

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

### *Purpose*

The Audit Committee's role is one of overseeing but it understands that Innospec Inc.'s (the "Company") 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 Audit Committee (the "Committee") understands that financial management, including the internal audit 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 Audit Committee to ensure that the Company complies with laws and regulations.

The primary purpose of the Committee is to provide assistance to the Board of Directors (the "Board") in fulfilling their responsibility relating to the Company's corporate accounting, reporting practices and the quality and integrity of the financial reports. The Audit Committee's primary duties are to:

- oversee that management has maintained the reliability and integrity of the accounting policies, financial reporting and disclosure practices of the Company;
- oversee the determination of the independent auditor's qualifications and independence;
- oversee the performance of the Company's internal audit function and of the independent auditors;
- oversee that management has established and maintained processes to ensure compliance by the Company with all applicable laws, regulations and corporate policy; and
- prepare an audit committee report as required by the Securities Exchange Commission ("SEC") to be included in the Company's annual proxy statement.

In discharging the responsibilities described above, 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 Audit Committee and the Board have the ultimate authority and responsibility to select, evaluate and where appropriate, replace the outside auditor (or to nominate the outside auditor to be proposed for shareholder approval in any proxy statement).

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee. 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. The Committee shall determine, at the Committee's sole discretion and without having to seek the approval of the Board, the appropriate funding needed to carry out the ordinary administrative expenses of the Committee that are necessary and appropriate for carrying out its duties.



### ***Membership***

The Committee shall be comprised of not less than three 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 who shall possess each of the following attributes:

- (i) An understanding of generally accepted accounting principles and financial statements;
- (ii) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (iii) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (iv) An understanding of internal controls and procedures for financial reporting; and
- (v) An understanding of audit committee functions.

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 twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least twice annually with management, with the person responsible for the internal auditing function 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.

### ***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.

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.



The Committee shall review with management and the external auditors the audited financial statements to be included in the Company's Annual Report on Form 10-K and review and consider with the external auditors the matters required to be discussed by Statement of Auditing Standards ("SAS") No. 61 (as amended from time to time).

The Committee shall be responsible for reporting to shareholders in the Company's annual proxy statement as required by applicable law and regulations.

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.

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 SAS No. 61 (as amended from time to time). This review will occur prior to the Company's filing of the Form 10-Q and 10-K.

The Committee shall discuss with management and the external and internal auditors 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.

The Committee shall be informed by management, external and internal auditors, of the Company's major financial risk exposures and the steps that management has taken to monitor and control such exposures.

The Committee shall review: (i) 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; (ii) 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; (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and (iv) 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

The Committee shall through discussion with management and the external and internal auditors 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.



The Committee shall oversee the independence of the external auditors by:

- approving all non-audit services by the external auditors;
- requesting from the external auditors annually, a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard Number 1;
- 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.

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.

The Committee shall discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

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.

The Committee shall, in conjunction with the external auditor and the internal auditors, review the integrity of the Company's financial reporting processes, both internal and external.

The Committee shall, consider and approve, if appropriate, major changes to the Company's accounting principles and practices proposed by management, discuss with the independent accountants any significant changes in auditing standards or their audit scope and consider and approve, if appropriate, any significant changes to the auditing practices of the internal auditors.

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 of schedule of audit differences.



The Committee shall establish regular systems of reporting to the Committee by each of management, the external auditor and the internal auditors 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.

The Committee shall review any disagreement among management and the external auditor or the internal auditors in connection with the preparation of the financial statements.

The Committee shall periodically review the scope of work and audit plans of the external and internal auditors.

The Committee shall approve the fees to be paid to the external auditor, and pre-approve all non-audit services to be performed by the auditor.

The Committee shall establish clear hiring policies for employees or former employees of the Company's auditor.

The Committee shall:

- in 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;
- discuss policies with respect to risk assessment and risk management;
- meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors;
- 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;
- report regularly to the board of directors;
- review with the Company's counsel any legal matter that could have a significant impact on the financial statements;
- maintain minutes or other records of meetings and activities of the Committee; and
- perform such other duties and responsibilities as may be assigned from time to time by the Board.

The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting; internal accounting controls or auditing matters and monitor the resolution of such complaints.

The Committee shall establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters and monitor compliance with such procedures in line with the company's Code of ethics as published on its web site.