# ANGELICA CORPORATION

## CORPORATE GOVERNANCE GUIDELINES

## ADOPTION

The Board of Directors of Angelica Corporation, has adopted these Corporate Governance Guidelines, effective October 29, 2002.

### OBJECTIVES

It is the objective of these Corporate Governance Guidelines to provide a framework within which the Board of Directors and Management will fulfill their respective responsibilities to see that the Company establishes and achieves goals and objectives that are designed to optimize shareholder value, and to insure that those goals and objectives are achieved ethically and in accordance with applicable laws.

### THE ROLE OF THE BOARD OF DIRECTORS

All corporate authority resides, ultimately, with the Board of Directors as the representative of the Shareholders. However, while the Board retains oversight responsibility, certain of that authority is necessarily delegated by the Board to Management in order to enable Management to develop and implement the Company's Strategic Plans and annual operating plans, and to conduct the Company's day-to-day activities. The Board diligently monitors Management's performance in that regard but responsibility for conducting the Company's day-to-day operations rests with Management.

While certain authority is delegated by the Board to Management, certain other authority belongs uniquely and exclusively to the Board. The following authority, and the related responsibilities, are retained by the Board and/or its Committees and are not to be delegated.

- Perhaps the single most important duty of the Board is the selection and evaluation of the Chief Executive Officer. Additionally, the Board is responsible for the approval and appointment of the members of the senior executive management team reporting directly to the CEO, based upon the recommendations of the CEO. The Board will determine the compensation of the CEO and will approve the compensation of those members of the senior executive management team who report directly to the CEO.

- The Board will plan for succession of the CEO and will assist the CEO in succession planning for other senior executives.

- The Board will develop and maintain policies and principles for the selection of the CEO, for evaluating his or her performance and for determining a successor in the event the CEO retires, resigns, is terminated or otherwise becomes unable to perform the duties of the CEO. These policies and principles will address, at a minimum, the following:

- The principal duties and responsibilities of the CEO, and the key measure of the CEO's performance.
- The required skills and experience for the CEO, including: (i) required functional skills and competencies; (ii) required non-technical skills and attributes to insure compatibility with the Company's cultural principles; (iii) required managerial skills; and (iv) required educational qualifications.
- The methods by which successor candidates will be identified.
- The possible successor candidates inside and outside the Company.

- Through its Corporate Governance & Nominating Committee, it is the responsibility of the Board to identify, evaluate and nominate candidates for election as members of the Board and to oversee the composition, structure, practices and operations of the Board, including its Committees.

- The Board is responsible for overseeing and understanding the Company's Strategic Plans from their inception, and through their development and execution by Management. Once the Board has reviewed the Company's Strategic Plans, the Board will monitor and evaluate Management's implementation of those Plans.

- The Board is responsible for overseeing and understanding the Company's annual operating plans and budgets as prepared by Management. The Board will regularly monitor Management's performance in terms of achieving these plans and budgets and in terms of coordinating these annual plans with the Company's Strategic Plans.

- Responsibility for the preparation of financial statements and reports rests with Management. However, the Board, either directly or through its Audit Committee, will take reasonable steps to determine that the statements and reports accurately and fairly present the Company's financial condition and the results of its operations.

- Through its Audit Committee, the Board is responsible for engaging a qualified and independent accounting firm as external auditors to audit the Company's financial statements and for maintaining regular communications with that firm with regard to the Company's financial condition and reporting.

- The Board is responsible for approving those specific actions required by law to be approved by the Board, as well as such other actions that are required by the Company's policies or practices to be approved by the Board.

- The individual members of the Board offer a wealth of experience and a wide range of expertise and perspective. The Board will provide guidance and counsel to Management during Board and Committee meetings, and will be available for less formal consultations with the CEO.

## THE ROLE OF MANAGEMENT

It is the responsibility of the Chief Executive Officer, along with other senior executives under his or her direction, to conduct the day-to-day operations of the Company, effectively, legally and ethically. This requires that they be aware of the material risks and issues faced by the Company and that they carefully supervise the Company's financial reporting systems and processes. The authority delegated by the Board to Management includes the following.

- Management is responsible for developing the Company's Strategic Plans and for presenting those plans to the Board for its review. Once the Board has completed its review, Management is responsible for implementing the strategic plans through appropriate tactical actions.

- With the Company's Strategic Plans as guidance, Management has responsibility for developing the Company's annual operating plans and budgets for presentation to the Board. Once these plans and budgets have been reviewed by the Board, Management is responsible for their implementation.

- Management is responsible for conducting the day-to-day operations of the Company. With a thorough knowledge of how the Company operates and adds value for its constituencies, Management will carry out the Company's Strategic Plan within the annual operating plans and budgets reviewed by the Board.

- Management is responsible for operating the Company in an ethical manner. Management is not to place individual or personal interests before those of the Company or its Shareholders. To help fulfill these responsibilities:

  - The CEO will be a person of high integrity and will take responsibility for seeing to it that the Company adheres to high ethical standards. Along with other senior executives, the CEO will set and maintain a strong, ethical "tone" at the top of the Company's organization to instill an ethical culture.

  - Management will maintain and publish a written ***Code of Conduct and Ethics*** that will include appropriate procedures for enforcement and a mechanism that allows employees to report suspected violations without risk of retaliation or reprisal. At least annually, those Associates in positions of material responsibility or authority, as well as each Director, will be asked to execute an affirmation of their compliance with the ***Code of Conduct and Ethics*** and to disclose actual or possible exceptions of which they are aware.

- Management, particularly the CEO and the other senior executives, is responsible for selecting qualified managers and for formulating an organizational structure that functions efficiently and that is appropriate for the Company's needs and circumstances. Additionally, Management is responsible for maintaining a work environment designed to attract, retain and motivate qualified Associates.

- Management will identify and manage risks faced by the Company in the course of carrying out its business operations. Annually, a risk assessment will be prepared by the Company's external audit firm for purposes of its audit and presented to Management and the Audit Committee for consideration and appropriate action.

- Management is responsible for the integrity of the Company's financial reporting systems and controls. Management will develop and maintain internal audit functions as well as other systems and controls that allow the Company to produce financial statements that fairly present the Company's financial condition and that enable investors to understand the Company's business and the risks associated with its operations. The CEO and Chief Financial Officer will execute certifications as to the Company's financial statements in such form as is determined appropriate in order to fulfill the certification obligations imposed by the Securities and Exchange Commission, the New York Stock Exchange or any other regulatory bodies.

- Management is responsible for establishing and maintaining internal controls to ensure that material information relating to the financial condition and operations of the Company and its consolidated subsidiaries is made known to Management by others within the Company and its subsidiaries. Management is responsible for periodically evaluating such internal controls to ensure their effectiveness and to identify any weaknesses that could adversely affect the Company's ability to record, summarize, process or report data concerning the financial condition and operations of the Company and its consolidated subsidiaries.

## COMPOSITION OF THE BOARD OF DIRECTORS

### ***Size***

While boards of directors throughout corporate America vary greatly in the number of members, the Company believes strongly that smaller boards are often more cohesive and work more effectively together and with Management. While the Board will, from time to time, and in accordance with the Company's governing documents and applicable law, determine the optimal size of the Board, it is expected that the effectiveness of the Board will be optimized if comprised of not fewer than seven (7) nor more than ten (10) members.

### ***Core Competencies of the Board***

The Board's role is complex and its responsibilities varied. In order to fulfill its obligations, the Board as a whole will possess certain core competencies, with each member contributing particular knowledge, expertise or experience in one or more of the following:

- *Strategy and Vision* – A key role of the Board is to evaluate the Company's Strategic Plans, as well as its annual operating plans and budgets. The Board will possess the capability to provide insight, guidance and direction to Management by encouraging innovation, conceptualizing key trends, evaluating strategic decisions and continuously challenging Management to sharpen its business strategy and vision.

- *Accounting and Finance* – Among the most important missions of the Board is to insure that shareholder value is enhanced through the Company's performance and is protected by adequate internal financial controls. The Board will possess expertise in financial accounting and corporate finance.

- *Business Judgment* – Shareholders rely on the Board to make sensible choices and to reach reasonable decisions on their behalf. The Board will have a record of making sound business decisions.

- *Management* – To monitor Management's performance, the Board will understand management trends in general, and industry trends in particular. The Board will understand and stay current with general management "best practices" and the application of those practices to the Company's business.

- *Crisis Response* – Organizations inevitably experience both short and long-term crises. The ability to deal effectively with crises can limit the negative impact upon the organization's performance. The Board will have the ability and willingness to perform an increased role on behalf of the Company during times of such crisis.

- *Industry Knowledge* -- Business organizations frequently face new opportunities and challenges unique to their industry. The Board will develop and maintain an appropriate level of relevant, industry-specific knowledge.

- *International Matters* – To succeed in an increasingly global economy, it is important for any business organization to have at least a general knowledge of foreign markets and international matters that affect business. This is true whether or not the organization actually maintains international operations. The Board will have an appreciation for global business trends that might affect the Company's business or financial condition.

***Attributes of Individual Directors***

The Board of Directors brings to the Company a broad range of experience, knowledge, expertise and judgment. In fulfilling his or her obligations as a Director, each member of the Board is expected to maintain an attitude of constructive skepticism; each is expected to ask incisive, probing questions and should expect honest answers from Management; each is expected to act with high integrity and to consistently demonstrate a commitment to the Company and its business plans, with a primary focus upon adding shareholder value. Each Director will demonstrate the following attributes:

- *Integrity and Accountability* – Positive character traits will be a primary consideration in evaluating any Director. Each Director will demonstrate high ethical standards and integrity in his or her personal and professional dealings and will be willing to act upon and remain accountable for his or her Boardroom decisions.

- *Informed Judgment* – Each Director will provide wise, thoughtful counsel to Management on a wide range of issues. Each Director will review in advance relevant materials relating to the Company's business and take such other actions as are necessary to prepare for meetings of the Board and its committees.

- *Financial Literacy* – An important role of each Director is to monitor the Company's financial performance. Each Director will be financially literate. This includes the ability to understand and interpret financial statements and reports so as to correctly evaluate the Company's performance.

- *Mature Confidence* – A board of directors functions best when its members value the collective performance over individual performance. Each Director will be open to other opinions and will rank the willingness to listen at least as highly as the ability to communicate. Directors will address each other with respect, and will actively support and contribute to the open and candid discussion of issues.

- *Passion* – Directors will exhibit passion about the Company and its performance. This passion is expected to manifest itself through regular attendance at meetings of the Board and its Committees, and lively debate about the Company and its future.

***Independence***

The Company can be well served either by a structure in which the CEO also serves as the Chair of the Board of Directors, or one in which those positions are held by different individuals. It is vital that the Board of Directors preserve the flexibility to determine the structure that best suits the Company's changing needs and circumstances. This can be particularly critical in facilitating succession planning and the orderly transition of senior leadership.

At the same time, it is critical that the Board reflect a substantial degree of independence from Management, both in fact and in appearance. Accordingly, while the Board will determine, from time to time, the number of inside Directors that will be permitted, a substantial majority of the Board will remain independent, outside Directors.

Independence depends not only on the personal, employment and business relationships of each Director, but also upon the Board's overall relationship with, and attitude toward, Management. Providing objective, independent judgment is at the core of the Board's oversight responsibilities. The Board, and each outside Director, will reflect this independence. The following factors will be applied in evaluating independence.

- Has the Director been employed by the Company in an executive capacity during the past three year period?

- Is the Director, or any entity with which he or she is affiliated, compensated by the Company (aside from his or her role as a Director), or by any member of Management, as an advisor or consultant?

- Is the Director affiliated with a significant customer or supplier of the Company?

- Is the Director, or any entity with which he or she is affiliated, under contract to provide personal or professional services to the Company or to any member of Management?

- Is the Director affiliated with any particular not-for-profit organization to which the Company makes significant contributions?

- Has the Director had a business relationship with the Company during the past three year period (other than his or her role as a Director), which the Company is, or will be, required to disclose publicly to the Securities and Exchange Commission, or otherwise?

- Is the Director employed by any publicly-traded corporation for which a member of the Company's Management serves as a director?

- Has the Director had a relationship with any affiliate of the Company of the types described above?

- Is the Director an executive officer or an employee of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million or 2% of such other company's consolidated gross revenues during the past three year period?

- Is the Director a member of the immediate family of any person who has had a relationship with the Company or any of its affiliates, of the types described above?

An affirmative finding that any of the above factors exist could place into doubt, either in fact or in appearance, whether the Director exhibits the requisite degree of independence. It is a responsibility of the Board to regularly assess each Director's independence and to take appropriate actions in any instance in which, in the Board's judgment, the requisite independence has been compromised.

***Changes in Professional Affiliations***

If a Director changes employment or suffers a substantial reduction in his or her role with his or her current employer; retires from full time employment; or experiences some other significant change in his or her professional affiliation, the Director is expected to promptly report that change to the Board. It is appropriate that the Director also offer for consideration, at that time, his or her resignation from the Board.

It is the Board's responsibility to evaluate the change in that Director's professional affiliation and to determine whether he or she is expected to continue to make contributions as a member of the Board of Directors. Based upon that determination, the Board will either accept the Director's resignation or ask that the Director withdraw his or her resignation and remain a Director of the Company.

***Other Directorships***

Each Director understands that a significant commitment of time is required to be a fully participating and effective member of the Company's Board. Accordingly, it is expected that no outside Director will serve as a director for more than three other publicly-traded corporations while serving as a Director of the Company; provided, that in determining whether an exception to this guideline is warranted, the Board will take into consideration whether a Director is otherwise retired from full time employment and, thereby, better able to accommodate additional directorships.

It is further expected that no outside Director will serve on the Company's Audit Committee while serving on the audit committees of more than two other publicly traded corporations. In determining whether an exception to this guideline is warranted, the Board will take into consideration whether a Director is otherwise retired from full time employment and, thereby, better able to accommodate the duties of additional audit committee memberships.

Similarly, it is expected that no inside Director will serve as a director of any more than two other publicly-traded corporations. Other senior executives of the Company are expected to limit their service as a director to not more than one other publicly-traded corporation.

Directors and senior executives will notify the Secretary of the Company prior to accepting any other directorship of publicly-traded corporations so that a determination regarding conflicts of interest can be made.

### *Compensation of Directors*

It is the Company's firm belief that a significant portion of an outside Director's compensation should be in the form of Common Stock of the Company in order to more closely align the interests of the Director with those of the Company and the Shareholders.

Outside Directors will be compensated in accordance with the Schedule of Fees for Outside Directors as adopted, from time to time, by the Board and then in effect. The Schedule of Fees will provide for an annual retainer payment as well as separate meeting fees based upon a Director's attendance or participation in Board and Committee meetings. The annual retainer fee will be paid in the form of Common Stock of the Company. Additionally, the Directors will participate in such stock option plans, deferred compensation plans and other compensation plans that may, from time to time, be determined by the Board to be appropriate.

The Schedule of Fees for outside Directors is established with an appropriate balance of short-term and long-term incentives so as to attract and retain top quality Directors. Our Director compensation program is intended to motivate Directors in a manner consistent with the desire to increase shareholder value and to be competitive with other companies of similar size.

### *Service Limitations*

As specified by the Company's by-laws, a Director must be under the age of 72 at the time he or she is elected or reelected. Should a Director attain the age of 72 prior to the expiration of his or her then current term, he or she will continue to serve until the next Annual Meeting of Shareholders, at which time that Director's seat on the Board will become vacant. However, and also as specified by the Company's by-laws, the Board may, by majority vote, and on a case by case basis, elect to waive this age restriction. It is expected, however, that such action will not be taken by the Board except under extraordinary circumstances in which the Board has determined that it is in the best interests of the Company and its Shareholders to do so.

### *Director Orientation and Education*

To promote Director effectiveness, Management will provide new Directors with orientation materials that will include information concerning the policies and procedures of the Board and the operations of the Company and will arrange meetings with key members of

Management and visits to the Company's offices and facilities. In addition, from time to time Management will advise, or invite outside experts to advise, the Board on its responsibilities, Management's responsibilities and developments with respect to corporate governance and corporate practices and will encourage Directors to attend director education programs.

## OPERATIONS OF THE BOARD OF DIRECTORS

Service on the Company's Board demands a significant commitment of time on the part of each Director. In addition to the time required to attend and participate in regular and special meetings of the Board and of its Committees, considerable time is devoted to reviewing relevant materials relating to the Company's business and preparing for meetings of the Board and its Committees. Accordingly, the Board, with Management's assistance and cooperation, will strive to find ways to make the operation of the Board as effective and efficient as possible.

### ***Committees***

The Board will adhere to a structure that takes full advantage of committees in order to address key issues and activities in more depth than what might otherwise be possible by the entire Board acting as a whole. This structure will include the following standing committees: (i) Audit; (ii) Corporate Governance and Nominating; and (iii) Compensation. Additionally, the Board will, from time to time, establish other special committees that it deems necessary or appropriate to address special projects, issues or concerns.

Membership on each Committee will be determined by the full Board based upon nominations or recommendations from the Corporate Governance and Nominating Committee. Similarly, upon designating the members to a particular Committee, the Board will appoint the Committee's Chair.

All standing Committees will be comprised exclusively of outside, independent Directors.

The responsibilities of each of the standing Committees will be defined in a written charter to be prepared by that Committee and approved by the Board. Each Committee will annually review its charter and propose to the Board for approval such revisions deemed appropriate.

### ***Meetings***

A schedule of regular meetings of the Board will be established prior to the beginning of each year and approved by the Board. Additionally, the Audit, Corporate Governance and Nominating and Compensation Committees will each meet regularly throughout the year and at such other times as are determined by that Committee as necessary to fulfill its responsibilities. Each Committee will report to the Board on a regular basis and will keep the Board fully informed of that Committee's activities, decisions and recommendations.

The frequency and length of Board and Committee meetings will depend largely upon the Company's operations and business activities but care will be taken to insure that Board and Committee meetings are sufficiently frequent to allow the Directors to remain current with the Company's performance and to allow for the timely consideration and approval of its activities and affairs. At a minimum, however, the Board will meet at least quarterly for the purpose of reviewing the Company's quarterly financial performance, as compared to its annual operating plan, budget and Strategic Plan.

The agenda for each Board and Committee meeting will be determined by the appropriate Chair. Each Director is encouraged to submit suggestions for agenda items and the Chair will be responsive to those suggestions. Each agenda will be carefully planned but will remain sufficiently flexible to accommodate discussion and action upon unexpected items that may arise. Each agenda will permit adequate time for the in-depth discussion and debate of significant issues and projects.

Before or following each Board and Committee meeting, the outside, independent Directors will be given the opportunity to meet outside the presence of the CEO and any other inside Directors or members of Management. For purposes of each such session, the outside, independent Directors will designate, by majority vote, one such Director to preside over that session. Communications with the outside, independent Directors by interested parties may take place by contacting the Chair of the Audit Committee.

Upon the recommendation of Management, or upon the request of the Board, presentations will be scheduled during Board and Committee meetings by members of Management and/or by outside consultants and advisors, in order to provide the Board or the Committee, as the case may be, with such additional information as might be considered appropriate with regard to particular issues, projects, actions or decisions. Additionally, Directors will have access to senior executive members of Management to discuss particular matters for which the Board or the Committee is responsible. Generally, unless there exists a justification not to do so, a Director will inform the CEO in advance of any direct contact by the Director with other members of Management.

In order to adequately fulfill its responsibilities, the Board and each Committee must be provided with accurate and complete information regarding issues, projects, actions and decisions with respect to which it is expected to act. The quality and timeliness of that information affects the ability of the Board and each Committee to perform its oversight function effectively. Management will prepare such information in advance of each Board and Committee meeting, and will provide such information to each Director as far in advance of the meeting as is reasonably possible in order to allow for adequate review and preparation.

***Performance Evaluation***

Either directly or through one or more of its Committees, the Board will develop and maintain an effective mechanism for evaluating, on a continuing basis, the performance of the Board itself, the performance of each Director and the performance of the CEO.

- Evaluation of the CEO's performance and planning for his or her succession are critical responsibilities of the Board. The outside, independent Directors will no less often than annually, evaluate the performance of the CEO and, through a designated member of the Board, communicate the results of those evaluations to the CEO promptly. Additionally, the Board will consult with the CEO in evaluating the performance of other senior executives.

  Either directly, or through its Corporate Governance and Nominating Committee, the Board will identify and periodically update the qualities and characteristics it deems necessary for an effective CEO. With those principles as guidance, the Board or the

Committee will monitor and evaluate the development of potential candidates to succeed the CEO.

- The performance of the full Board should be evaluated at least annually, as should the performance of each of its Committees. The Board will conduct self-evaluations to determine whether it and its Committees are following the procedures necessary to function effectively.

- The Board will maintain a process for evaluating whether each Director brings to the Board the skills and expertise appropriate for the Company and how all Directors work as a group. Directorships and Committee memberships will not be viewed as permanent and a Director will serve only so long as he or she adds value to the Board. A Director's ability to continue to contribute will be considered periodically and at least each time he or she stands for re-nomination or re-appointment.

## CONSTITUENCIES

In addition to obligations owed the Shareholders, the Company has obligations to other constituencies including its employee associates, its customers, its suppliers, the communities in which it conducts its operations and the governmental agencies with which it deals. The Company believes that Shareholder value is best enhanced when the Company treats its employee associates with dignity and respect, serves its customers well, recognizes the value of its suppliers and actively practices civic responsibility and legal compliance.

### *Shareholders and Investors*

The Company will communicate with the Shareholders and potential investors effectively and candidly. The Company's goal in that regard is to assist the Shareholders and other investors to understand the Company's business, risk profile, financial condition and operating performance. The Company will strive always to communicate consistently, candidly, clearly, timely and in accordance with all required disclosure requirements.

The Company will furnish information that is honest, intelligible, meaningful, timely and broadly disseminated. The Company will attempt to provide the Shareholders and potential investors with a realistic picture of the Company's financial condition and of the results of operations through the eyes of Management.

Because Shareholders may have particular interest in the amount and nature of equity compensation paid to Directors and Executive Officers, the Company will disclose such information and will obtain the approval of the Shareholders, as required, before implementing new stock option plans, restricted stock plans or other equity compensation plans in which the Directors and/or senior executives are to participate.

### *Employee Associates*

The Company recognizes that it is the best interests of all parties to treat its employee associates fairly, and with dignity and respect. Accordingly:

- The Company will establish and maintain policies and procedures that compensate employee associates appropriately given the nature of the Company's business and an employee associate's job responsibilities.

- With respect to healthcare, insurance, retirement and other benefits that may be offered by the Company, the Company will see to it that employee associates are adequately informed of the terms of such plans and programs.

- The Company will establish and maintain procedures that provide a means by which employee associates can alert Management and the Board of suspected wrongdoing or misconduct, without fear of reprisal, retribution or retaliation.

- The Company will communicate with its employee associates honestly and timely about the Company's operations and financial performance.

***Communities***

The Company recognizes its obligation to behave as a good corporate citizen, particularly in those communities in which it maintains business operations. Consistent with its ability to do so, and consistent with the best interests of the Shareholders, the Company will contribute appropriately to charities and will otherwise encourage its Directors, executives and employee associates to support community organizations.

***Government Agencies***

Like all good citizens, the Company is strongly committed to acting at all times within the law. Compliance is appropriate and essential. The Company will develop and maintain effective compliance policies and procedures, and the Board will periodically review the Company's efforts in order to gain reasonable assurances that they are effective.

## PUBLICATION AND PERIODIC REVIEW

Following their approval by the Board, these Guidelines will be published on the Company's Internet Web Site and will otherwise be filed or reported as may be required.

These Guidelines will be reviewed at least annually by the Corporate Governance and Nominating Committee. That Committee will present to the Board its recommendations regarding any amendments that are deemed appropriate.

Revised effective November 30, 2004