

# ANN INC.

## **CORPORATE GOVERNANCE GUIDELINES**

These Corporate Governance Guidelines have been adopted by the Board of Directors of ANN INC. to assist the Board in the exercise of its responsibilities.

### **ROLE OF THE BOARD OF DIRECTORS**

The Board of Directors is elected by ANN's shareholders to supervise and direct the management of the Corporation in the interests and for the benefit of the Corporation's shareholders. The Board of Directors is the ultimate decision-making authority within the Corporation, except for those matters that are reserved to the Corporation's shareholders. ANN's operations and business are conducted by its associates and officers under the direction of the Chief Executive Officer ("CEO") and oversight of the Board.

The Board's mission is to enhance the long-term value of the Corporation for its shareholders. The Board of Directors recognizes that long-term shareholder value is enhanced by appropriately addressing the concerns of other constituencies of the Corporation, including its clients, associates, the communities in which ANN does business and the public at large.

In discharging their responsibilities, Directors must exercise their business judgment in good faith and in a manner that is consistent with their fiduciary duties of loyalty and care. Directors are expected to comply with those provisions of the Corporation's Business Conduct Guidelines that are applicable to them, including those relating to conflicts of interest, corporate opportunities, confidentiality and transactions in the Corporation's securities.

### **RESPONSIBILITIES OF THE BOARD**

As part of overseeing the conduct of the Corporation's business, the Board has certain specific responsibilities, including the following:

- Reviewing the Corporation's strategic plans and objectives and overseeing the Corporation's performance against those plans and objectives;
- Reviewing and approving the Corporation's annual budget;
- Reviewing and approving major corporate actions;
- Evaluating the performance of the Corporation and its senior management;
- Selecting and evaluating the CEO and overseeing CEO succession planning in the event of an emergency or retirement of the CEO, including reviewing the succession plan and identifying potential successors for the CEO;

- With the advice of the CEO, advising and overseeing the selection, evaluation and succession planning of any other members of senior management as the Board deems appropriate; and approving the compensation of the CEO and senior management;
- Overseeing the Corporation's commitment to ethical conduct, integrity and compliance with the Corporation's Business Conduct Guidelines and all applicable laws;
- Reviewing and discussing with management the Corporation's principal risk exposures and strategies to mitigate such risks; and
- Ensuring that the assets of the Corporation are safeguarded through the maintenance of appropriate accounting, financial and other controls.

## **BOARD MEMBERSHIP**

### **Director Qualifications**

Directors must have the highest ethical standards, unquestioned integrity, business acumen, an inquisitive mind and independent, mature judgment. Directors must be willing to devote the time and attention needed to diligently carry out their responsibilities and are expected to prepare for all meetings, review all meeting materials and attend all Board meetings and meetings of the committees of the Board on which they serve. Directors must also be able to participate in a culture that values candid discussion and rigorous decision making while maintaining a collegial, non-adversarial environment.

Directors must be committed to the Corporation's Values and Behaviors, which embody our expectations for ethical and responsible conduct by Directors and associates. These expectations include avoiding even the appearance of a conflict of interest, such that a Director may not be employed, retained or otherwise associated with any of the Corporation's "competitors" defined as any women's apparel retailer. In addition, Directors must commit to safeguard the Corporation's assets, including its intellectual property and other confidential business information, which must be treated confidentially even when a Director is no longer on the Board.

The Board believes that Directors who serve as CEOs or other equivalent positions should not serve on the board of directors of more than two other public companies, and other Directors should not serve on the boards of more than three other public companies. The Board may, however, make exceptions if it determines to do so is in the interests of the Corporation's shareholders.

A Director may not serve as a member of the Corporation's Audit Committee if he or she is serving on the audit committee of more than two other public companies, unless the Board of Directors determines that such simultaneous service would not

impair the effectiveness of such member's service on the Corporation's Audit Committee.

A Director must notify the Corporate Secretary in advance of his or her acceptance of an invitation to serve on the Board of Directors or Board Committee of any other company.

### **Independence of Directors**

At least a majority of Directors must be independent, and it is the Board's goal to have two-thirds of the Directors be independent. To help guide its annual affirmative determinations of independence, the Board has adopted Requirements for Director Independence attached as Exhibit A to these Guidelines (the "Independence Requirements"). At least annually, the Board of Directors will review and make an affirmative determination regarding each Director's independence. In addition, all members of Board Committees must meet the Independence Requirements and such other requirements for Committee service as required by the rules of the New York Stock Exchange and applicable law.

### **Selection of Directors**

The Board of Directors is responsible for selecting nominees for Board membership. In determining the composition of the Board, candidates are considered based on a variety of factors, including relevant experience, specific areas of expertise to be represented and that complement the core competencies of the Board, the Board's interest in reflecting a diversity of viewpoints and experiences, any required attributes under applicable law, commitment to meeting the demands of serving on the Board and the candidate's business or other interests that could impede effective Board service, as well as the characteristics listed under "Director Qualifications" and "Independence of Directors" above.

The Nominating and Corporate Governance Committee is responsible for screening candidates, in consultation with the Chairman of the Board and the CEO, based on the above considerations and for recommending to the Board of Directors nominees for election at the annual meeting of shareholders and to fill any vacancy on the Board.

Shareholders may recommend candidates for nomination to the Board of Directors for consideration by the Nominating and Corporate Governance Committee by submitting the names and required supporting information to: Corporate Secretary, ANN INC., 7 Times Square, New York, NY 10036. The applicable submission procedures and requirements to serve as a Director are set forth in more detail in the Corporation's Bylaws, these Guidelines and its then most recent proxy statement.

### **Continuation as a Director**

The Board has a mandatory retirement age of 72 years. The term of office for a Director automatically terminates on the date of the annual meeting of shareholders

held immediately following his/her reaching age 72. The Board may, however, approve exceptions to the mandatory retirement age policy with respect to a Director if the Board determines to do so is in the best interests of the Corporation's shareholders.

The Board does not believe that it is in the best interests of shareholders to establish term limits for Directors because those limits may deprive the Corporation of contributions by Directors who, having developed significant experience with the Corporation over time, are in a unique position to provide valuable insights concerning the Corporation and its operations.

A non-employee Director who changes his/her principal occupation or business association or continues in a less responsible capacity from the time he or she was elected to the Board of Directors must tender his/her resignation from the Board. A Director must also tender his/her resignation if he/she becomes employed, retained or otherwise associated with any competitor of the Corporation. The Board of Directors has determined that any women's apparel retailer is considered a "competitor" of the Corporation. Any Director who is also an employee of the Corporation must tender his/her resignation from the Board at the time the Director is no longer employed by the Corporation or has a significant change in position to a less responsible capacity. While resignation may not be appropriate in all the foregoing instances, the Board believes that it would be desirable at that time to consider, through the Nominating and Corporate Governance Committee, the appropriateness of the Director's continued service, and whether or not to accept such resignation.

Because the Corporation depends significantly on its design, merchandising and other associates, during a Director's tenure and for a period of two years after he/she leaves the Board, a Director may not hire or solicit, directly or indirectly in any way, any person who is an associate of the Corporation, or who was an associate during the preceding six months, to apply for or accept employment or association in any capacity with any other entity.

### **Director Orientation and Continuing Education**

The Corporation has an orientation program for new Directors that includes providing core materials relating to the Corporation's business and operations, briefings with senior management at the Corporation's headquarters, store visits and a legal and compliance overview. Briefing sessions on new legal and other developments and other educational opportunities will be made available to the Directors on subjects that would assist them in performing their duties.

## **STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS**

### **Size of the Board**

The Corporation's Bylaws require the Board to be comprised of not less than one nor more than 15 Directors, with the exact number to be determined by the Board, from time to time. On an annual basis, the Nominating and Corporate Governance Committee considers the appropriate size and composition of the Board for it to function

effectively and efficiently and reports its recommendations to the Board. The Board believes the optimal size of the Corporation's Board should be between 8 and 11 members.

### **Election of Directors**

The Board of Directors shall nominate for election or re-election as Directors only candidates who agree to tender, promptly following the annual meeting at which they are elected or re-elected as Directors, irrevocable resignations that will be effective upon (i) the failure to receive the required vote for election at the next annual meeting at which they are nominated for re-election and (ii) acceptance of such resignation by the Board of Directors. In addition, the Board of Directors shall fill Director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board of Directors, the same form of resignation tendered by other Directors in accordance with these Corporate Governance Guidelines.

An incumbent Director who fails to receive the required number of votes for election in accordance with the Bylaws of the Corporation shall offer to resign. The Nominating and Corporate Governance Committee will make a recommendation to the Board of Directors on whether to accept or reject that resignation, or whether other action should be taken. The Board of Directors will act on the Nominating and Corporate Governance Committee's recommendation and publicly disclose its decision and the reasons for it within ninety (90) days of the date of the certification of the results of the election. In addition, the Director whose resignation is under consideration shall abstain from participating in any decision regarding that resignation. The Nominating and Corporate Governance Committee and the Board of Directors may consider any factors they deem relevant in deciding whether to accept a Director's resignation. If the resignation is not accepted, the Director will continue to serve until the next annual meeting for the year in which his or her term expires and until the Director's successor is elected and qualified.

### **Resignation as a Director**

A Director who wishes to resign as a member of the Board of Directors of the Corporation shall submit his/her resignation in person or by overnight courier service to the Corporate Secretary at the Corporation's executive offices. Director resignations must be in writing and specify the effective date of resignation.

### **Board Meetings; Executive Sessions of the Board**

The Board of Directors has six regularly scheduled meetings a year at appropriate intervals. Additional Board meetings may be called upon appropriate notice at any time to address specific needs of the Corporation.

The Corporation's independent Directors meet separately in executive session without management Directors or management at each regularly scheduled (non-conference call) Board meeting to discuss such matters as they deem appropriate.

The Board may not take formal actions at such executive sessions, but the participating Directors may make recommendations for consideration by the full Board.

The Chairman of the Board prepares an agenda for each Board meeting. Management generally distributes written information to the Board sufficiently in advance of each meeting to assist the Directors in preparing for the meeting and making informed judgments with respect to agenda items. Each Board member is free to suggest items for inclusion on the agenda or raise matters that are not on the agenda for that meeting. At least annually, the Chairman of the Board circulates to Directors an indication of the primary agenda items expected to be addressed at each of the scheduled meetings of the Board.

### **Evaluating Board and Committee Performance**

The Board, acting through the Nominating and Corporate Governance Committee, conducts an annual self-evaluation to review the Board's effectiveness and performance. Each Board Committee also performs an annual self-evaluation to review its effectiveness, performance and any changes to its committee charter to recommend to the Board.

### **Chairman of the Board and Leadership Structure**

On an annual basis, the entire Board will select a member to serve as Chairman of the Board of Directors. The Board selects its Chairman based on such considerations as it deems appropriate, from time to time, in light of the Corporation's business and strategic plans and objectives. The Board does not have a policy on whether the offices of Chairman of the Board and CEO should be separate, and if they are separate, whether or not the Chairman should be independent of management.

### **Chairman of the Board; Presiding Director**

If the Chairman of the Board is (i) not the CEO, and (ii) also independent of management, then the Chairman shall chair executive sessions of the Board of Directors, coordinate the activities of the independent Directors and perform such other duties as the Board deems appropriate. If the Chairman of the Board is either (i) the CEO, or (ii) not independent of management, then the Chair of the Nominating and Corporate Governance Committee shall preside at executive sessions of the Board of Directors and perform such other duties of the Chairman as the Board deems appropriate.

## **COMMITTEES OF THE BOARD**

The Board has established the following three standing committees of the Board of Directors to assist the Board in the discharge of its responsibilities: Audit Committee; Compensation Committee; and Nominating and Corporate Governance Committee. From time to time, the Board may provide for other standing or special committees as are necessary to assist the Board in carrying out its responsibilities. The duties and

manner of operation of the standing committees are as set out in their respective charters, which are posted on the Corporation's website. The Board is responsible for selecting the CEO and determining succession of the CEO; and the Compensation Committee is responsible for determining performance goals and compensation level with respect to the CEO. Each Committee reports to the full Board at the next regularly scheduled Board meeting with respect to matters considered and actions taken at a Committee meeting.

## **DIRECTOR COMPENSATION**

The Compensation Committee reviews Director Compensation and determines appropriate changes in compensation. In reviewing Director compensation, the Compensation Committee considers compensation paid to Directors at similarly situated companies and the time commitments required of the Directors. The Compensation Committee believes that Director compensation should further align Directors' interests with the long-term interests of shareholders by continuing to have a portion of the Directors' compensation in the form of equity awards (stock options, restricted stock or restricted units) in addition to the payment of cash fees. Directors who are employees of the Corporation are not compensated for their service as Directors.

## **BOARD ACCESS TO MANAGEMENT AND ADVISORS**

Directors have free access to management and the Corporation's books and records. Management is expected to be responsive at all times to requests for information by Directors. The Board encourages the Chairman of the Board to invite members of management to make presentations at Board meetings to provide particular insights into the Corporation's business or to give individuals exposure to the Board for purposes of management development. In executing its responsibilities, the Board is entitled to rely on the integrity of the reports and advice of management, the Corporation's counsel, independent auditors and other advisors. The Board has the authority to retain (at the expense of the Corporation) and terminate advisors to the Board.

## **SHAREHOLDER COMMUNICATIONS WITH DIRECTORS**

Shareholders and other interested parties may contact the Board of Directors or the non-management Directors as a group, by writing to the following address: Board of Directors or Outside Directors, ANN INC., 7 Times Square, New York, NY 10036.

## **PERSONS AUTHORIZED TO SPEAK ON BEHALF OF THE CORPORATION**

The CEO, the Chief Financial Officer ("CFO"), the Vice President of Investor Relations and the Vice President of Corporate Communications are the only persons authorized to speak on behalf of the Corporation.

From time to time, other persons may be permitted to speak on behalf of the Corporation with respect to a particular topic or purpose only if they have been authorized in advance to do so by either the Chairman, CEO, CFO or the Vice President

of Investor Relations and such communication is in compliance with the Corporation's Policy Regarding Communications with Analysts, Securityholders and Others.

## **REVISIONS TO THE GOVERNANCE GUIDELINES**

Each year, the Nominating and Corporate Governance Committee evaluates these Guidelines and recommends to the Board such revisions as it deems necessary or appropriate.

As approved on November 18, 2014

## **Requirements for Director Independence**

A Director will be considered independent only if the Board of Directors has affirmatively determined that the Director has no material relationship with ANN INC. or any subsidiary (together, the "Corporation") either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation.

In addition, Directors with the following relationships will not be deemed independent:

- a Director is, or has been within the last ten years, an employee of the Corporation, or an immediate family member is, or has been within the last ten years, an executive officer of the Corporation;
- a Director has received, or has an immediate family member who has received, during any 12-month period within the last three years more than \$120,000 in direct compensation from the Corporation, 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);
- a Director is a current partner or employee of a firm that is the Corporation's internal or external auditor; a Director has an immediate family member who is a current partner of such a firm; a Director has an immediate family member who is a current employee of such a firm and personally works on the Corporation's audit; or a Director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Corporation's audit within that time;
- a Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Corporation's present executive officers at the same time serves or served on that other company's compensation committee; or
- a Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

Lastly, Directors will not be considered independent if they do not meet any other independence requirements set forth by applicable law.