

**CHARTER OF THE  
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
OF FURNITURE BRANDS INTERNATIONAL, INC.**

**I. PURPOSE**

The Audit Committee (“Committee”) shall assist the Board in the oversight of: (a) the quality and integrity of the Company’s financial statements and internal controls, (b) the Company’s implementation and administration of internal controls to safeguard assets, (c) the Company’s compliance with legal and regulatory requirements, (d) the independent auditor’s qualifications, independence and performance, and (e) the performance of the Company’s internal audit function. The Committee shall also provide an avenue of communication among the independent auditor, the internal audit department, management and the Board.

**II. MEMBERSHIP**

Members of the Committee and chairman shall be appointed by the Board upon the recommendation of the Governance and Nominating Committee. The Board shall have the power at any time to change the membership of the Audit Committee and to fill vacancies in it, subject to such new member(s) satisfying the independence, experience and financial expertise requirements referred to in the following paragraph.

The Committee shall consist of three or more directors all of whom shall satisfy the independence, experience and financial expertise requirements of the New York Stock Exchange and the Securities Exchange Act of 1934. At least one member of the Committee shall be an audit committee financial expert as defined by the SEC. If a Committee member simultaneously serves on the audit committees of more than two other public companies, the Board must determine that such simultaneous service does not impair the ability of such Committee member to effectively serve on the Committee and such determination must be disclosed in the Company’s annual proxy statement.

**III. MEETINGS**

The Committee shall meet at least four times each year and at such other times as it deems necessary to fulfill its responsibilities, or at the request of the independent auditor or the Director of Internal Audit. The Committee shall periodically meet separately, in executive session, with management, the internal audit department and the independent auditor. The Committee shall report regularly to the Board with respect to its activities and make recommendations to the Board as appropriate.

**IV. AUTHORITY**

The Committee’s job is one of oversight. Company management is responsible for preparing the financial statements and the independent auditor is responsible for auditing those financial statements. The Committee recognizes that financial management, including the internal audit staff, and the independent auditor have more time, knowledge and detailed information on the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the independent auditor’s work.

The independent auditor shall report directly to the Audit Committee. The Audit Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification), shall approve all audit and non-audit engagement fees and terms with the

independent auditor, and shall review the adequacy of the Committee's policies and procedures for pre-approving the use of the independent auditor for audit and non-audit services with a view to auditor independence; pre-approvals of non-audit services may be delegated to a single member of the Audit Committee. The Audit Committee shall also review and concur in the appointment, replacement, reassignment, or dismissal of the senior internal audit executive.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the committee and carry out its duties, and to conduct or authorize investigations into any matters within its scope of responsibilities. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

Except as expressly provided in this Charter, the by-laws of the Company, the rules of the New York Stock Exchange, or as otherwise provided by law, the Audit Committee shall fix its own rules of procedure. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

## **V. RESPONSIBILITIES**

To fulfill its responsibilities and duties the Audit Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Audit Committee. Those tasks include, but are not limited to

### **Audit –**

1. At least annually receive and review a formal written statement from the independent auditor regarding: (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, peer review, or PCAOB inspection of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, (c) any steps taken to deal with any such issues; and (d) all relationships between the independent auditor and the Company. In addition, the Committee shall confirm that the independent auditor is registered with the PCAOB. The Committee shall present its conclusions with respect to the independent auditor to the Board.
2. Review and evaluate the lead partner of the independent auditor including taking into account the opinions of management and the Company's internal auditors. Ensure that the lead audit partner of the independent auditor and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002. In addition, at least annually evaluate the independence of the independent auditor, including whether the provision by the independent auditor of permitted non-audit services is compatible with independence.
3. Discuss with the independent auditor their evaluation of the internal audit department and its audit plan, responsibilities, budget, staffing, and effectiveness in meeting its assigned responsibilities
4. Provide an open avenue of communication between the independent auditor, the internal auditor, and the Board of Directors.

5. Review the internal audit and independent audit plans at the beginning of each year. In addition, review with the internal auditor and independent auditor: (a) the level of internal and external audit costs, (b) the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources, and (c) any changes required in the original audit plan.
6. Meet with the internal auditor on an ongoing basis to review internal audit findings and evaluate the adequacy of the internal controls of the Company.

#### **Financial Reporting Process –**

7. Discuss with management and the independent auditors the audited financial statements to be included in the Corporation's annual report on Form 10-K, including the Corporation's disclosures under "Managements Discussion and Analysis of Financial Condition and Results of Operations." The Committee shall review and consider with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, including significant deficiencies in internal controls, fraud, illegal acts, management judgments and estimates, audit adjustments, audit difficulties, and the independent auditors' judgments about the quality of the Corporation's accounting practices. In addition, the Committee will discuss with the independent auditor any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement. The Committee will also discuss with the independent auditor any accounting adjustments that were noted or proposed and which were passed on by management. Finally, the Committee will recommend to the Board that the financial statements should be included in the Company's Annual Report on Form 10-K.
8. Discuss with management and the independent auditors the Corporation's interim financial results to be included in each quarterly report on Form 10-Q, including the Corporation's disclosures under "Managements Discussion and Analysis of Financial Condition and Results of Operations." Each such review shall include any matters required to be discussed by Statement on Auditing Standards No. 61, and shall occur prior to the Corporation's filing of the related Form 10-Q with the SEC.

#### **Management Reporting –**

9. Review earnings press releases and discuss the types of financial information and earnings guidance provided to analysts and ratings agencies, as well as disclosures made by the Company's principal executive officer and principal financial officer related to their certification obligations for disclosure controls and procedures and internal controls for financial reporting and their evaluation thereof.

#### **General**

10. Review the Company's conflict of interest and ethics programs.
11. Establish and maintain procedures for the confidential and anonymous receipt, retention and treatment of complaints regarding the Company's accounting, internal controls and auditing matters and for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting and auditing matters.

12. Discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies, and any material reports, inquiries or correspondence received from regulators or government agencies which raise material issues regarding the Company's financial statements or accounting policies.
13. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
14. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account recognizing that the Sarbanes-Oxley Act of 2002 does not permit the CEO, controller, CFO or chief accounting officer to have participated in the Company's audit as an employee of the independent auditor during the preceding one-year period.
15. Annually review the Audit Committee's own performance.
16. Annually prepare a report for inclusion in the Company's proxy statement relating to the election of directors.
17. Perform such other functions as assigned to the Committee by law, the Company's charter or bylaws, or by the Board of Directors of the Company and/or the Chairman of the Board of Directors.