

**THE WARNACO GROUP, INC.**  
**AUDIT COMMITTEE CHARTER**

***Purpose***

The Committee is established by the Board of Directors primarily for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

The Committee is primarily responsible for: (1) monitoring the quality and integrity of the Company's financial statements and related disclosure and systems of internal controls regarding risk management, finance and accounting; (2) monitoring the Company's compliance with legal and regulatory requirements; (3) monitoring the independent auditor's qualifications and independence; (4) monitoring the performance of the Company's internal audit function and independent auditors; (5) providing an avenue of communication among the independent auditors, management, the internal auditing department, and the Board; (6) administering and monitoring the performance of the Company's Employee Retirement Plan ; and (7) issuing the report required by the Securities and Exchange Commission to be included in the Company's annual proxy statement.

***Composition***

1. Members. The Committee shall consist of as many members as the Board shall determine, but in any event not fewer than three members. The members of the Committee shall be appointed annually by a majority vote of the Board at the first meeting to be held following the annual meeting of stockholders of the Company, upon the recommendation of the Nominating and Corporate Governance Committee.
2. Qualifications. Each member of the Committee shall meet all applicable independence, financial literacy and other requirements of law and the New York Stock Exchange (the "NYSE"). At least one member of the Committee must meet the applicable Securities and Exchange Commission definition of "financial expert" or if no members satisfy such definition, the Committee shall promptly so inform the Board.
3. Membership on Other Audit Committees. If a member of the Committee serves on the audit committee of more than three public companies, the Board shall determine and disclose that such concurrent service would not impair the member's ability to serve effectively as a member of the Committee. Any such determination must be disclosed in the Company's annual proxy statement.
4. Chair. The Chair of the Committee shall be appointed by the Board upon the recommendation of the Nominating and Corporate Governance Committee.
5. Removal and Replacement. Any vacancies on the Committee shall be filled by a majority vote of the Board at the next meeting of the Board following the occurrence

of the vacancy, upon the recommendation of the Nominating and Corporate Governance Committee. No member of the Committee may be removed except by majority vote of the independent directors then in office. In addition, membership on the Committee shall automatically end at such time as the Board determines that a member ceases to meet all applicable independence, financial literacy and other requirements of law and NYSE.

6. Compensation. Director's fees (including any additional amounts paid to chairs of committees and to members of committees of the Board) are the only compensation a member of the Committee may receive from the Company.

### *Operations*

1. Rules of Procedure. The Committee shall fix its own rules of procedure, which shall be consistent with the By-Laws of the Company and this Charter.
2. Meetings. The Chair of the Committee, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least six times per year. The Chair of the Committee or a majority of the members of the Committee may also call a special meeting of the Committee. The Committee shall meet separately, periodically, with management, the general counsel, the internal auditors and the independent auditor. The Committee shall also endeavor to meet separately with the independent auditor at every meeting of the Committee at which the independent auditor is present.
3. Agenda. The Chair of the Committee shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and management. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary.
4. Report to Board. At each Board meeting, the Committee shall deliver to the Board a report on any Committee meetings that have been held since the preceding Board meeting, including a description of all actions taken by the Committee during such period. The Committee shall submit to the Board the minutes of its meetings. The Committee shall further report regularly to the Board and will 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, the performance of the internal audit function and other matters of importance to the Board.
5. Self-Evaluation; Assessment of Charter. The Committee shall conduct an annual performance self-evaluation and shall report to the entire Board the results of the

self-evaluation. The Committee shall assess the adequacy of this Charter on an annual basis and recommend any changes to the Board. The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

### *Authority and Duties*

#### Independent Auditor's Qualifications and Independence

1. The Committee shall be directly responsible for the appointment, compensation, retention, termination and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such registered public accounting firm must report directly to the Committee (the 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 auditor").
2. The Committee shall have the sole authority to approve the independent auditor's fee arrangements and other terms of service, and to preapprove any permitted non-audit services to be provided by the independent auditor. The Chairman shall review with the lead audit partner whether any of the audit team members receive any discretionary compensation from the audit firm with respect to non-audit services performed by the independent auditor, and shall report such discussions to the Committee. The Committee may delegate the preapproval of audit and permitted non-audit services to one or more of its members, provided that such members shall report any such approvals to the full Committee.
3. The Committee shall obtain and review with the lead audit partner and a more senior representative of the independent auditor, annually or more frequently as the Committee considers appropriate, a report by the independent auditor describing: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities, within the preceding five years, respecting independent audits carried out by the independent auditor, and any steps taken to deal with these issues; and (to assess the independent auditor's independence) all relationships between the independent auditor and the Company. The Committee shall, in addition to assuring the regular rotation of the lead audit partner and reviewing audit partner (such that neither such partner shall have performed services for the Company for more than any five consecutive fiscal years), consider whether there should be regular rotation of the audit firm.
4. The Committee shall evaluate the qualifications, independence and performance of the Company's independent auditor, including the lead partner of the independent auditor, and, in its sole discretion make decisions regarding the replacement or

termination of the independent auditor when circumstances warrant. In making its evaluations, the Committee should take into account the opinions of management and the Company's internal auditors. The Committee will present its conclusions with respect to the independent auditor to the Board.

5. The Committee shall preapprove the hiring of any employee or former employee of the independent auditor who was a member of the Company's audit team during the preceding two fiscal years. In addition, the Committee shall preapprove the hiring of any employee or former employee of the independent auditor (within the preceding two fiscal years) for senior positions within the Company, regardless of whether that person was a member of the Company's audit team. In no event may the Company hire a Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller or person in any equivalent capacity who, within one year prior to the initiation of the audit, was an employee of the independent auditor who participated in any capacity in the Company's audit.

#### Financial Statements and Related Disclosure

6. The Committee shall review the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", before the filing of the Company's Form 10-K and Form 10-Q. Any material changes in accounting principles or accounting for new significant items will be reviewed.
7. The Committee shall review with management earnings press releases (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles), as well as financial information and earnings guidance provided 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), and the Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.<sup>1</sup>
8. The Committee shall review with management, the independent auditor, and, if appropriate, the Company's internal auditors, the following: (a) all critical accounting policies and practices (and changes therein) of the Company, to be used by the Company in preparing its financial statements, (b) major issues regarding the accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies, (c) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the

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<sup>1</sup> This task can be delegated to the Chair of the Committee or the Chair's designee.

financial statements, including analyses of the effects of alternative GAAP methods on the financial statements, (d) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company and (e) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences. In addition, the Committee shall regularly review with the independent auditors any difficulties the auditor encountered in the course of the audit work, including any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management, which could include such matters as: (i) any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise); (ii) communications between the independent auditor's audit team and national office respecting auditing or accounting issues presented by the engagement; and (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company.

9. The Committee shall review with management, and any outside professionals as the Committee considers appropriate, the effectiveness of the Company's disclosure controls and procedures, and elicit any recommendations that they may have for the improvement of such disclosure control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of disclosure controls to identify on a timely basis material information that should be disclosed to current and prospective investors.
10. The Committee shall review with management, and any outside professionals as the Committee considers appropriate, important trends and developments in financial reporting practices and requirements and their effect on the Company's financial statements, and the Committee shall formally request, on an annual basis, that management and the Company's outside auditors inform the Committee of any such new developments that either management or the Company's outside auditors determine is relevant to the Company financial reporting practices and operations.
11. The Committee shall attempt to resolve all disagreements between the Company's independent auditor and management regarding financial reporting.
12. The Committee shall prepare the report required by the Securities and Exchange Commission to be included in the Company's annual proxy statement.

#### Performance of the Internal Audit Function and Independent Auditors

13. The Committee shall review with management, the internal auditor and the independent auditor the scope, planning and staffing of the proposed audit for the upcoming year. The Committee shall also review the internal audit function's organization, responsibilities, plans, results, budget and staffing. In addition, management shall consult with the Committee on the appointment, replacement, reassignment or dismissal of the principal internal auditor.

14. The Committee shall review the compensation of the principal internal auditor.
15. The Committee shall review with management, the internal auditor and the independent auditor the quality, adequacy and effectiveness of the Company's internal controls and any significant deficiencies or material weaknesses in internal controls, and shall elicit from management, the internal auditor or the independent auditor any recommendations that they may have for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of such internal controls to expose any payments, transactions or procedures which might be deemed illegal or otherwise improper.
16. The Committee should review with the Chief Executive Officer and Chief Financial Officer and independent auditor, the following: (a) the Company's administrative, operational and auditing internal controls and evaluate whether the Company is operating in accordance with its prescribed policies, procedures and code of conduct, (b) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data, including any material weaknesses in internal controls identified by the Company's independent auditors and internal auditors, (c) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls and (d) any significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.
17. The Committee shall review the Company's code of conduct.
18. The Committee shall review the reports required by Sections 302, 404 and 906 of the Sarbanes-Oxley Act of 2002.
19. The Committee shall discuss guidelines and policies governing the process by which senior management of the Company and the relevant departments of the Company, including the internal auditing department, assess and manage the Company's exposure to risk, as well as the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
20. The Committee shall review the travel and entertainment expenditures of the Company's executive officers and Group Presidents.

#### Compliance with Legal and Regulatory Requirements

21. The Committee shall review with management, and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on the Company and any material reports or inquiries from regulatory or governmental agencies.

22. The Committee shall review with the general counsel the adequacy and effectiveness of the Company's procedures to ensure compliance with its legal and regulatory responsibilities. The Committee shall also review the legal and compliance function's organization, responsibilities, plans, results, budget and staffing.
23. The Committee shall obtain from the Company's independent auditors any information pursuant to Section 10A of the Securities and Exchange Act of 1934.
24. The Committee shall establish procedures, as set forth in Annex A hereto, for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, misuse or inappropriate use of corporate assets or auditing matters or potential violations of law and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters or potential violations of law.
25. The Committee shall obtain reports from management, the internal auditor and the independent auditor regarding compliance with applicable legal and regulatory requirements.
26. The Committee shall cause to be made an investigation into any appropriate matter brought to its attention within the scope of its duties.
27. The Committee shall review the Company's policies relating to conflicts of interest and review and approve past or proposed related party transactions as well as policies and procedures designed to ensure compliance by officers with the Company's policies regarding travel and entertainment reimbursement, as well as the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Company's independent auditors or internal auditors.

#### Administration of the Company's Employee Retirement Plan

28. The Committee shall monitor the management and administration of the Company's pension and savings plans, including the review and approval of the membership of the pension plan's Investment Committee. The Committee shall obtain regular reports from the Investment Committee, including regarding the investment policies and practices of the plans and retention of investment managers by the Investment Committee.

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight function. The Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate. In discharging its oversight role, the Committee shall have full access to all Company books, records, facilities and personnel. The Committee may retain counsel, auditors or other advisors, in its sole discretion, the cost of which shall be borne by the Company.

### ***Clarification of Audit Committee's Role***

The Committee's responsibility is one of oversight. It is the responsibility of the Company's management to prepare consolidated financial statements in accordance with applicable law and regulations and of the Company's independent auditor to audit those financial statements. Therefore, each member of the Committee shall be entitled to rely, to the fullest extent permitted by law, on the integrity of those persons and organizations within and outside the Company from whom he or she receives information, and the accuracy of the financial and other information provided to the Committee by such persons or organizations.

## **Annex A**

### **Procedures for the Submission of Complaints or Concerns Regarding Financial Statement Disclosures, Accounting, Internal Accounting Controls, Misuse or Inappropriate Use of Corporate Assets or Auditing Matters**

1. The Company shall forward to the Audit Committee of the Board of Directors any complaints that it has received regarding financial statement disclosures, accounting, internal accounting controls, misuse or inappropriate use of corporate assets or auditing matters.
2. Any employee of the Company may submit, on an anonymous basis if the employee so desires, any concerns regarding financial statement disclosures, accounting, internal accounting controls, misuse or inappropriate use of corporate assets or auditing matters by setting forth such concerns in writing and forwarding them in a sealed envelope to the Chair of the Audit Committee, c/o The Warnaco Group, Inc., 501 Seventh Avenue, New York, New York 10018, such envelope to be labeled with a legend such as: "To be opened by the Audit Committee only." If an employee would like to discuss any matter with the Audit Committee, the employee should indicate this on the submission and include a telephone number at which he or she might be contacted if the Audit Committee deems it appropriate. Absent an express waiver of confidentiality in the written submission, the identity of any employee who makes such a submission or otherwise communicates with the Audit Committee shall remain strictly confidential.
3. At each of its meetings, including any special meeting called by the Chair of the Audit Committee following the receipt of any information pursuant to this Annex, the Audit Committee shall review and consider any such complaints or concerns that it has received and take any action that it deems appropriate in order to respond thereto.
4. The Audit Committee shall retain any such complaints or concerns for a period of no less than 7 years.
5. In addition to the procedures described above, any employee of the Company may submit, on an anonymous basis if the employee so desires, any concerns regarding financial statement disclosures, accounting, internal accounting controls, misuse or inappropriate use of corporate assets, auditing, human resources or any other complaints or concerns to the Warnaco Inc. Employee Hotline. Employee Hotline submissions shall be forwarded to the Company for review. The Company shall forward to the Audit Committee any complaints or concerns reported to the Employee Hotline regarding financial statement disclosures, accounting, internal accounting controls, misuse or inappropriate use of corporate assets or auditing matters. The Audit Committee shall handle such matters as outlined in items 3 and 4 above.