTORS  
CORPORATE GOVERNANCE GUIDELINES**

**THE MISSION OF THE MOHAWK BOARD OF DIRECTORS**

The Mohawk Board of Directors represents the stockholders' interests in perpetuating and increasing the value of the business enterprise, including optimizing long-term financial returns. The Board is responsible for ensuring that management is capably executing its duties by regularly monitoring the effectiveness of management policies and decisions, including the execution of the Company's strategic plan.

In fulfilling its obligation to enhance stockholder value, the Board is permitted to consider the interests of the following constituencies important to Mohawk's success: Mohawk's customers, employees, suppliers and the communities where it operates.

In fulfilling the Board's general responsibilities described above, the Board and its committees have complete authority to consult with outside counsel and to engage other professional advisors with respect to any issues relating to their activities. Any expenses incurred by the Board or its committees in connection with any such consultation or engagement shall be paid by Mohawk.

Unless the context otherwise requires, "Mohawk" or the "Company" shall include Mohawk Industries, Inc. and its subsidiaries and affiliated companies.

**SELECTION OF THE BOARD**

**1) Board Membership Criteria**

The Nominating and Corporate Governance Committee should annually review with the Board the appropriate experience, skills and characteristics desired of Board members in the context of the current membership and candidates for membership of the Board. This assessment should include, in the context of the perceived needs of the Board at that time. The committee shall consider, among other factors, each director's business experience, technical skills, industry expertise, gender, race, ethnicity and nationality, leadership qualities, character and record of good judgment in connection with the evaluation of each director. The Board seeks a diverse group of the most capable directors to make a significant contribution to the Board, the Company and its stockholders.

**2) Selection of New Directors**

The Board itself should be responsible for selecting its own nominees and recommending them for election by the stockholders. The Board delegates the screening process necessary to identify qualified candidates to the Nominating and Corporate Governance Committee, including consultation with the Chairman of the Board and the Chief Executive Officer.

### **3) Orientation and Continuing Education**

New Directors are provided with a complete orientation process, which includes comprehensive information regarding the Company's business and operations, information regarding the industry in which the Company operates and other background material, meetings with senior management and visits to Company facilities. As a part of the Company's continuing education efforts, supplemental information is provided to Directors from time to time and meetings of the Board are held from time to time in alternate locations to provide the Directors an opportunity to become familiar with additional Company facilities.

## **BOARD LEADERSHIP**

### **4) Selection of Chairman and CEO**

The Board has the responsibility to fill these leadership positions as it deems best for the Company at a given point in time. The Board's policy on whether the role of the Chairman and Chief Executive Officer should be separate is to make this determination based on serving the best interests of the Company and its stockholders at any given time.

## **BOARD COMPOSITION AND PERFORMANCE**

### **5) Size of the Board**

The Company's Restated Certificate of Incorporation, as amended, provides for between two and eleven members of the Board, with the exact number to be fixed by resolution of the Board. The Board will determine the number of members of the Board required from time to time to ensure that all of the core competencies required are possessed by the Board as a whole.

### **6) Mix of Management and Independent Directors**

A majority of the members of the Board must be independent Directors. The Board will follow the listing standards set by the NYSE for determining director independence, as those standards may be in effect at the time of the determination. In this regard, a Director will be considered "independent" if the Board affirmatively determines that the Director has no material relationships with Mohawk (either directly or as a partner, stockholder, or officer of an organization that has a relationship with Mohawk); provided, however, that, a Director will not be determined to be independent if:

- (i) within the last three years, either the Director is or has been an employee of Mohawk or an immediate family member is or has been an executive officer of Mohawk;
- (ii) during any twelve-month period within the last three years, the Director or an immediate family member has received more than \$120,000 in direct compensation from Mohawk, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (iii)
  - (a) the Director is a current partner or an employee of Mohawk's internal or external audit firm;
  - (b) an immediate family member is a current partner of such audit firm;
  - (c) an immediate family member is a current employee of Mohawk's internal or external audit firm and personally works on Mohawk's audit; or
  - (d) within the last three years the Director or an immediate family member was either a partner at Mohawk's internal or external audit firm or an employee of such firm and personally worked on Mohawk's audit;
- (iv) within the last three years either the Director or an immediate family member was an executive officer of another company where any of Mohawk's executive officers at the same time served or serves on that company's compensation committee; or
- (v) the Director is a current employee or an immediate family member is a current executive officer of a company that had transactions with Mohawk in which the aggregate payments involved were greater than \$1,000,000 or 2% of the other company's consolidated gross revenues during any of the last three fiscal years.

For purposes hereof, the term "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person's home.

## **7) Service on Other Boards of Directors**

Prior to accepting an invitation to serve on another public company board of directors or committee of such board, Directors should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee. The Board believes that Directors should limit the number of other public company boards on which they serve, taking into account potential board attendance, participation and effectiveness on these boards.

**8) Directors Who Change Their Present Job Responsibility**

Directors who change the occupation they held when initially elected are expected to submit a letter of resignation to the Board. The Board does not believe that in every instance Directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, through the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under the changed circumstances.

**9) Term Limits**

The Board has determined not to establish term limits. Although term limits could help make fresh ideas and viewpoints available to the Board, they also could result in the loss of the valuable contribution of Directors who have been able to develop, over a period of time, increasing insight into Mohawk and its operations.

As an alternative, the Nominating and Corporate Governance Committee, in conjunction with the Chief Executive Officer, will formally review each Director's continuation on the Board shortly before the end of such Director's then-current term. This review shall be conducted in connection with the consideration of nominations to the Board at the stockholder meeting at which such Director's term shall expire.

**10) Retirement Age**

Subject to agreements that provide rights to designate directors, the Board believes that it is in the best interests of Mohawk that Directors offer to resign as of the end of the three-year term such Director is serving on their 75<sup>th</sup> birthday. Upon receipt of any such offer to resign, the Nominating and Corporate Governance Committee shall evaluate whether to accept such offer at its next regularly-scheduled meeting and provide its recommendation to the full Board, together with its recommendation for a potential replacement, if appropriate.

**11) Board Compensation**

Periodically, management shall report to the Compensation Committee the status of Mohawk Board compensation in relation to other comparable U.S. companies. In order to create a direct linkage with corporate performance, the Board believes that a meaningful portion of a Director's compensation should be provided in Mohawk common stock to further the direct correlation of director and stockholder interests.

Changes in the compensation of Directors, if any, should come at the suggestion of the Compensation Committee, but with full discussion and approval by the Board.

## **12) Executive Sessions of Non-Management Directors**

All Directors who are not members of Mohawk's management team (or independent director) shall meet in executive session outside the presence of the Chief Executive Officer and other Company personnel during a portion of each of the Board's in-person meetings. In addition, any non-management Director may call an executive session of non-management Directors at any time. The executive sessions shall be chaired on a rotating basis by the Chairmen of each of the Company's standing committees in the following order: Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee. All independent Directors shall meet in executive session outside the presence of Mohawk's management team and other Directors at least once on an annual basis.

## **13) Board's Interaction with Institutional Investors and Other Stakeholders.**

The Board believes that management speaks for Mohawk. From time to time, it may be desirable for individual Board members, at the request of management, to meet or otherwise communicate with various constituencies that are involved with Mohawk. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

## **14) Assessing the Board's Performance**

Following the end of each fiscal year and at the same time as the report on Board membership criteria, the Nominating and Corporate Governance Committee shall report to the Board an assessment of the Board's performance for consideration in its evaluation of itself and its committees.

This assessment should review the Board's contribution as a whole and areas in which the Board and/or management believes a better contribution is possible. Its purpose is to assess and, where possible, increase the effectiveness of the Board and its committees.

## **15) Director Resignation Policy to Address Majority Voting**

To address majority voting in Director elections under the Company's By-laws, the Board expects a Director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. As a result, Director nominees shall be required to tender irrevocable resignations that will be effective only upon (i) the failure to receive the required vote at a stockholder meeting at which they face re-election and (ii) Board acceptance of such resignation. In addition, the Board shall fill Director

vacancies and new directorships only with candidates who tender, promptly following their appointment to the Board, the same form of resignation tendered by other Directors in accordance with this policy. If an incumbent Director fails to receive the required vote for re-election, the Nominating and Corporate Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the director election results. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a Director's resignation. The Board expects the Director whose resignation is under consideration to abstain from participating in any decision regarding that resignation.

## **BOARD RELATIONSHIP TO SENIOR MANAGEMENT**

### **16) Board Access to Senior Management**

Board members have complete access to Mohawk's management. Board members should use judgment to be sure that any contacts are not distracting to the business operation of the Company. Furthermore, the Board encourages senior management, from time to time, to bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) represent managers with future potential that the senior management believes should be given exposure to the Board.

## **MEETING PROCEDURES**

### **17) Selection of Agenda Items for Board Meetings**

The Chief Executive Officer will establish the agenda for each Board meeting. The Chairman of the Board and/or the Chairman of the Nominating and Corporate Governance Committee will act as the Board's liaison with the Chief Executive Officer in the development of the agendas. Each Board member is free to suggest the inclusion of item(s) on the agenda. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

### **18) Board Materials Distributed in Advance**

Each Director is expected to attend all meetings of the Board and Committees on which the Director serves. In advance of each Board or Committee meeting, a proposed agenda and, to the extent feasible or appropriate, information and data that is important to an understanding of the business to be discussed, will be distributed. The management will make every attempt to see that this material is as brief as possible while still providing the desired information. When appropriate, the information distributed will include summaries or outlines of presentations to be given at the meeting. In this way,

meeting time may be conserved and discussion time focused on questions that the Board has about the material.

## **BOARD COMMITTEES**

### **19) Number, Structure and Independence of Committees**

Currently, Mohawk has three standing Committees, which are Audit, Compensation and Nominating and Corporate Governance. All members of these three standing committees shall be “independent” Directors within the meaning of Section 6 of these corporate governance guidelines.

### **20) Assignment of Committee Members**

The Nominating and Corporate Governance Committee shall, after consultation with the Chief Executive Officer and the Chairman of the Board, and with consideration of the desires of individual Board members, recommend to the full Board the assignment of Board members to the Committees.

### **21) Frequency and Length of Committee Meetings**

Committee Chairmen, in consultation with Committee members, will determine the frequency and length of Committee meetings. Each Committee shall meet at least as frequently as is required by the terms of such Committee’s charter.

### **22) Committee Agenda**

Committee Chairmen, in consultation with the appropriate members of senior management and staff, will develop the Committee’s agenda.

## **LEADERSHIP DEVELOPMENT**

### **23) Formal Evaluation of the Chief Executive Officer**

Each year, the Compensation Committee shall evaluate the performance of the Chief Executive Officer. In evaluating the Chief Executive Officer, such Committee shall take into consideration the executive’s performance in both qualitative and quantitative areas, such as: leadership and vision; integrity; keeping the Board informed on matters affecting Mohawk and its affiliated subsidiaries; performance of the business (including such measurements as total stockholder return and achievement of financial objectives and goals); development and implementation of initiatives to provide long-term economic benefit to Mohawk, including acquisitions; accomplishment of strategic objectives and development of management.

The evaluation will be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee and used by the Compensation Committee in

the course of its deliberations when considering the compensation of the Chief Executive Officer for the ensuing year.

**24) Succession Planning**

There should be an annual report by the Chief Executive Officer to the Board on succession planning. The Chief Executive Officer's recommendation for his or her successor (as the result of an unexpected event) should be communicated to the Chairman of the Nominating and Corporate Governance Committee. The Chief Executive Officer should update the recommendation periodically.