

## **THE WARNACO GROUP, INC.**

### **CORPORATE GOVERNANCE GUIDELINES**

The Board has adopted these guidelines to reflect the Company's commitment to good corporate governance, and to comply with the NYSE and other legal requirements. In furtherance of these goals the Board has also adopted a Company handbook and written charters for each of its Nominating and Corporate Governance Committee, Compensation Committee and Audit Committee. The Nominating and Corporate Governance Committee will periodically review these guidelines and propose modifications to the Board for consideration as appropriate.

#### **I. Director Responsibilities**

##### **A. Basic Responsibilities**

The business affairs of the Company are managed under the direction of the Board, which represents and is accountable to the stockholders of the Company. The Board's responsibilities are active and not passive and include setting a "tone at the top" for meticulous, ethical conduct. The Board is also responsible for regularly evaluating the strategic direction of the Company, overseeing management policies (including risk assessment and risk management policies) and the effectiveness with which management implements its policies.

The basic responsibility of the directors is to act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be in the best interests of the Company and its stockholders. In discharging that obligation, the directors must inform themselves of all relevant information available to them. A director is expected to spend the time and effort necessary to properly discharge the director's responsibilities.

The Board will monitor both the performance of the Company (in relation to its goals, strategy and competitors) and the performance of the Chief Executive Officer and the Company's other executive officers.

The Board will also monitor the performance of all of the Company's employees and business partners to help ensure that they operate in a legal and ethically responsible manner.

##### **B. Board and Committee Meetings**

Directors are expected to prepare for and use reasonable efforts to participate in all Board meetings and meetings of committees on which they serve. A director who is unable to attend a meeting (which it is understood will occur on occasion) is expected to notify the Secretary of the Company, the Chair of the Board or the Chair of the appropriate committee in advance of such meeting. The Board and each committee will meet as frequently as necessary to properly discharge their responsibilities, provided that the full Board will meet at least quarterly.

The Chair, in consultation with the presiding director at independent director meetings (if such director is not the Chair) and the Chief Executive Officer, will prepare the agenda for each Board meeting. While the agenda will initially be set by the Chair of the Board, each director is free to suggest the inclusion of items on the agenda.

Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should, to the extent practical, be distributed in writing to the directors sufficiently in advance of the meeting to permit meaningful review, and directors are expected to review in detail the provided materials in advance of each meeting.

### C. Meetings of Independent Directors

The independent directors will meet without executive directors at regularly scheduled executive sessions at least quarterly, in conjunction with regularly scheduled Board meetings, and at such other times as they deem appropriate.

The presiding director at executive sessions of the independent directors will be the Chair of the Board if such Chair is an independent director. If the Chair of the Board is not an independent director then the independent directors will designate a director from among their number to preside at all executive sessions of the independent directors, or in such director's absence, another independent director designated by such designated presiding director.

In order to facilitate the ability of interested parties to communicate with and make their concerns known to the independent directors, the independent directors will establish an electronic mailing address and a physical mailing address to which such communications may be sent and publish the address in the Company's annual proxy statement and on the Company's website.

### D. Board Interaction with Institutional Investors, Research Analysts and Media

As a general rule, management will speak on behalf of the Company. Comments and other statements from the entire Board, if appropriate, will generally be made by the Chair and Chief Executive Officer. It is suggested that, in normal circumstances, each director will refer all inquiries from third parties to management.

## **II. Composition and Selection of the Board**

### A. Size and Composition of the Board

The Board will assess its size from time to time to determine whether its size continues to be appropriate.

### B. Selection of the Chairman of the Board

The Board does not require the separation of the offices of the Chair of the Board and the Chief Executive Officer. The Board shall be free to choose its Chair of the Board in any way that it deems best for the Company at any given point in time.

### C. Selection of New Directors; Board Membership Criteria

A majority of the directors on the Board will meet the criteria for independence required by the NYSE. The Board will monitor its compliance with the NYSE requirements for director independence on an ongoing basis. Each independent director is expected to notify the Chair of the Nominating and Corporate Governance Committee, as soon as reasonably practicable, in the event that his or her personal circumstances change in a manner that may affect the Board's evaluation of such director's independence.

The Board shall review annually the relationships that each director (and members of his or her immediate family) has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered independent, subject to applicable law and the NYSE rules. The Board may adopt and disclose categorical standards to assist it in determining director independence.

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the composition of the Board as a whole, and whether the Company is being well served by each of the directors taking into account the director's independence, age, skills, experience and availability for service to the Company. The Nominating and Corporate Governance Committee is also responsible for ensuring that each of the committees of the Board conducts an annual self-review.

The Nominating and Corporate Governance Committee will recommend director nominees to the Board in accordance with the policies and principles in its Charter. The invitation to join the Board should be extended by the Chair of the Board.

### D. Resignation Policy Relating To Majority Voting

The By-laws of the Company provide that, in any election that is not a contested election, a nominee for Director shall be elected if the number of votes cast for such nominee's election exceed the number of votes cast against such nominee's election. A "contested election" means an election of directors with respect to which, as of 10 days prior to the date the Company files its definitive proxy statement with respect to such meeting, the number of nominees exceeds the number of Directors to be elected at such meeting.

If, after receipt of the certified results of the applicable stockholder vote, any director is not elected, such director shall offer to tender his or her resignation to the Board (which resignation shall be subject to the acceptance or rejection of such resignation by the Board). The Nominating and Corporate Governance Committee will consider the tendered resignation(s) in light of the best interests of the Company and its stockholders and will make a recommendation to the Board concerning the acceptance or rejection of such resignation.

The Board will take formal action on the Nominating and Corporate Governance Committee's recommendation no later than 90 days following the receipt of the certified results

of the stockholder vote pertaining to the applicable election. In considering the Nominating and Corporate Governance Committee's recommendation, the Board will consider the information, factors and alternatives considered by the Nominating and Corporate Governance Committee and such additional information, factors and alternatives as the Board deems relevant.

The Board expects a director who tenders a resignation in accordance with this policy to voluntarily recuse himself or herself from participation in (i) any committee consideration of such director's resignation; and (ii) any Board consideration of the recommendation of such committee or action or decision of the Board taken in respect thereto.

If a majority of the members of the Nominating and Corporate Governance Committee have tendered resignations pursuant to this policy, then the independent directors then serving on the Board who were elected by a majority vote or who did not stand for election at the most recent meeting of stockholders will appoint an ad hoc committee of the Board from amongst themselves (the "Ad Hoc Committee"), consisting of such number of directors as they may determine to be appropriate, solely for the purpose of considering and making a recommendation to the Board with respect to the tendered resignations. The Ad Hoc Committee shall serve in place of the Nominating and Corporate Governance Committee and perform the Nominating and Corporate Governance Committee's duties for purposes of this Resignation Policy. Notwithstanding the foregoing, if an Ad Hoc Committee would have been created but fewer than three directors would be eligible to serve on it, the entire Board (other than the director whose resignation is being considered) will make the determination to accept or reject each tendered resignation without any recommendation from the Nominating and Corporate Governance Committee and without the creation of an Ad Hoc Committee.

Within four business days following acceptance or rejection of the resignation, the Company will file a report with the U.S. Securities and Exchange Commission on Form 8-K in which it will publicly disclose its decision, together with an explanation of the process by which the decision was made and, if applicable, the Board's reason or reasons for rejecting the tendered resignation.

#### E. Change in Principal Employment; Membership on Other Boards

Directors are required to submit their resignation to the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee promptly after their retirement from, or other termination of, their principal employment. The Nominating and Corporate Governance Committee shall review the change in such director's circumstances and advise the Board as to the appropriateness of continued membership on the Company's Board in light of the changed circumstances.

Directors are required to notify the Chair of the Nominating and Corporate Governance Committee within a reasonable period of time prior to accepting an invitation to serve on the board of or become employed or affiliated with (if such affiliation requires a significant commitment of time) a not-for-profit organization or another company. Within a reasonable period of time following notification from any director pursuant to the terms of this paragraph, the Nominating and Corporate Governance Committee shall review and advise the Board as to whether the proposed service, employment or affiliation creates a potential conflict

of interest or limits or otherwise affects such director's ability to fulfill his or her time commitment or other responsibilities to the Company. The Board will make a determination within a reasonable period of time following receipt of such notification from any director.

#### F. Ownership and Sale of Company Securities

It is important for directors to have significant ownership in the Company and the Board will determine the appropriate share ownership level for each director. Equity ownership requirements for directors and guidelines related to the acquisition and disposition of Company equity shall be set forth in a separate policy, which shall be approved by the Board and periodically reviewed.

### **III. Board Committees**

#### A. Composition and Responsibilities

The Board will have at all times an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and any other committees the Board deems appropriate, all of which shall provide regular reports to the Board. All of the members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee will be independent directors under the criteria for independence required by law and the NYSE. The members of the Compensation Committee, the Nominating and Corporate Governance Committee and the Audit Committee will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee based on each committee's member qualification standards. Consideration should be given to the desires, skills and characteristics of individual directors. The Board will appoint the Chair of each committee upon the recommendation of the Nominating and Corporate Governance Committee. The Board shall evaluate whether or not at least one member of the Audit Committee is an "audit committee financial expert" as defined by the Securities and Exchange Commission.

The Nominating and Corporate Governance Committee shall annually review the Committee assignments and shall consider the rotation of the Chair and members of each committee with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

#### B. Charters

The Board will adopt charters setting forth the purposes, goals and responsibilities of each of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and any other committees the Board deems appropriate, as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

### **IV. Director Access to Officers, Employees and Independent Advisors**

#### A. Access to Management and Employees

Directors shall have full and unrestricted access to officers and employees of the Company.

#### B. Access to Independent Advisors

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance. The Company will provide sufficient funding to the Board and to each committee, as determined by the Board and each of its committees, to exercise their functions and provide compensation for the services of their advisors and, in the case of the Audit Committee, independent auditors.

#### C. Internal Reporting

The Audit Committee shall establish procedures, as set forth in Annex A to the Audit Committee Charter, 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.

All employees of the Company are encouraged to initiate direct contact with the Chair of the Audit Committee if they believe that there is a matter that should be brought to the attention of the Board.

### **V. Director Orientation and Continuing Education**

All new directors must be provided with these Corporate Governance Guidelines and will participate in the Company's orientation initiatives as soon as practicable after such new directors are elected. All other directors are also invited to attend any orientation initiatives. The Board shall also provide access to continuing education programs for all directors.

The Nominating and Corporate Governance Committee and members of senior management of the Company as well as appropriate outside advisors will periodically report to the Board on any significant developments in the law and practice of corporate governance and other matters relating to the duties and responsibilities of directors in general.

### **VI. Director Compensation**

The Nominating and Corporate Governance Committee will annually review and recommend, and the Board will approve, the form and amount of director compensation and, where appropriate, compensation of the Chair of the Board, in accordance with the corporate policies and principles relevant to such compensation. Changes to director compensation and compensation of the Chair of the Board will be proposed to the full Board for consideration.

It is the Company's policy that a significant portion of director compensation be in the form of Company stock or equity-based awards. The Board will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary

levels of other publicly-listed companies, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

A director or Chair of the Board who is also an officer of the Company shall not receive additional compensation for such service as a director.

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 Audit Committee may receive from the Company.

## **VII. CEO Selection and Evaluation; Management Development and Succession**

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for, and selecting, the Company's Chief Executive Officer, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity and reputation in the business community.

The Compensation Committee will review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance based on these goals and objectives and set the Chief Executive Officer's compensation level based on this evaluation. The Board of Directors will review the Compensation Committee's report in order to ensure that the Chief Executive Officer is providing the necessary leadership for the Company in the long- and short-term.

The Board will review at least annually succession planning for the Chair and Chief Executive Officer and such other senior executives as determined by the Board. The Board will evaluate and, as necessary, nominate successors to the Chair and Chief Executive Officer and any such other senior executives. The Chief Executive Officer and any such other senior executives should at all times make available to the Board his or her recommendations and evaluations of potential successors to his or her own and other senior management positions, including in the event of an unexpected emergency, along with a review of any development plans recommended for such individuals.

## **VIII. Annual Performance Evaluation**

The Nominating and Corporate Governance Committee, on behalf of the Board, will conduct an annual evaluation of the Board of each committee to determine whether each of them is functioning effectively, and will submit a report to the full Board at the end of the review. The review will be discussed with the full Board following the end of each fiscal year.

The assessment will focus on the contribution to the Company by the Board, each individual director and each committee, and will specifically focus on areas in which the Nominating and Corporate Governance Committee believes a better contribution could be made.

The Nominating and Corporate Governance Committee will establish the criteria to be used in such evaluations.

### **IX. Director Insurance, Indemnification and Exculpation**

The Company intends to, and the directors will be entitled to have the Company, purchase reasonable directors' and officers' liability insurance on behalf of the directors to the extent reasonably available. In addition, the directors will receive the benefits of indemnification provided by the Company's Certificate of Incorporation, as well as the provisions regarding absence of personal liability contained in the Company's Certificate of Incorporation.