

CALLAWAY GOLF COMPANY

Audit Committee Charter

1. Members. The Board of Directors shall appoint an Audit Committee of at least three members, consisting entirely of "independent" directors of the Board, and shall designate one member as chairperson. Each member shall serve on the committee at the pleasure of the Board of Directors and may be removed by the Board at any time with or without cause. For purposes hereof, "independent" shall mean a director who has no material relationship to the Company and who otherwise meets the New York Stock Exchange requirements of "independence."

Each member of the Audit Committee must be financially literate and at least one member of the Audit Committee must have accounting or related financial management expertise. All determinations regarding the independence and other qualifications of a Board member to serve on the Audit Committee shall be made in the Board's judgment.

2. Purpose. The purpose of the Audit Committee shall be: (i) to assist the Board of Directors in discharging its oversight responsibility relating to (a) the accounting, reporting and financial practices of the Company and its subsidiaries, including the integrity of the Company's financial statements, (b) the Company's outside auditors, including their qualifications, performance and independence, (c) the performance of the Company's internal audit function, and (d) the Company's compliance with legal and regulatory requirements, and (ii) to prepare the Audit Committee report that is required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

3. Duties and Responsibilities. In furtherance of the purpose of the Audit Committee, the Audit Committee shall have the following specific duties and responsibilities:

- (i) Review and discuss with the outside auditors (a) the scope of the annual audit, the results of the annual audit examination by the auditors, and any problems or difficulties the auditors encountered in the course of their audit work, including management's responses to any issues and any restrictions on the scope of the outside auditors' activities or on access to requested information, and any significant disagreements with management, and (b) any reports of the outside auditors with respect to interim periods.
- (ii) Meet to review and discuss with management and the outside auditors the annual audited and quarterly financial statements of the Company, including (a) an analysis prepared by management or the outside auditors setting forth any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods on the financial statements, (b) the effect of regulatory and accounting initiatives, as well

as any off-balance sheet structures, on the Company's financial statements, (c) the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in periodic reports filed with the Securities and Exchange Commission, including accounting policies that may be regarded as critical, and (d) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations. The Audit Committee shall receive reports from the outside auditor as required by rules of the Securities and Exchange Commission.

- (iii) Review and discuss the Company's corporate policies with respect to earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies.
- (iv) In its capacity as a committee of the Board, be directly responsible, and have the sole authority, for all matters relating to the Company's outside auditors, including the appointment, compensation, evaluation, retention and termination of the Company's outside auditors and including resolution of disagreements between Management and the Company's outside auditors regarding financial reporting matters. In this regard, the outside auditors shall report directly to the Audit Committee.
- (v) Approve in advance all services to be performed by the outside auditors, including pre-approval of any permissible non-audit service to be provided by the outside auditor, and establish policies and procedures for the pre-approval of audit and permissible non-audit services to be provided by the outside auditor. The Audit Committee shall approve the fees and the other terms of each such engagement. By approving the audit engagement, an audit service within the scope of the engagement shall be deemed to have been pre-approved. The Audit Committee may delegate to one or more members of the Audit Committee the authority to grant such pre-approvals.
- (vi) Recommend to the Board based on the review and discussion described in paragraphs (i), (ii) and (v) above, whether the financial statements should be included in the Annual Report on Form 10-K.
- (vii) Consider, at least annually, the independence of the outside auditors, including whether the outside auditors performance of permissible non-audit services is compatible with the auditors' independence, and obtain and review a report by the outside auditors describing any relationships between the outside auditors and the Company or any other relationships that may adversely affect the independence of the auditors. The Audit Committee shall have the sole authority to approve any significant non-audit relationship with the outside auditors. The Audit Committee shall

establish policies for the hiring of employees and former employees of the outside auditor.

- (viii) At least annually, obtain and review a report by the outside auditors describing (a) the outside auditors' internal quality-control procedures and (b) any material issues raised by the most recent internal quality-control review, or peer review, 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 outside auditor, and any steps taken to deal with any such issues.
- (ix) Review and discuss with the principal internal auditor of the Company the scope and results of the internal audit program. The Audit Committee shall also review and discuss the adequacy and effectiveness of the Company's internal controls (with particular emphasis on the scope and performance of the internal audit function), including any significant deficiencies in internal controls and significant changes in such controls reported to the Audit Committee by the outside auditors or management. The Company's principal internal auditor shall functionally report directly to the Audit Committee.
- (x) Review and discuss the adequacy and effectiveness of the Company's disclosure controls and procedures and management reports thereon.
- (xi) Review material pending legal proceedings involving the Company and other material contingent liabilities.
- (xii) Review and discuss the Company's policies with respect to risk assessment and risk management.
- (xiii) Oversee the Company's compliance programs with respect to legal and regulatory requirements and the Company's code of conduct policies, including review of related party transactions and other conflict of interest issues.
- (xiv) Establish procedures for handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- (xv) Evaluate annually the performance of the Audit Committee and assess the adequacy of the Audit Committee charter.
- (xvi) Perform such other duties and responsibilities as are consistent with the purpose of the Audit Committee or as may be assigned from time to time by the Board.

4. Outside Advisors. The Audit Committee shall have the authority to retain at the expense of the Company such outside counsel, accountants, experts and other advisors as it determines appropriate to assist the Audit Committee in the performance of its functions and shall receive appropriate funding, as determined by the Audit Committee, from the Company for payment of compensation to any such advisors.

5. Meetings. The Audit Committee shall meet or otherwise take action as often as may be deemed necessary or appropriate in its judgment (but in any event at least four times per year), either in person, telephonically or by written consent. The Audit Committee shall periodically (but no less than annually) meet separately in executive sessions with each of management, the principal internal auditor of the Company and the outside auditors. The Audit Committee shall report regularly to the full Board of Directors with respect to its meetings. The majority of the members of the Audit Committee shall constitute a quorum. Every act done or decision made by a majority of the members of the Audit Committee present at a duly held meeting at which a quorum is present shall be regarded as the act of the Audit Committee, subject to the provisions of the Company's Certificate of Incorporation or Bylaws and subject to applicable laws or regulations.