

**G&K SERVICES, INC.  
COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS**

**CHARTER  
August 31, 2004**

**I. PURPOSE**

The primary function of the Compensation Committee (the "Committee") is to assist the Board of Directors (the "Board") of G&K Services, Inc. (the "Company") in fulfilling its responsibility to shareholders relating to compensation philosophy and practices for Directors (the "Directors"), and Executive Officers and Executives at the VP level and above (the "Executives"), and review of employee compensation and benefits plans. The Committee has overall responsibility for reviewing, approving, and evaluating, for recommendation to the Board, the executive compensation policies and plans of the Company and to ensure compliance with all applicable rules and regulations. In addition, the Committee has responsibility to produce an annual report on executive compensation for inclusion in the proxy statement in accordance with applicable rules and regulations.

The guiding principle of the Compensation Committee is to provide compensation and benefits plans that enable the Company to retain and motivate a high-performing team that will create long-term shareholder value.

**II. COMPOSITION**

The Committee will be comprised of two or more Directors determined by the Board, each of whom will be independent directors (as defined in the applicable rules for NASDAQ-traded issuers and any other applicable body).

The members of the Compensation Committee and the Chairman of the Compensation Committee will be elected by the Board at the annual organizational meeting of the Board or until their successors will be duly elected and qualified. Committee member qualifications include business acumen, financial savvy and strategic planning skills. Other desired qualifications include experience in corporate governance, executive compensation, employee benefits and human resources.

**III. MEETINGS**

The Committee will formally meet at least two times annually or more frequently as circumstances dictate. All meetings will be held pursuant to the bylaws of the Company, and written minutes of each meeting will be duly filed in the Company's records. The Committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent. Reports of meetings of the Committee will be made to the Board at its next regularly scheduled meeting following the Committee meeting accompanied by any recommendation to the Board approved by the Committee.

## **IV. RESPONSIBILITIES AND DUTIES**

The principal responsibilities and duties of the Committee are as follows:

### ***Overall Policy***

The Committee will review and approve, for recommendation to the Board, Director and Executive remuneration policies and practices to ensure there is a strong link between the interests of shareholders and Directors and Executives, that Directors and Executives are rewarded appropriately for their contributions to the company growth and profitability, that Executive compensation strategy supports the Company's objectives and shareholder interests, and that plans, practices and policies comply with all applicable rules and regulations.

In consultation with the Chief Executive Officer (the "CEO"), the Committee will oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.

### ***Executive Compensation***

Based upon performance evaluations and competitive market practices, the Committee will have the authority to review and approve, for recommendation to the Board, the compensation (including cash compensation, bonuses, incentive and equity compensation) of the Executives.

### ***Management Incentive Plan(s):***

Subject to the terms of any existing employment agreements, the Committee will approve, for recommendation to the Board, (a) eligibility criteria and performance targets for the Management Incentive Plan and (b) awards granted under the Management Incentive Plan for all Executives.

### ***Equity-Based Compensation***

The Committee will:

- Review and approve, for recommendation to the Board, terms and conditions of new equity based compensation programs as well as any major amendments to existing programs.
- Ensure that equity based compensation programs are submitted for shareholder approval in accordance with all applicable rules and regulations.
- Review, amend and approve, for recommendation to the Board, awards under the Company's equity based compensation programs.
- Establish such stock ownership guidelines for Executives as the Committee may deem appropriate, in accordance with all applicable rules and regulations.

***Benefit Plans:***

The Committee will:

- Have the authority to (a) adopt new plans and amend or terminate any of the Company's existing retirement plans in any manner not prohibited by such plan or applicable law; and to appoint and remove any fiduciaries responsible for operating and administering such retirement plans; and (b) delegate to the Retirement Committee the authority to amend such retirement plans by any of the Company's newly formed or acquired subsidiaries.
- Periodically review retirement plans in accordance with their fiduciary responsibilities, to ensure compliance with all applicable rules and regulations.
- Review, amend and approve, for recommendation to the Board, such other plans or programs as may be submitted to the Committee from time to time by the CEO.

***Employment Agreements:***

The Committee will approve any employment agreements, severance arrangements and/or change-in-control arrangements as well as any special or supplemental benefits, including hiring and promotional packages, for the Chairman and the CEO of the Company. In addition, the Committee will review any other special situation where, at the discretion of the CEO, the advice and/or approval of the Compensation Committee is requested.

***Annual Report:***

The Committee will prepare for each fiscal year, in accordance with the proxy rules of the Securities and Exchange Commission, a report that discusses the Committee's general policies with respect to executive compensation, including the specific relationship of corporate performance to Executive compensation, and the bases for the CEO's compensation for the fiscal year, including the performance factors used to determine such compensation.

***Additional Assignments:***

The Committee will perform such other functions as required by law, the Company's Articles of Incorporation or Bylaws, or the Board. Within the scope of its duties, the Committee will investigate or have investigated any variance or matter of concern brought to its attention.

**V. AUTHORITY**

The Committee will have the authority and resources to select, retain, terminate and approve the fees of outside consultants, experts and other advisors as it determines appropriate to assist in the performance of its functions.

**VI. CHARTER REVIEW**

The Committee will annually review and reassess the adequacy of this Charter and submit any changes to the Board for approval.

## **VII. ANNUAL COMMITTEE PERFORMANCE EVALUATION**

The Committee will conduct an annual evaluation of Committee performance and report the evaluation results to the Board. The evaluation will compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. The evaluation will be conducted in such a manner as the Committee deems appropriate. The evaluation report may take the form of an oral report by the Chair of the Committee or any other Committee member designated by the Committee to make this report. The report to the Board will include recommended changes to this Charter deemed necessary or desirable by the Committee.