

## **HARTMARX CORPORATION**

### **AUDIT AND FINANCE COMMITTEE OF THE BOARD OF DIRECTORS**

#### **CHARTER OF SCOPE, RESPONSIBILITIES, STRUCTURE AND PROCESSES FOR AUDIT COMMITTEE FUNCTIONS**

As amended and restated by the Board of Directors on January 26, 2006.

This Charter sets forth the audit committee functions of the Audit and Finance Committee (the "Committee") of the Board of Directors (the "Board") of Hartmarx Corporation (the "Company") and also specifies the membership, qualifications and responsibilities of the Committee.

#### **I. Mission Statement**

The Committee will assist the Board of the Company in fulfilling its responsibilities with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Company and its subsidiaries. The Committee's responsibilities include, without limitation, (i) assisting the Board's oversight of (a) the integrity of the Company's financial statements and internal controls over financial reporting, (b) the Company's compliance with legal and regulatory matters/issues, (c) the Company's independent accountants' qualifications and independence, and (d) the performance of the Company's independent accountants and the Company's internal audit department, and (ii) preparing the report required to be prepared by the Committee and included in the Company's proxy statement pursuant to the rules of the Securities and Exchange Commission (the "SEC"). It is the objective of the Committee to maintain free and open means of communications among the Board, the independent accountants, the Company's internal audit department, as well as the senior and financial management of the Company.

The function of the Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements. Management of the Company is responsible for maintaining (i) appropriate accounting and financial reporting principles and policies and (ii) internal controls and procedures over financial reporting that provide for compliance with accounting standards and applicable laws and regulations. The independent accountants are responsible for planning and carrying out a proper audit of the Company's annual financial statements, issuing an opinion on the Company's consolidated financial statements, reviewing the Company's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures as they deem appropriate or necessary. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (iii) statements made by management or third parties as to

any information technology, internal audit and other non-audit services provided by the independent accountants to the Company.

Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under applicable federal or state law.

## **II. Organization**

- A.** The Committee will consist of three or more directors as determined by the Board in accordance with the By-Laws of the Company. Members of the Committee as designated by the Board shall serve until their successors are duly designated. One of the members will be designated by the Board to serve as Committee Chair. Any vacancy on the Committee shall be filled by a majority vote of the Board. No member of the Committee shall be removed except by a majority vote of the Board.
- B.** Each member of the Committee shall be a director (i) who the Board has determined has no material relationship with the Company, (ii) who is "independent" under the rules of the New York Stock Exchange (the "NYSE"), the Sarbanes-Oxley Act of 2002 (the "Act"), and the rules and regulations promulgated by the SEC thereunder, and (iii) is "financially literate" as such qualification is determined by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. At least one member of the Committee shall have accounting or related financial management expertise, as such qualification is determined by the Board in its business judgment. If the Board has determined that a member of the Committee is an "audit committee financial expert," as defined by SEC rules pursuant to the Act, it may presume that such member has accounting or related financial management expertise.

No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee. Any such determination must be disclosed in the Company's proxy statement or annual report on Form 10-K. No Committee member may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company other than (i) directors' fees (including any additional amounts paid to chairs of committees and to members of committees of the Board), which may be received in cash, stock options or other in-kind consideration ordinarily available to directors; (ii) deferred compensation for prior service that is not contingent on future service; and (iii) any other benefit available to directors generally.

- C.** The meetings, procedures, actions of the Committee, vacancies and other procedural matters shall be consistent with and as provided in the By-Laws of the Company, unless otherwise required by applicable law, SEC regulation or NYSE rule. The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; provided, however, that no subcommittee shall consist of fewer than two members; and provided further that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised

by the Committee as a whole. The Committee shall keep written minutes of its meetings which shall be maintained with the books and records of the Company.

**D.** The Committee shall meet regularly, as determined by the Committee and as necessary to fulfill its responsibilities, to discuss with management, the independent accountants and the director of internal audit, the annual audited financial statements and quarterly unaudited financial statements, as applicable, and to carry out its duties and responsibilities. The Committee shall meet on a periodic basis with (i) management, (ii) the head of the internal audit department and (iii) the Company's independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups or persons believes should be discussed privately. The Committee, in its discretion, may ask other members of management, other directors, or others to attend or participate in its meetings (or portions thereof) and to provide pertinent information as necessary or as requested by the Committee. The Committee shall also meet in executive session at such times and with such frequency as the Committee deems necessary or appropriate.

**E.** The Committee shall obtain confirmation from management that the Company has provided to the NYSE, in accordance with NYSE rules then in effect, upon any changes in the composition of the Committee and otherwise approximately once each year, with written confirmation regarding:

- Any determination that the Board has made regarding the independence of the Committee members;
- The financial literacy of the Committee members;
- The determination that at least one of the Committee members has accounting or related financial management expertise; and
- The annual review and reassessment of the adequacy of the Committee's charter.

### **III. Roles, Responsibilities and Resources**

In carrying out its duties and responsibilities, the Committee's policies and procedures shall remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions and to ensure that the accounting and financial reporting practices of the Company, as well as the auditing process, are in accordance with all applicable requirements. While there is no "blueprint" to be followed by the Committee in carrying out its duties and responsibilities, the Committee shall have the following duties and responsibilities:

#### **A. Independent Accountants**

- Advise the independent accountants that they are ultimately accountable to the Committee and the Board, as representatives of the Company's shareholders;
- Be directly responsible for the appointment, compensation, retention and oversight of the work of the independent accountants, evaluation of their performance and, where appropriate, replacement of the independent accountants;

- Review the performance of the independent accountants, including the lead partner;
- Review and, in its sole discretion, pre-approve, all audit and, as provided in the Act and SEC rules and regulations, permitted non-audit services to be provided by the independent accountants. Approval and pre-approval of audit and permitted non-audit services will be made by the Committee or by the Committee Chair and such approval or pre-approval shall be reported to the Committee at its next scheduled meeting;
- Obtain from the independent accountants at least annually in writing an Auditors' Statement (it being understood that the independent accountants are responsible for the accuracy and completeness of the Statement) that describes all relationships between the independent accountants and the Company and discuss with the independent accountants the impact on the accountants' objectivity and independence of any disclosed relationships or services as required by professional standards, and recommend that the Board take appropriate action, if necessary, to satisfy itself of the accountant's independence and objectivity;
- Obtain from the independent accountants at least annually and review a report describing the firm's internal quality control procedures, any material issues raised by the most recent internal quality control review or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
- Obtain from the independent accountants in connection with any audit a timely report relating to the Company's annual audited financial statements describing all critical accounting policies and practices used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative treatments and the alternatives preferred by the independent accountants, and all other material communications between the independent accountants and management, such as any "management" letter or schedule of unadjusted differences;
- Monitor compliance by the Company's independent accountants with the audit partner rotation requirements contained in the Act and the rules and regulations promulgated by the SEC thereunder; and
- Establish clear hiring policies by the Company for employees or former employees of the independent accountants.

## **B. Internal Auditors**

- Review the appointment and replacement of the director of internal audit;
- Advise the director of internal audit that he or she is expected to provide the Committee summaries of and, as appropriate, the significant reports to management prepared by the internal audit department and management's responses thereto; and

- Meet with the director of internal audit in executive session at least annually to review policies and procedures regarding and actual expenses of the Company's senior executive officers, including the use of corporate assets, if any.
- Meet with the director of internal audit in executive session to discuss matters that the Committee or the director of internal audit believes should be discussed.

### **C. Financial Reporting; Internal Controls and Procedures**

- Advise management, internal audit and independent accountants that they are expected to provide the Committee with timely analyses of significant accounting and reporting issues, including recent professional and regulatory pronouncements, with due consideration of their impact on the financial statements;
- Consider any reports or communications (and management's and/or the internal audit department's responses thereto) submitted to the Committee by the independent accountants required by or referred to in SAS 61, as modified or supplemented;
- Meet with management, the independent accountants and, if appropriate, the director of internal audit to:
  - discuss the scope of the annual audit;
  - discuss the annual audited financial statements and quarterly unaudited financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any major issues related thereto;
  - discuss any significant matters arising from any audit, including any audit problems or difficulties, and including any difficulties the independent accountants encountered in the course of the audit, any restrictions on their activities or access to requested information and any significant disagreements with management, whether raised by management, the internal audit department or the independent accountants relating to the Company's financial statements;
  - discuss any "management" or internal control letter issued, or proposed to be issued, by the independent accountants to the Company;
  - discuss the substance of or review the form of opinion the independent accountants propose to render to the Board and shareholders; and
  - discuss, as appropriate:
    - accounting adjustments that were noted or proposed by the independent accountants but were not recorded by management (as immaterial or otherwise);

- communications between the independent accountant's local office and the independent accountant's national office respecting auditing or accounting issues presented by the engagement;
  - major issues regarding 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, financial reporting and any special audit steps adopted in light of material control deficiencies, if any;
  - analyses prepared by management and/or the independent accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
  - the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, if any, on the Company's financial statements.
- Resolve all disagreements between the independent accountants and management regarding financial reporting;
  - Inquire of the Company's chief executive officer and chief financial officer as to the existence of any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting;
  - Discuss guidelines and policies governing the process by which senior management of the Company and the relevant departments of the Company, including the internal audit department, assess and manage the Company's major accounting and financial risk exposures and the steps taken to monitor and control such exposures;
  - Obtain from the independent accountants assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, as amended;
  - Review and discuss with the independent accountants the result of the year-end audit of the Company, including comments or recommendations of the independent auditors and, based on such review and discussion and on such other considerations as it deems appropriate, recommend to the Board whether the Company's financial statements should be included in the Company's annual report on Form 10-K; and
  - Discuss the Company's earnings press releases and financial information and earnings guidance provided, if any, and the types of presentations made to analysts

and ratings agencies (such discussions need not be in advance of each earnings release or each instance in which earnings guidance is provided).

#### **D. Reporting Responsibilities and Recommendations**

- Deliver a report (which may be written or oral) to the Board which includes a description of all actions taken by the Committee at its most recent meeting, regularly update the Board about Committee activities, make appropriate recommendations and make periodic reports to the Board on such matters as the Committee or the Board may specify;
- Prepare and review with the Board an annual performance evaluation of the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make such report; and
- Make such reports or other disclosures of its activities and evaluations, including any recommendations of the Committee, as may be required by the rules of the SEC, NYSE or other applicable rules, in the Company's proxy statement and/or annual report on Form 10-K, or as determined to be appropriate by the Board.

#### **E. Compliance and Code of Conduct and Ethics**

- Review and discuss with the Company's chief legal officer, any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the Company's business, including material notices received from governmental agencies that could have a significant impact on the Company's financial statements;
- Consider any reports concerning material violations submitted to it by Company attorneys or outside counsel pursuant to the SEC attorney professional conduct responsibility rules or otherwise and determine what action or response is necessary or appropriate;
- Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- Confirm that the Company's code of conduct is formalized in writing and that procedures are in place to communicate same to appropriate management, supervisory and other employees, and that the Code of Conduct includes:
  - Conflicts of interest
  - Corporate opportunities
  - Confidentiality
  - Fair dealing
  - Protection and proper use of company assets

- Compliance with laws, rules and regulations (including insider trading laws)
- Encouraging the reporting of any illegal or unethical behavior
- Review the program for monitoring compliance with the code of conduct and periodically obtain updates from management regarding compliance.

**F. Other Responsibilities**

- If deemed appropriate, initiate special investigations into matters within the Committee's scope of responsibilities or as delegated by the Board;
- Perform other oversight functions as requested by the Board; and
- Review and reassess the adequacy of this Charter at least annually, and recommend any changes to the Board for adoption.

**IV. Resources**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain (at the Company's expense), terminate and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it deems necessary or appropriate, without seeking approval of the Board or management. The Committee shall have the sole authority to select, retain (at the Company's expense), terminate and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors to assist the Committee in carrying out its responsibilities.