



H&R BLOCK®

CORPORATE GOVERNANCE GUIDELINES

(as of June 11, 2008)

The Board of Directors of H&R Block, Inc. (the “Board”) has adopted the following Corporate Governance Guidelines (the “Guidelines”) to assist the Board in exercising its responsibilities. The Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board level and management level, with a view to enhancing stockholder value over the long term. The Guidelines also assure that the Board will have the necessary authority and practices in place to review and evaluate the Company’s business operations as needed and to make decisions that are independent of the Company’s management. The Guidelines are subject to modification from time to time as the Board may find necessary or advisable.

Board Composition

- 1. Board Size.** The Board believes that it should generally have between seven to twelve directors, with the exact number to be determined by Board resolution. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability.
- 2. Selection of Board Members.** The entire Board is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Governance and Nominating Committee is responsible for identifying, screening and recommending candidates to the entire Board for Board membership.
- 3. Board Membership Criteria.** The Governance and Nominating Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Board takes into account many factors such as general understanding of various business disciplines (e.g., marketing, finance, information technology), the Company’s business environment, educational and professional background, analytical ability and willingness to devote adequate time to Board duties. The Board evaluates each individual in the context of the Board as a whole with the objective of retaining a group with diverse and relevant experience that can best perpetuate the Company’s success and represent shareholder interests through sound judgment.
- 4. Independent Directors.** Independent directors shall constitute a substantial majority of the Board. The Board is responsible for determining on an annual basis whether each director qualifies as an “independent director” pursuant to New York Stock Exchange listing standards.

5. **Director Orientation and Continuing Education.** The Board believes that director orientation is essential to valuable Board participation and decision making. To that end, the Company conducts an orientation program for new Board members designed to familiarize the new Board member with the Company's business operations, strategy and objectives, financial structure and corporate governance principles, as well as the role of the Board and its responsibilities and the structure of the Board and its committees. In addition, the Company conducts periodic Board educational meetings at which business unit leaders, support function leaders and outside subject matter experts present information regarding the Company's business operations, strategies and objectives and significant financial, accounting and risk management issues.

6. **Retirement and Tenure Policy.** The Board follows the following policies regarding the tenure of service as a member of the Board of Directors:

- (a) A director shall tender his or her resignation from the Board of Directors for consideration by the Governance and Nominating Committee when his or her principal employment or major responsibilities materially change. The Governance and Nominating Committee will recommend to the full Board of Directors the action, if any, to be taken with respect to the tendered resignation;
- (b) A director who is also an executive officer of the Company or an employee of the Company or any of its subsidiaries shall immediately tender his or her resignation from the Board of Directors for consideration by the Governance and Nominating Committee upon retirement or resignation as an executive officer of the Company or retirement or other termination of active employment with the Company or any of its subsidiaries. The Governance and Nominating Committee will recommend to the full Board of Directors the action, if any, to be taken with respect to the tendered resignation;
- (c) A director shall not serve as a member of the Board of Directors for a period or consecutive periods that extends beyond the twelfth annual shareholders meeting following the annual shareholders meeting at which such director was first elected to the Board by the Company's shareholders; and
- (d) A director must retire from the Board as of the annual meeting of shareholders next following such director's 75th birthday.

7. **Director Service on Other Boards.** Directors should not serve on more than three other boards of public companies in addition to the Company's Board and should give the Board prior notice before serving on the board of another public company. The Company's chief executive officer should not serve on more than one other board of a public company in addition to the Company's Board and should obtain Board approval prior to serving on the board of any public company.

8. **Selection of Chairman of the Board.** The Chairman of the Board, or in the absence of a Chairman of the Board, the Chief Executive Officer or President, presides at meetings of the Board of Directors. The Board may elect the Chairman

of the Board in accordance with the Company's bylaws and in the manner that it determines to be in the best interests of the Company's shareholders. It is the Board's policy that the Chairman of the Board be an independent director who has not served previously as an executive officer of the Company.

9. **Duties of Chairman of the Board.** The Chairman of the Board, among other things, (i) presides at, and chairs, Board meetings and meetings of shareholders, (ii) establishes agendas for each Board meeting in consultation with the chairmen of applicable committees of the Board, (iii) leads executive sessions of the Board, (iv) leads the Board in discussions concerning the president's or chief executive's officer's employment, performance evaluations and dismissal, (v) communicates and reviews with the Company's president or chief executive officer the Board's evaluation of the president or chief executive officer, and (vi) such other duties and responsibilities as requested by the Board.

Board Meetings; Involvement of Senior Management

10. **Board Meetings—Agenda.** Six regularly scheduled Board meetings generally are held each year, with additional regular or special meetings being held as circumstances warrant as determined by the Chairman of the Board or the Board. The Chairman of the Board sets the agenda for each Board meeting in consultation with chairmen of applicable committees of the Board and distributes the agenda in advance to each director, taking into account suggestions from other members of the Board.

11. **Advance Distribution of Materials.** All information and data that is relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting is distributed in writing or electronically to all members of the Board at least one week in advance when feasible. The advance information materials are kept as concise as possible while giving directors sufficient information to make informed decisions.

12. **Access to Employees; Independent Advisors.** The Board has access to Company employees to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. With the approval of the Chairman of the Board, management invites Company personnel to Board meetings at which their presence and expertise would help the Board have a full understanding of matters being considered. In addition, the Board and its Committees have access to, and authority to engage, independent advisors.

13. **Executive Sessions.** Each regular meeting of the Board includes an executive session at which no employee directors are present.

Performance Evaluation

14. **CEO Evaluation.** The non-employee directors, led by the Compensation Committee, conduct a review at least annually of the performance of the Chief Executive Officer. The non-employee directors establish the evaluation process and determine the specific criteria by which the Chief Executive Officer is evaluated.

The Chairman of the Board communicates and reviews with the Chief Executive Officer the results of the performance evaluation.

15. **Succession Planning.** The full Board of Directors works with the CEO to plan for CEO succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence.

16. **Board Evaluation.** The Board evaluates its performance on an annual basis through an evaluation process administered by the Governance and Nominating Committee.

Compensation

17. **Board Compensation Review.** The Governance and Nominating Committee reviews annually how the Company's director compensation practices compare with those of other comparable public companies. The Board determines its director compensation practices after the Governance and Nominating materials completes this review.

18. **Director Stock Ownership.** The Board believes that directors should have a significant financial stake in the Company so that their interests are aligned with those of the shareholders. To that end the Board has adopted stock ownership guidelines that set forth the Board's expectations that each director should own a number of shares of Company stock with a value that generally exceeds five times the director's annual retainer. Shares owned by a shareholder owning one percent or more of the Company's issued and outstanding common stock shall be attributed to any director who is affiliated with such shareholder for purposes of determining compliance with stock ownership guidelines.

Committees

19. **Number and Type of Committees.** The Board has four standing committees—an Audit Committee, a Compensation Committee, a Finance Committee and a Governance and Nominating Committee. The composition, duties and responsibilities of each committee are set forth in a Charter approved by the Governance and Nominating Committee and the Board of Directors. These committees are summarized briefly as follows:

- **Audit Committee.** The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities regarding (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence and (iv) the performance of the Company's internal audit function and independent auditor. The Audit Committee has sole responsibility for appointing, retaining, discharging or replacing the independent auditor (subject to Board ratification, as applicable), and the independent auditor reports directly to the Audit Committee.

- Compensation Committee. The Compensation Committee is responsible for reviewing, and making recommendations to the Board regarding, compensation of the Company's executive officers. The Compensation Committee leads the performance evaluation of the Chief Executive Officer based on established goals and objectives and makes recommendations to the Board regarding the Chief Executive Officer's compensation based on this evaluation.
- Finance Committee. The Finance Committee is responsible for overseeing the financial affairs of the Company. It monitors the Company's present and future capital requirements and makes recommendations to the Board regarding the Company's financial policies and other financial matters.
- Governance and Nominating Committee. The Governance and Nominating Committee is responsible for corporate governance matters such as (i) identifying qualified Board of Director candidates, (ii) selecting (or recommending for selection) director nominees for the next annual shareholder meeting, (iii) developing and recommending the Company's corporate governance principles, (iv) overseeing the evaluation of the Board of Directors, and (v) reviewing, and making recommendations regarding, outside director compensation.

The Board may add new committees or remove existing committees as it deems advisable, subject to New York Stock Exchange listing guidelines.

20. **Composition of Committees; Committee Chairpersons.** Each of the Audit, Compensation, and Governance and Nominating committees consists solely of independent directors, and the Finance Committee must consist solely of non-employee members of the Board. The Board is responsible for appointing committee members and committee chairpersons, pursuant to recommendations made by the Governance and Nominating Committee and applicable laws and rules.

Other Governance Practices

21. **Shareholder Vote on Executive Compensation.** It is the Company's practice to present at the annual meeting of shareholders a resolution calling for an advisory vote on overall executive compensation programs, including the linkage of overall pay to performance

22. **Meetings with Shareholders.** It is the Board's practice to invite significant shareholders to meet with the Board to express shareholder views and matters of interest or concern regarding the Company. Such meetings are held on an annual basis.

23. **Compensation Recoveries in Cases of Financial Restatement.** In the event of a restatement to the Company's financial results, the Board has the authority to seek reimbursement of any portion of performance-based or incentive compensation paid, vested or awarded in any previous year that is greater than would have been paid or awarded if calculated based on the restated financial results.