

## **AUDIT COMMITTEE CHARTER (the "Charter")**

### ***Purpose***

The purpose of the Audit Committee ("The Committee") is to provide assistance to the Board of Directors (the "Board") in fulfilling their oversight responsibilities relating primarily to;

- the integrity of the accounting policies, financial reporting and disclosure practices of Innospec Inc ("The Company");
- the determination of the independent auditor's qualifications and independence;
- the performance of the Company's Business Assurance function and of the independent auditors;
- legal and regulatory compliance requirements in respect of financial reporting;
- preparation of an audit committee report as required by the Securities Exchange Commission ("SEC") to be included in the Company's annual proxy statement;
- the performance of the company's systems of internal accounting and financial control; and
- the annual independent audit of the company's financial statements.

### ***Membership***

The Committee shall be appointed by the Board and shall be comprised of not less than three non-executive members of the Board, and the Committee's composition will meet all requirements of the Exchange on which the Company is listed and the Securities Exchange Commission ("SEC") including the requirements of independence established by those institutions.

At least one of the members of the Committee shall be an Audit Committee Financial Expert as defined by Securities and Exchange Commission rules under Section 407 of the Sarbanes Oxley Act of 2002.

Committee members shall continue to act until their successors are appointed by the Board and shall be subject to removal at any time by the Board.

No Committee Member shall serve on more than two other audit committees of SEC-reporting companies.

### ***Meetings***

The Committee shall meet at least Quarterly, or more frequently as circumstances dictate. The Chair of the Committee, or any two members of the Committee, may call meetings as they deem necessary and appropriate. As part of its job to foster open communication, the Committee should meet at least twice annually with the person responsible for the Business Assurance function, the Chief Financial Officer and the external auditor separately to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or at least its Chairperson should meet with the external auditor and management quarterly to review the Company's financial statements.



The Committee shall maintain and submit to the Board copies of minutes of each meeting of the Committee, and each written consent to action taken without a meeting, reflecting the actions so authorized or taken by the Committee since the preceding meeting of the Board. A copy of the minutes of each meeting shall be placed in the Corporation's minute book.

### **Authority**

The Committee's role is one of overseeing but it understands that management is responsible for preparing the Company's financial statements and that the external auditors are responsible for planning and conducting audits to determine whether the financial statements present fairly in all material respects the financial position of the company. Additionally, the Committee understands that financial management, including the internal Business Assurance staff, as well as the external auditors, have more time, knowledge and more detailed information on the Company than do Committee members. Consequently, in carrying out its 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 external auditor's work. It is not the duty of the Committee to ensure that the Company complies with laws and regulations. Furthermore, while the Committee is responsible for reviewing the Company's policies and practices with respect to financial risk assessment and management, it is the responsibility of the CEO/CFO and senior management to propose the appropriate level of the Company's exposure to risk.

In discharging its responsibilities, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain external counsel, auditors or other experts for this purpose. The Board and the Committee are in place to represent the interests of the Company's shareholders; accordingly, the external auditor is ultimately accountable to the Committee and the Board. The Committee and ultimately the Board have the authority and responsibility to select, evaluate and where appropriate, replace the outside auditor.

### **Key Responsibilities**

The following functions shall be the common recurring activities of the Committee in carrying out its overseeing function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

#### **1. External Auditors**

- 1.1. **Appointment:** The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm, including the Company's independent auditors, engaged (including resolution of disagreements between management and the auditor regarding financial reporting) 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 accountancy firm must report directly to the Committee.
- 1.2. **Independence:** The Committee shall oversee the independence of the external auditors by:
  - approving all fees to be paid to the external auditors and pre-approving all non-audit services by the external auditors in accordance with The Public Company Accounting Oversight Board (PCAOB) Rule 3525 *Audit Committee Pre-approval of Non-audit Services Related to Internal Control Over Financial Reporting* and Rule 3524 *Audit Committee Pre-Approval of Certain Tax*



*Services*, specifying the extent to which management has budgetary control over previously agreed projects;

- requesting from the external auditors annually, a formal written statement delineating all relationships between the auditor and the Company consistent with PCAOB Rule 3520 *Auditor Independence* and Rule 3526 *Communication with Audit Committees Concerning Independence*;
- discussing with the external auditors any such disclosed relationships and their impact on the external auditor's independence; and
- recommending that the Board take appropriate action in response to the external auditor's report to satisfy itself of the auditor's independence.

- 1.3. **Quality Control:** The Committee shall at least annually, obtain and review a report by the independent auditor 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; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
- 1.4. **Scope Restrictions:** The Committee shall review with the independent auditor any audit problems or difficulties (including any restrictions on the scope of the auditor's activities or on access to information, and any significant disagreement with management) and management's response.
- 1.5. **Securities Exchange Act:** Obtain from the independent auditor assurance that they are not aware of any illegal act or other facts implicating Section 10A(b) of the Securities Exchange Act of 1934, as amended.
- 1.6. **Former Employees:** The Committee review and approve any hiring policies for employees or former employees of the Company's auditor.

## 2. Financial Reporting

- 2.1. **Reporting Processes:** The Committee shall, in conjunction with the external auditor and Business Assurance, review the integrity of the Company's financial reporting processes, both internal and external.
- 2.2. **Financial Results:** As a whole, or through the Committee Chair, the Committee shall review with management and the external auditors the Company's interim and annual financial results to be included in the Company's quarterly and annual reports to be filed with Securities and Exchange Commission and the matters required to be discussed by PCAOB Auditing Standard No. 16 *Communications With Audit Committees* (as amended from time to time). This review will occur prior to the Company's filing of the Form 10-Q and 10-K.
- 2.3. **Policies and procedures:** In carrying out its duties and responsibilities, the Committee may develop policies and procedures, reacting as appropriate to changing conditions, which are intended to help assure the directors and shareholders that the accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.
- 2.4. **Accounting Principles:** The Committee shall review:
  - 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 and any special audit steps adopted in light of material control deficiencies;

- 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 financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and
- The type and presentation of information to be included in earnings press releases (in particular, with regard to any use of "pro forma," or "adjusted" non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.

2.5. **Earnings Press Releases:** The Committee shall develop with management general guidelines for earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, and monitor, review and discuss with management and the independent auditors compliance with such guidelines.

2.6. **Complexities:** The Committee shall establish regular systems of reporting to the Committee by each of management, the external auditor and Business Assurance regarding:

- Any significant judgments made in management's preparation of the financial statements, particularly with reference to accruals, reserves or other estimates that have a significant impact on the financial statements;
- Any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of the work or access to required information; and
- Any unusual or complex items and their accounting treatment.

2.7. **Critical Accounting policies:** The Committee shall obtain periodic reports from the Company's auditor relating to critical accounting policies and practices to be used; alternative treatments of financial information within generally accepted accounting principles that have been discussed with management; the ramifications of such alternative treatments; a summary of the treatment preferred by the Company's auditor; and other material written communications between the Company's auditor and management, such as any management letter or schedule of audit differences.

2.8. **Disagreement:** The Committee shall review any disagreement among management and the external auditor or Business Assurance in connection with the preparation of the financial statements.

### 3. Internal Accounting Control

3.1. **Risk Management:** The Committee shall challenge management and Business Assurance regarding the adequacy of steps taken by management to monitor and control the Company's major financial risk exposures.

3.2. **Internal Audit:** The Committee shall review and approve the audit plans prepared by Business Assurance to address the perceived risk exposures.

3.3. **Internal Controls:** The Committee shall discuss with management, the external auditors and Business Assurance the quality and adequacy of the Company's internal controls, including controls for ensuring financial and operational effectiveness and efficiency, and compliance with laws and regulations and guidance on appropriate risk management procedures. This will include a review of



management's assessment of internal control as required by S404 of the Sarbanes-Oxley Act of 2002.

- 3.4. **Issues and Weaknesses:** The Committee shall through discussion with management; external audit and Business Assurance ensure that:
- 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 are reported to the Committee;
  - The Company's external auditors have been notified of any material weaknesses; and
  - any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls is reported to the Committee.
4. **Proxy Statement:** The Committee shall be responsible for reporting to shareholders in the Company's annual proxy statement as required by applicable law and regulations.
5. **Compliance:** The Committee shall discuss with management, Business Assurance, External Audit and where necessary the Chief Compliance Officer, any matters of a compliance nature that may have a material impact on the financial statements.
6. **Going Concern:** The Committee shall receive reports at least annually in respect of Management's 'Going Concern' assessment of the business.
7. **Contingent Liabilities:** The Committee shall receive reports on material contingent liabilities, including actual or threatened litigation or governmental investigations.
8. **External Advice:** The Committee shall at its sole discretion and at the Company's expense, obtain advice and assistance from outside legal, accounting or other advisors as it deems necessary in the performance of its duties and to receive appropriate funding for compensation of such advisors without having to seek the approval of the Board.
9. **Audit Scope:** The Committee shall periodically review and approve the scope of work and audit plans of the Business Assurance (including any co-source partners) and External Audit.
10. **Performance Review:** The Committee shall perform a review and self-evaluation of their performance at least annually. In addition the Committee shall ensure that appropriate quality assurance measures are applied to the Business Assurance function.
11. **Charter Review:** The Committee shall review and reassess the adequacy of this Charter on at least an annual basis and will obtain Board approval for the Charter. This Charter will be published in accordance with applicable regulations including, but not limited to, those of the Securities and Exchange Commission.