

## **THE CATO CORPORATION AUDIT COMMITTEE CHARTER**

### **Purpose of the Committee**

The purpose of the Audit Committee (“the Committee”) is to assist the Board of Directors (“the Board”) of The Cato Corporation (“the Company”) in fulfilling its oversight responsibilities for (a) the integrity of the Company’s financial statements, (b) the Company’s compliance with legal and regulatory requirements, (c) safeguarding the Company’s assets, (d) the independence, qualifications and performance of the independent auditors and (e) the performance of the internal audit function.

While the Committee has the responsibility and authority set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete, accurate and prepared in accordance with generally accepted accounting principles. That is the responsibility of management and the independent auditors.

The independent auditors are selected by, report directly to and are ultimately accountable to the Committee. The Committee has direct responsibility and sole authority for the appointment, compensation and oversight of the work of the independent auditors (including resolution of any disagreements between management and the independent auditors regarding accounting and financial reporting matters) for the purpose of reporting on the Company’s financial statements.

The Company shall provide appropriate funding, as required, for (a) compensation to the independent auditors for all audit and any other services requested or preapproved by the Committee, (b) compensation to any advisors employed by the Committee, and (c) ordinary administrative expenses of the Committee that may be necessary in fulfilling its duties.

### **Committee Membership**

The membership of the Committee shall be comprised of three or more directors appointed by the Board as recommended by the Corporate Governance and Nominating Committee, each of whom will meet the independence and expertise requirements established by applicable regulations. The Committee Chairman shall be appointed by the Board.

To the extent permitted by law and regulations, the Committee may delegate certain responsibilities to the Chairman or to a subcommittee, as it deems appropriate. In the event of such delegation, the Chairman or subcommittee shall make regular reports to the Committee regarding such responsibilities.

### **Meetings**

The Committee shall meet at least four times annually or more frequently as required. The Committee may request the presence of management or others to provide information or advice as needed. The Committee shall meet periodically with management, the independent auditors and the internal auditors in separate executive sessions as required by regulations and to discuss any matters these groups deem should be discussed privately.

## **Integrity of Financial Statements**

To assist the Board in fulfilling its oversight responsibility for the integrity of the Company's financial statements, the Committee will:

1. Review with management and the independent auditors the Company's quarterly financial statements on Form 10-Q prior to the Company filing the Form 10-Q with the Securities and Exchange Commission. The Audit Committee will discuss, as appropriate, earnings press releases and earnings guidance provided to analysts and rating agencies.
2. Meet with the independent auditors prior to beginning the audit to review and approve the scope of their work.
3. Review the Company's annual financial statements to be included in the annual report to the SEC on Form 10-K and the independent auditors report thereon along with Management's Discussion and Analysis of Financial Condition and Results of Operations with the independent auditors and management.
4. Inquire of management and the independent auditors about policies with respect to risk assessment and management, significant risks or exposures and assess the steps management has taken to minimize such risks to the Company.
5. Meet privately with the independent auditors to discuss the results of the audit and any significant difficulties encountered during the course of the work, including any restrictions of audit scope or access to required information. This discussion should also include their judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial statements. Obtain the written disclosures required by Standard No. 1 of the Independence Standards Board concerning their independence.
6. Inquire of the independent auditors about the adequacy of the Company's system of internal controls.
7. Review any significant findings and recommendations resulting from the audit with the independent auditors and management's response thereto.
8. Prepare a report for inclusion in the Company's Proxy Statement to include (a) whether the Committee has reviewed and discussed the audited financial statements with management and the independent auditors, (b) whether the Committee has discussed the results of the audit with the independent auditors, (c) whether the Committee has received the written disclosures from the independent auditors required by Standard No. 1 of the Independence Standards Board, and (d) whether the Committee recommends inclusion of the financial statements in the annual report to the SEC on Form 10-K.

## **Oversight of Independent Auditors**

In fulfilling its responsibility for the oversight of the work of the independent auditors, the Committee will:

1. In addition to the written disclosures obtained concerning independence, discuss with the independent auditors any and all relationships between them and the Company that could impair their independence.
2. Preapprove all auditing and permitted non-audit services to be performed for the Company by the independent auditors.
3. Obtain and review a report from the independent auditors at least annually describing (a) their internal quality control procedures including any material issues raised, and (b) any peer review, or any inquiry or investigation by governmental or professional authorities within the preceding five years including any material issues raised and any steps taken to deal with such issues.

4. After reviewing the results of the annual audit and discussing the independent auditors performance with management, determine whether any change of independent auditors or of the lead engagement partner is warranted.

### **Oversight of Internal Audit Function**

Annually review the proposed scope of activities of the internal audit function. Obtain periodic reports from the internal auditor on the results of their work and meet privately with the lead internal auditor to discuss any matters deemed appropriate. Annually evaluate the performance of the internal auditor and make any appropriate recommendations to management.

### **Other**

1. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters and the confidential submission by employees of concerns regarding questionable activities.
2. Review this Charter at least annually and recommend any revisions to the Board.
3. Conduct and present to the Board an annual evaluation of the Committee's performance.
4. Establish hiring policies for employees and former employees of the independent auditors.
5. After each Committee meeting, the Committee shall report its actions and recommendations to the Board.