

## **YAHOO! INC.**

### **Charter for the Audit and Finance Committee of the Board of Directors**

**As of April 14, 2011**

#### **I. PURPOSE OF THE COMMITTEE**

The purpose of the Audit and Finance Committee (the “Committee”) of the Board of Directors (the “Board”) of Yahoo! Inc. (the “Company”) shall be to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company. In this regard, the Committee assists the Board in oversight of (i) the integrity of the Company’s financial statements, (ii) the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company, (iii) the Company’s compliance with legal and regulatory requirements, (iv) the independent auditors’ qualifications and independence, (v) the performance of the Company’s internal audit function and independent auditors and (vi) certain financial activities.

While the Committee has the duties and responsibilities set forth in this charter, the Committee’s responsibilities are limited to oversight. The Committee is not responsible for planning or conducting the audit or determining whether the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. The Company’s management is responsible for preparing the financial statements and the independent auditors are responsible for auditing those financial statements. The Committee does not itself prepare financial statements or perform audits or auditing services, and its members are not auditors, certifiers of the Company’s financial statements or guarantors of the Company’s independent auditors’ reports. It is not the duty or responsibility of the Committee to ensure that the Company complies with all laws and regulations. Management is also responsible for executing the Company’s risk management, treasury and financial operations. Each member of the Committee shall be entitled to rely on (a) the integrity of those persons and organizations within and outside of the Company from which it receives information, (b) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (c) representations made by management as to any audit and non-audit services provided by the independent auditors to the Company.

The independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report for inclusion in the Company’s Annual Report on Form 10-K is referred to herein as the “independent auditors.” The independent auditors for the Company are accountable to the Board and the Committee, as representatives for the stockholders. The Committee has the ultimate authority and responsibility to retain and terminate the Company’s independent auditors in connection with the provision of all audit and non-audit related services.

This Charter is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and Bylaws, it is not intended to establish by its own force any legally binding obligations.

## **II. COMPOSITION OF THE COMMITTEE**

The Committee shall be comprised of at least three members of the Board each of whom has been affirmatively determined in the business judgment of the Board to qualify as an independent director ("Independent Director") under (a) the rules of The NASDAQ Stock Market LLC ("Nasdaq") and the Securities and Exchange Commission (the "SEC"), including, as applicable, the standards set forth under Rule 10A-3 ("Rule 10A-3") of the Securities Exchange Act of 1934 (the "Exchange Act") (the rules of Nasdaq and Rule 10A-3, taken together, "Applicable Listing Rules") and (b) the Company's Corporate Governance Guidelines. The members of the Committee will be appointed by and serve at the pleasure of the Board.

Each member of the Committee shall meet the financial literacy requirements of Nasdaq. In addition, at least one member of the Committee should be an "audit committee financial expert," as such term is defined in the rules and regulations promulgated by the SEC. The name of the person(s) designated as "audit committee financial expert" (or, if no member of the Committee is an "audit committee financial expert", the reasons why the Committee does not have a member who is an "audit committee financial expert"), and whether such "audit committee financial expert(s)" are independent of management shall be disclosed in the Company's public filings as required under Applicable Listing Rules and applicable law.

No director may serve as a member of the Committee if such director serves on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee.

Vacancies on the Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy or by unanimous written consent of the Board. No member of the Committee shall be removed except by majority vote of the Board.

## **III. MEETINGS AND PROCEDURES OF THE COMMITTEE**

The Committee may fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The Committee shall meet at least once each quarter or more frequently as circumstances or such rules of procedure as it may adopt require. The Committee will meet with the independent auditors and the Company's internal auditor upon the completion of the annual audit to review the

independent auditors' examination and any management letter issued by the independent auditors to the Company.

The Committee shall meet periodically in separate executive sessions with management, the independent auditors and the Company's internal auditor of the Company to discuss any matters that the Committee or any of these persons or firms believes should be discussed privately, and shall have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate.

The Board may designate one member of the Committee as its Chairperson and in the absence of any such designation by the Board, the Committee shall designate by majority vote of the full Committee one member of the Committee as its Chairperson. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

The Committee shall regularly report to the Board on Committee findings, recommendations and other matters the Committee deems appropriate or the Board requests. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

#### **IV. COMMITTEE RESPONSIBILITIES**

In carrying out its duties and responsibilities, the Committee's policies and procedures should remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions. The following are within the authority of the Committee:

##### **Supervise the Independent Audit**

1. Appoint, retain, compensate, evaluate (taking into account the opinions of management), terminate and oversee the work of, in its sole discretion, the Company's independent auditors, which firm shall report directly to the Committee.
2. Review and, in its sole discretion, approve the Company's independent auditors' annual engagement letter, including all proposed fees contained therein, and pre-approve all audit and permitted non-audit engagements and relationships between the Company and such independent auditors (which approval should be made after receiving input from the Company's management) as set forth in

- Section 10A of the Exchange Act and the rules and regulations promulgated thereunder by the SEC.
3. Obtain at least annually from the Company's independent auditors and review a written report describing:
    - (a) the independent auditors' internal quality-control procedures; and
    - (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authority (including the Public Company Accounting Oversight Board ("PCAOB")), within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues.
  4. Oversee the independence of the Company's independent auditors by, among other things:
    - (a) reviewing a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with the applicable requirements of the PCAOB;
    - (b) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and taking appropriate action to satisfy itself of the auditors' independence;
    - (c) considering whether, in addition to assuring the regular rotation of the lead audit partner as required by law, there should be a rotation of the Company's independent auditors; and
    - (d) approving hiring policies by the Company for hiring employees or former employees of the Company's independent auditors.
  5. Obtain and review the annual audit plan of the Company's independent auditors, including the scope of audit activities, and monitor such plan's progress and results during the year.
  6. Review the results of the year-end audit of the Company, including any comments or recommendations of the Company's independent auditors.
  7. Attempt to resolve any and all disagreements between the Company's independent auditors and management regarding financial reporting.

## **Oversee Internal Audit, Internal Controls and Financial Risk Management**

8. Review and discuss with management and the independent auditors, periodically, the following:
  - (a) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial information;
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
  - (c) any changes in internal controls or in other factors that could materially affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.
9. Review:
  - (a) the adequacy and effectiveness of the Company's accounting and internal control policies and procedures on a regular basis through inquiry and discussions with the Company's independent auditors, internal auditor and management of the Company; and
  - (b) the yearly reports prepared by management and the Company's independent auditors, assessing the effectiveness of the Company's internal controls, prior to their inclusion in the Company's annual report.
10. Review with management the Company's administrative, operational and accounting internal controls, including any special audit steps adopted in light of the discovery of any material weaknesses, and evaluate whether the Company is operating in accordance with its prescribed policies, procedures and codes of conduct.
11. Periodically review management's financial risk assessment and financial risk management policies, and the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
12. Review the responsibilities, budget, projects and staffing of the Company's internal audit function and consult with management regarding the appointment, reassignment, replacement, compensation or dismissal of the head of internal audit.
13. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees

of the Company of concerns regarding questionable accounting or auditing matters.

### **Oversee Financial Reporting**

14. Review with management, the Company's independent auditors and the Company's internal auditor, the following:
  - (a) the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", and any major issues related thereto;
  - (b) critical accounting policies and such other accounting policies of the Company as are deemed appropriate for review by the Committee prior to the filing of any annual or quarterly financial statements with the SEC or other regulatory body, including any financial reporting issues which could have a material impact on the Company's financial statements;
  - (c) major issues regarding accounting principles and financial statements presentations, including (A) any significant changes in the Company's selection or application of accounting principles and (B) any analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the ramifications and effects of applying alternative accounting treatments within generally accepted accounting principles in the preparation of the Company's financial statements, and the treatment preferred by the auditors;
  - (d) all other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences; and
  - (e) the effect of regulatory and accounting initiatives on the financial statements of the Company, as well as any material financial or non-financial arrangements that are not disclosed in the financial statements of the Company.
15. Review on a regular basis with the Company's independent auditors any problems or difficulties encountered by the independent auditors in the course of any audit work, including management's response with respect thereto, any restrictions on the scope of the independent auditors' activities or on access to requested information and any significant disagreements with management. In connection therewith, the Committee may consider reviewing with the independent auditors the following:

- (a) any accounting adjustments that were noted or proposed by the independent auditors but were rejected by management (as immaterial or otherwise);
  - (b) any significant communications between the audit team and the independent auditors' national office respecting auditing or accounting issues presented by the engagement; and
  - (c) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company.
16. Receive periodic reports from the Company's independent auditors and management of the Company to assess the impact on the Company of significant accounting or financial reporting developments that may have a bearing on the Company.
17. Review the Company's earnings press releases, as well as financial information and earnings guidance provided by the Company to analysts and rating agencies (which review may be done generally (i.e., discussion of the types of information to be disclosed and type of presentations to be made), it being understood that the Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance).
18. Recommend to the Board whether to include the audited annual financial statements in the Company's Annual Report on Form 10-K to be filed with the SEC.

#### **Oversee Certain Financial Activities**

19. Review and discuss with management and, when appropriate, make recommendations to the Board regarding the following:
- (a) the capital structure of the Company;
  - (b) the Company's cash management, including working capital and cash flow management, and management of interest rate and foreign exchange risk;
  - (c) the Company's dividend policy and stock repurchase programs;
  - (d) the Company's investment policy, including investment philosophy, allocation of investment portfolio and management of investment risk (it being understood that approval of individual strategic investments rests with the Transactions and Strategic Planning Committee and not with this Committee);
  - (e) the Company's tax program, including tax planning and compliance;

- (f) the Company's insurance risk management policies and programs;
- (g) the Company's relationships with analysts, investment banks and stockholders when determined appropriate.

### **Oversee Legal & Ethical Compliance**

- 20. Meet periodically with the General Counsel, and outside counsel when appropriate, to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of the Company.
- 21. Review the Company's program to monitor compliance with the Company's Code of Ethics, including approval of outside board memberships for the Company's executive officers and directors, and meet periodically with the Company's General Counsel or Chief Compliance Officer to discuss compliance with such Code.
- 22. Review and oversee any "related party transactions" as such term is defined by Nasdaq in accordance with the Company's Related Party Transaction Policy adopted by the Committee.

### **Minutes and Reports**

- 23. The Committee will, to the extent deemed appropriate, record summaries of its recommendations to the Board in written form that will be incorporated as a part of the minutes of the Board. In connection therewith, the Committee should review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.
- 24. The Committee will prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

## **V. EVALUATION OF THE COMMITTEE**

The Committee shall, on an annual basis, evaluate its performance under this Charter and evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. As part of its evaluation, the Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The results of the evaluation shall be reported to the Board, orally or in writing, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

## **VI. DELEGATION OF AUTHORITY**

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; *provided, however*, that no subcommittee shall consist of fewer than two members; and *provided further* that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

## **VII. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, at the Company's expense, such independent expert advice to the extent the Committee determines it to be appropriate, including retaining, with or without Board approval, and terminating independent counsel, accountants, consultants or others, to assist the Committee in fulfilling its duties and responsibilities.