

**LYDALL, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

1. Director Qualification Standards

1.1 Independence

At least a majority of the members of the Board of Directors, as well as all of the members of the Audit Review Committee, the Compensation Committee and the Corporate Governance Committee, shall be "independent" within the meaning of the Corporate Governance Listing Standards of the New York Stock Exchange ("NYSE Standards").

Under the NYSE Standards, a Director does not qualify as "independent" unless the Board of Directors affirmatively determines that such person has no material relationship with Lydall, Inc. or any of its subsidiaries ("the Company") either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. To assist it in determining Director independence, the Board of Directors has established the following categorical standards.

In no event will a Director be considered "independent" if:

- (a) During the preceding three years:
  - (i) the Director was employed by the Company;
  - (ii) an immediate family member (as defined in NYSE Standards) of the Director was employed by the Company as an executive officer;
  - (iii) the Director, or an immediate family member of the Director, received, during any twelve month period, more than \$120,000 in direct compensation from the Company, other than (i) Director and committee fees, (ii) additional fees for service as chairman of the Board or of a committee of the Board and (iii) receipt of pension or other forms of deferred compensation for past service which are not contingent on continued service;
  - (iv) the Director was affiliated with, or employed by, a present or former internal or external auditor of the Company who provided auditing services to the Company within the preceding three years;
  - (v) an immediate family member of the Director was affiliated with, or employed in a professional capacity by, a present or former internal or external auditor of the Company who provided auditing services to the Company within the preceding three years; and

(vi) the Director was part of an interlocking directorate in which an executive officer of the Company served on the compensation committee of another company that concurrently employed such a Director, or an immediate family member of the Director, in an executive capacity;

(b) The Director is, or at any time during the preceding three years has served as, an executive officer or an employee of, or has an immediate family member who is, or at any time during the preceding three years has served as, an executive officer of, another company that makes payments to or receives payments from the Company for property or services and such payments, in any of the last three fiscal years, exceed the greater of \$1 million or two percent of such other company's consolidated gross revenues;

(c) The Director is, or during the last fiscal year has been, an executive officer of, or owns, or during the last fiscal year has owned, of record or beneficially in excess of ten percent equity interest in, any business or professional entity to which the Company was indebted at the end of the Company's last full fiscal year, and the aggregate amount of such indebtedness was more than five percent of the Company's total consolidated assets at the end of such fiscal year;

(d) The Director or an immediate family member of the Director served as an officer, director or trustee of a charitable organization at any time during the preceding three years, and the Company's charitable contributions to the organization in any of the last three fiscal years of such organization were more than the greater of \$1 million or two percent of that organization's consolidated gross revenues (the Company's matching of employee charitable contributions will not be included in the amount of the Company's contributions for this purpose), and

(e) The Board determines, based on all of the relevant facts and circumstances, that a Director has a material relationship with the Company, either directly, or indirectly as a partner, shareholder or officer of another organization, that has a material relationship with the Company.

The foregoing categorical standards shall be interpreted in accordance with NYSE interpretations of corresponding provisions of NYSE Rule 303A.

On an annual basis, in connection with the nomination of directors for election at the Company's Annual Meeting of Stockholders and appointment of committees, the Board of Directors shall make a determination as to the independence of each member of the Board, and each nominee for membership on the Board. The Board shall also make such determination with respect to any new Director appointed to fill a vacancy on the Board.

Each Director will share with the Board all information reasonably necessary for the Board to make a determination as to the independence of the Board member. It is the responsibility of each member of the Board to bring to the attention of the

Board any possible conflict of interest, or any matter that might be perceived as a possible conflict of interest.

#### 1.2 Audit Committee Qualifications

All of the members of the Audit Review Committee shall meet the additional standards for independence applicable to members of an audit committee under Section 10A(m) of the Securities Exchange Act of 1934 [Section 301 of the Sarbanes-Oxley Act] and the NYSE Standards.

All members of the Audit Review Committee shall satisfy the financial literacy requirements of the NYSE Standards. At least one member of the Audit Review Committee shall be a financial expert, as defined under rules promulgated by the Securities and Exchange Commission.

#### 1.3 Compensation Committee Qualifications

All of the members of the Compensation Committee shall meet the additional standards for independence applicable to members of a compensation committee under NYSE Rules Section 303A.02(a)(ii).

#### 1.4 Other Qualifications and Recruitment

The Corporate Governance Committee shall evaluate the skills and expertise needed by the Board and the skills and expertise that are possessed by current Board members. Based on this evaluation, the Corporate Governance Committee shall seek to identify candidates for Board membership who have the skills and expertise needed by the Board. The Corporate Governance Committee shall seek persons of the highest ethical standing and proven integrity to serve as members of the Board of Directors. The Corporate Governance Committee shall seek candidates with demonstrated ability and sound judgment.

In assessing a candidate's qualifications, the Board will consider, among other things, prior experience as a corporate director, prior public company experience, prior experience in manufacturing companies, other time commitments and obligations; and for Audit Review Committee members, the relevant financial expertise required under SEC and NYSE Standards. Not all Directors need to fulfill all criteria; rather, the Board seeks candidates whose skills balance or complement the skills of other Board members.

The Board shall not allow members to sit on more than four boards of publicly-traded companies in addition to the board of the company by which they are employed.

The Board shall limit the number of boards of public companies on which the Chief Executive Officer shall be allowed to sit to a maximum of three, including The Company's Board of Directors.

## 1.5 Retirement and Changes in Status

Unless otherwise requested by the Corporate Governance Committee, Directors shall offer not to stand for reelection at any Annual Meeting of Stockholders that follows their seventieth birthday. If such an offer is made, the Corporate Governance Committee nevertheless may nominate for reelection any Director following his or her seventieth birthday if the Committee, in its sole and absolute discretion, determines that such nomination is in the best interests of the Company and its stockholders.

A Director shall tender his or her resignation following any change in the director's employment status or principal position, or any other significant change in their personal circumstances. The Board may ask the Director not to resign, or may defer acceptance of the resignation, in its sole and absolute discretion.

## 2. Board Responsibilities

Board members must be willing and able to devote the required amount of time to the Company's affairs, including attendance at, and preparation for, Board and committee meetings. Regular attendance (in person when reasonably possible) at Board and committee meetings and advance preparation for each meeting shall be expected. Attendance at each Annual Meeting is expected.

Board mailings shall be prompt and give adequate time for preparation and reflection in light of the circumstances.

The agenda for each Board meeting shall include an "executive session" for Board members who are not members of the Company's management and shall be chaired by the non-management Chairman of the Board.

If the non-management Board members include Directors who are not independent under the NYSE standards, an executive session including only independent Directors shall be held at a minimum annually.

Board meetings shall be held at least five times a year. Board meetings shall be timed so as to encourage interaction among Board members and executive officers outside of the meetings.

The Board shall review the Company's annual budget. Major capital items and deviations from the annual budget shall be brought to the Board for approval, and updates on the budget shall be given at each meeting.

The Board shall, on at least an annual basis, evaluate the Company's strategic plan and risks attendant upon its business.

3. Director Access to Management and Outside Advisors

Members of the Board of Directors shall have access to Company management. While senior officers may regularly attend Board meetings, interaction with other members of management is encouraged through presentations at Board meetings, visits of the Board to Company facilities and attendance by Board members and management at Company events.

Board meetings will be held periodically at various Company facilities, giving managers at those facilities the opportunity to make presentations to the Board. The Board encourages management to schedule presentations by other managers, to deepen the Board's understanding and familiarity with the Company.

The Board of Directors and each committee thereof shall have the right to retain (at the Company's expense) and terminate their own advisors as they deem appropriate to carry out the purposes of the Board or committee, and to determine the engagement terms and fees of such advisors.

4. Director Compensation

4.1 The goal of the Company's director compensation policies shall be:

- (a) To enhance the ability of the Board to attract and retain qualified members;
- (b) To provide adequate compensation to committee members and to the Chairman of the Board (if not an employee of the Company) to compensate them for the additional service required of them;
- (c) To align the interests of the members of the Board with those of stockholders by providing equity compensation to Board members.

4.2 The Compensation Committee shall periodically review director compensation at comparable companies and make recommendations regarding the form and amount of compensation as appropriate.

5. Director Orientation and Continuing Education

The Company shall provide a new director orientation program with senior management. The orientation will take place as soon as reasonably practical after the appointment of the new Director.

The Company shall seek to enhance the Board's knowledge of the Company through regular presentations and interaction with management, periodic visits to Company facilities and thorough reviews of budgeting, strategy and other matters coming before the Board.

When the Board determines that continuing education is appropriate, the Company shall support the continuing education efforts of the Board and individual Board members.

6. Management Development and Succession Planning

The Board shall oversee the management development plan for the executive officers of the Company.

The Corporate Governance Committee shall oversee development of a succession plan for the Chief Executive Officer and contingency planning to provide for the event that one or more senior managers were to leave the employment of the Company.

7. Annual Performance Evaluation of the Board

The Board shall perform an annual evaluation of the effectiveness of the Board as a body in the direction and management of the business and affairs of the Company.

Each committee of the Board shall perform an annual evaluation of the effectiveness of its committee as a body and will consider what steps are necessary to improve its functioning in light of its mandate from the Board and its capacity to represent the stockholders within the areas delegated to it.

The results of the Board and committee evaluations shall be presented for discussion with the full Board.

8. Annual Evaluation of Chief Executive Officer

The Corporate Governance Committee (together with the other independent Directors, if directed by the Board) will evaluate the performance of the Chief Executive Officer annually.

9. Ownership of Company Stock by Non-Employee Directors

The Company's Board of Directors and management believe that further linking the personal financial interests of Directors to the Company's success gives them a greater stake in the Company and aligns the interests of Directors with stockholders. This in turn results in long-term management for the benefit of stockholders. The Board has therefore determined that each Non-Employee Director of the Company should acquire and hold shares of Company common stock equal in cost to four times the current annual stock retainer for Non-Employee Directors. The required stock ownership level should be achieved within the later of: (i) five years of the date of original adoption of these Guidelines (which was February 23, 2006); (ii) five years of the date a person is first elected a Non-Employee Director of the Company, unless a waiver is granted by the Compensation Committee; or (iii) as to any increased stock ownership level resulting from an increase in the annual stock retainer, five years from the date of such increase. The Board has established separate stock ownership guidelines for the Chief Executive Officer and certain other senior executive officers of the Company, which are set forth in a separate policy statement.

10. Director Nominees

In any uncontested election for Directors (i.e. one in which the number of nominees does not exceed the number of Directors to be elected), if a nominee for Director does not receive the vote of at least the majority of the votes cast at any meeting for the election of Directors at which a quorum is present such Director shall tender his or her resignation and this policy will apply. For purposes of this majority voting policy, a majority of votes cast means that the number of shares voted “for” a Director’s election exceeds 50% of the number of votes cast with respect to that Director’s election. Votes cast include votes to withhold authority and exclude abstentions and broker non-votes with respect to that Director’s election. This majority voting policy shall not apply to the election of Directors in a contested election for Directors.

The Corporate Governance Committee will make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors will act on the tendered resignation, taking into account the Corporate Governance Committee’s recommendation, and publicly disclose (by press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within ninety (90) days from the date of the certification of the election results. The Corporate Governance Committee in making its recommendation, and the Board of Directors in making its decision, may each consider any factors or other information that it considers appropriate and relevant and may act in their sole and absolute discretion. The Director who has tendered his or her resignation in accordance with this policy shall not participate in the consideration of such tendered resignation by either the Corporate Governance Committee or the Board of Directors. If such incumbent Director’s resignation is not accepted by the Board of Directors, such Director will continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal.

If a Director’s resignation is accepted by the Board of Directors, then the Board of Directors, in its sole discretion, may fill any resulting vacancy or otherwise take action pursuant to the applicable provisions of Lydall, Inc. Bylaws and the Restated Certificate of Incorporation of Lydall, Inc., in effect at such time.

This corporate governance policy will be summarized or included in each proxy statement relating to an election of Directors of the Company.