

# ROCKWOOD HOLDINGS, INC.

## CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

### I. PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Rockwood Holdings, Inc. (the “Company”) primarily to effect the duties and assume the responsibilities set forth in Section III of this Charter.

### II. ORGANIZATION

1. **Composition.** The Committee shall consist of no fewer than three members. Each member must be determined by the Board to be “independent” in accordance with the rules of the New York Stock Exchange, subject to the phase-in rules for companies listing securities in conjunction with an initial public offering which require one independent member at the time of listing, a majority of independent members within 90 days of the date the registration statement on Form S-1 is declared effective by the Securities and Exchange Commission (the “Commission”) and a fully independent committee within one year of effectiveness. In addition, each member of the Committee shall meet all applicable requirements or exemptions therefrom of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rule 10A-3 promulgated thereunder by the Commission.

All members of the Committee shall be financially literate, having a working familiarity with basic finance and accounting practices (or acquire such familiarity within a reasonable period after his or her appointment). Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or by an outside consultant.

At least one member must qualify as an “audit committee financial expert” (as such term is defined under Item 401(h) of Regulation S-K). The designation of any person as an “audit committee financial expert” does not decrease the duties and obligations of other Committee members or the Board.

No member of the Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board (i) determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and (ii) discloses such determination in the Company’s annual proxy statement.

2. **Compensation.** No member of the Committee shall receive compensation other than (i) director’s fees for service as a director of the Company, including reasonable compensation for serving on the Committee and regular benefits that other directors receive and (ii) a pension or similar compensation for past performance, provided that such compensation is not conditioned on continued or future service to the Company.

3. **Appointment and Removal.** The members of the Committee shall be appointed by the Board in accordance with the Company's certificate of incorporation and the Company's by-laws and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board.

4. **Chairperson.** The Board will designate one of the members of the Committee as Chairperson. The Chairperson shall be entitled to cast a vote to resolve any ties.

5. **Meetings.** The Committee shall meet at least quarterly, or more frequently as circumstances dictate. The Chairperson or any member of the Committee may call a meeting of the Committee. A majority of the members of the Committee will constitute a quorum for the transaction of business. A majority of the members of the Committee shall be empowered to act on behalf of the Committee. Meetings may be held by telephone or by other appropriate means in accordance with the Company's certificate of incorporation and the Company's by-laws.

As part of its goal to foster open communication, the Committee shall periodically meet separately with each of management, the internal and the independent auditors to discuss any matters that the Committee or each of these groups believe would be appropriate to discuss privately. In addition, the Committee shall meet with the independent auditors and management quarterly to review the Company's financial statements in a manner consistent with that outlined in Section III of this Charter.

6. **Subcommittees.** The Committee may form one or more subcommittees, each of which may take such actions as may be delegated by the Committee.

7. **Advisors.** The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee may, in its sole discretion and at the Company's expense, retain and terminate legal, accounting or other advisors and experts it deems necessary in the performance of its duties and without having to seek the approval of the Board. In particular, the Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report.

### **III. RESPONSIBILITIES AND DUTIES**

The Committee shall be given full access to the Company's executive officers and financial officers, the Board, the internal auditors and the independent auditors as necessary to carry out its responsibilities and duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Company's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the Company's financial statements and disclosures rests with management.

To fulfill its primary purpose, the Committee will perform the following with respect to the Company:

### ***Oversight of the Quality and Integrity of the Company's Financial Statements and Financial Disclosures***

1. Review with management and the independent auditors prior to public dissemination the Company's annual audited financial statements and disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Annual Report on Form 10-K (or the annual report to stockholders if distributed prior to the filing of the Form 10-K), including management's judgment about the quality (not just the acceptability) of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.
2. Recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.
3. Review and discuss with management and the independent auditors prior to public dissemination the Company's quarterly unaudited financial statements and disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Quarterly Report on Form 10-Q, the results of the independent auditors' reviews of the quarterly financial statements and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
4. Review and discuss with management the Company's earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's discussion in this regard may be general in nature (*i.e.*, discussion of the types of information to be disclosed and the type of presentation to be made) and need not take place in advance of each earnings release or each instance in which the Company may provide earnings guidance.

### ***Oversight of the Financial Reporting Process***

1. In consultation with management, the Disclosure Committee, the independent auditors and the internal auditors, review at least annually the integrity of the Company's financial reporting processes, both internal and external, and significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements. In that connection, the Committee should discuss with management and the independent auditors:
  - (i) all critical accounting policies and practices to be used by the Company;
  - (ii) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues (including any second opinions sought by management on accounting issues) and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted

accounting principles that have been discussed with the Company's management, the ramifications of the use of the alternative disclosures and treatments, the treatment preferred by the independent auditors and the Company's use of reserves and accruals;

- (iii) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
  - (iv) major issues as to the adequacy of the Company's internal controls and any specific audit steps adopted in light of material control deficiencies; and
  - (v) any other material written communications between the independent auditors and the Company's management.
2. Review with the independent auditors the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards, including matters relating to the conduct of the audit, any audit problems or other difficulties encountered by the auditors in the course of the audit process (including any restrictions on the scope of the independent auditors' activities or on access to requested information) and any significant disagreements with management, and management's responses to such matters. Without excluding other possibilities, the Committee may wish to review with the independent auditors:
- (i) any accounting adjustments that were noted or proposed by the independent auditors but were "passed" (as immaterial or otherwise);
  - (ii) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and
  - (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company.
3. Review the accounting treatment accorded significant transactions and any significant accounting issues.
4. Review periodically with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.
5. Discuss with management and the internal auditors the Company's guidelines and policies with respect to risk assessment and risk management and major legislative and regulatory developments which could materially impact the Company's contingent liabilities and risks. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

6. Review disclosures made to the Committee by the Company's chief executive officer and chief financial officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein or any fraud (whether or not material) involving management or other employees who have a significant role in the Company's internal controls.
7. Review management's assessment of the effectiveness of the Company's internal controls over financial reporting as of the end of the most recent fiscal year.

***Oversight of the Independent Auditors' Retention/Termination, Qualifications and Independence***

1. Retain, terminate and replace independent auditors (subject, if applicable, to stockholder ratification) and approve all audit plans, engagement fees and terms (including providing comfort letters in connection with securities underwritings).
2. Inform the independent auditors that they shall report directly to the Committee.
3. Oversee (with direct responsibility therefor) the work of the independent auditors, including the resolution of any disagreement between management and the independent auditors regarding financial reporting, for the purpose of preparing or issuing an audit report or related work.
4. Establish procedures for pre-approval and pre-approve all auditing services or non-auditing services between the Company and the independent auditors, other than "prohibited non-auditing services" to be performed for the Company by its independent auditors.
5. The following shall be "prohibited non-auditing services":
  - (i) bookkeeping or other services related to the accounting records or financial statements of the Company;
  - (ii) internal audit outsourcing services;
  - (iii) financial information systems design and implementation;
  - (iv) appraisal or valuation services, providing fairness opinions or preparing contribution-in-kind reports;
  - (v) actuarial services;
  - (vi) management services or human resources;
  - (vii) broker or dealer, investment adviser or investment banking services;
  - (viii) legal or other expert services unrelated to the audit; and

- (ix) any other service that the Public Company Accounting Oversight Board prohibits through regulation.
6. Notwithstanding the foregoing, pre-approval is not necessary for minor audit services if:
- (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its independent auditors during the fiscal year in which the non-audit services are provided;
  - (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - (iii) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee. The Committee may delegate to one or more of its members the authority to approve in advance all significant audit or non-audit services to be provided by the independent auditors so long as it is presented to the full Committee at a later time.
7. The Company shall promptly report the approval of any permitted non-audit services to management for disclosure in the Company's periodic reports.
8. Meet with the independent auditors and financial management of the Company prior to the audit to discuss the planning and staffing of the audit, the scope of the prospective audit and locations and the audit procedures to be utilized, the estimated fees therefor and such other matters pertaining to the audit as the Committee may deem appropriate. At the conclusion of the annual audit, review with the independent auditors and management the performance of the audit, including any comments or recommendations made by the independent auditors.
9. Review, at least annually, the qualifications, performance and independence of the independent auditors. In conducting its review and evaluation, the Committee should:
- (a) Obtain and review a report from the Company's independent auditors at least annually regarding:
    - (i) the independent auditors' internal quality-control procedures;
    - (ii) any material issues raised by the most recent internal quality-control review, or peer review, of such 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 such firm, and any steps taken to deal with any such issues; and

- (iii) an assessment of the auditors' independence and all relationships between the independent auditors and the Company.
- (b) Evaluate the qualifications, performance and independence of the independent auditors, including considering whether the independent auditors' quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditors' independence, and taking into account the opinions of management and the internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Board.
- (c) Obtain and review the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and proof that it is registered as a "registered public accounting firm" by the Public Company Accounting Oversight Board, and discuss with the independent auditors the independent auditors' independence and any disclosed relationships or services that may impact the objectivity of the independent auditors.
- (d) Ensure the rotation of the lead audit partner (having primary responsibility for the audit) and the reviewing audit partner at least every five years, and consider whether there should be regular rotation of the audit firm itself.
- (e) Confirm with the independent auditors retained to provide audit services for any fiscal year that neither the lead audit partner (having primary responsibility for the audit) nor the reviewing audit partner has performed audit services for the Company in each of the five previous fiscal years.
- (f) Confirm with the independent auditors retained to provide audit services for any fiscal year that the lead audit partner has not performed lead partner services for any of the Company's subsidiaries whose assets or revenues constitute 20% or more of the Company's consolidated assets or revenues for more than seven consecutive years.
- (g) Confirm with the independent auditors retained to provide audit services for any fiscal year that none of the audit partners have earned or received compensation from the Company or any of its subsidiaries for the provision of products or services other than audit, review or attest services.

### ***Oversight of the Company's Internal Audit Function***

1. Review the internal audit function when appropriate.
2. Review any significant reports to management prepared by the internal auditors and management's responses.
3. Review and discuss with management the responsibilities, budget and staffing of the internal auditors and any recommended changes in the planned scope of the internal audit.

### ***Oversight of the Company's Compliance with Legal and Regulatory Requirements***

1. Receive any reports from the independent auditors, and report to the independent auditors, any information of which they are aware indicating that an illegal act has or may have occurred or that Section 10A(b) of the Exchange Act has been implicated.
2. Review periodically, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
3. Receive any reports of Company's counsel of evidence of a material violation of securities laws, breaches of fiduciary duties or fraud.
4. Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
5. Review and approve all related party transactions.
6. Set clear policies for the Company's hiring of employees or former employees of the independent auditors. At a minimum, these policies should provide that any registered public accounting firm may not provide audit services to the Company if the chief executive officer, chief financial officer, chief accounting officer, corporate controller or any person serving in an equivalent capacity for the Company was employed by the registered public accounting firm and participated in the audit of the Company within one year of the initiation of the current audit.
7. 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.

### ***Reports***

1. Prepare all reports required to be included in the Company's proxy statement, pursuant to and in accordance with applicable rules and regulations of the Commission.
2. Report regularly to the Board:
  - (i) following all meetings of the Committee;
  - (ii) with respect to any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function; and

- (iii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities; and
  - (iv) with respect to such recommendations as the Committee may deem appropriate.
3. The report to the Board may take the form of an oral report by the Chairperson or any other member of the Committee designated by the Committee to make such report.
  4. Maintain minutes or other records of meetings and activities of the Committee.

***Other***

1. Perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the Company's by-laws and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or regulations of the Commission.

**IV. ANNUAL PERFORMANCE EVALUATION**

The Committee shall perform an annual review and evaluation of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter, and report the results of such review and evaluation to the Board. In addition, the Committee shall an annual review and assessment of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such reviews in such manner as it deems appropriate.