

# Crompton Corporation

## Charter of The Audit Committee of The Board of Directors

**Composition:** The Board of Directors annually elects, by majority vote of the directors then in office and on the recommendation of the Organization, Compensation and Governance Committee, the members, not fewer than three in number, of the Audit Committee. The Board shall designate one member to serve as chairman of the committee. Audit Committee members shall meet the independence and experience requirements of the New York Stock Exchange, Section 10A(m)(3) of the Securities and Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission. At least one member of the Audit Committee shall be an “audit committee financial expert” as defined by the Securities and Exchange Commission. A director who holds 20% or more of the corporation’s stock (or who is a general partner, controlling shareholder or officer of any such holder) cannot serve as chairman, or be a voting member of, the Audit Committee.

**Functions  
And  
Authority:**

The Audit Committee is appointed by the Board to assist the Board in monitoring (1) the integrity of the financial statements of the corporation, (2) the independent auditor’s qualifications and independence, (3) the performance of the corporation’s internal audit function and independent auditors, and (4) the compliance by the corporation with legal and regulatory requirements.

The functions and authority of the Audit Committee include:

- Meeting periodically with the corporation's independent auditor to review the scope of the annual audit, policies relating to internal accounting and auditing procedures and controls, and the completed annual audit including any significant comments or recommendations of the auditor together with the responses of management
- Meeting periodically with management to address the corporation’s policies with respect to risk assessment and risk management and major financial risk exposures and the steps management has taken to monitor and control such exposures

- Reviewing with the corporation’s general counsel at least annually legal and regulatory matters that may have a material impact on the financial statements, the corporation’s compliance policies and any significant reports or inquiries received from regulators or governmental agencies
- Meeting periodically with the chief financial officer, the internal auditor and the independent auditor in separate executive sessions to discuss any matters they believe should be brought to the attention of the committee (including resolving any disagreements between management and the independent auditor regarding financial reporting)
- Exercising general oversight with respect to the adequacy and effectiveness of the corporation's internal administrative, business process and accounting controls including reviewing disclosures made to the Audit Committee by the corporation’s CEO and CFO 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 and any fraud involving management or other employees who have a significant role in the corporation’s internal controls
- Discussing the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the corporation’s disclosure under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the results of the independent auditor’s review of the quarterly financial statements and, if so determined by the committee, recommending to the Board that the audited financial statements be included in the annual report on Form 10-K
- Discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the corporation’s financial statements, including any significant changes in the corporation’s selection or application of accounting principles, any major issues as to the adequacy of the corporation’s internal controls and any special steps adopted in light of material control deficiencies
- Reviewing and discussing quarterly reports from the independent auditors on:
  - (a) All critical accounting policies and practices to be used

- (b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
  - (c) Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences
- Discussing earnings press releases, including the use of pro forma or adjusted GAAP information, and financial information and earnings guidance provided to analysts and rating agencies
- Discussing with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the corporation's financial statements
- Setting hiring policies regarding employees or former employees of the independent auditor
- Obtaining, as appropriate, advice and assistance from outside legal, accounting or other advisors
- Preparing annually a report to the shareholders, as required by the Securities and Exchange Commission, to be included in the corporation's proxy statement
- Obtaining and reviewing at least annually, a report by the independent auditor describing: the auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, 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 auditor, 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 corporation
- Evaluating together with the Board the performance of the independent auditor and the lead partner of the independent audit team and, if so determined by the Audit Committee, replacing the independent auditor

- Ensuring the rotation of the audit partners as required by law and considering whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis
- Meeting with the independent auditor prior to the audit to discuss the planning and staffing of the audit
- Reviewing the appointment and replacement of the senior internal auditing executive
- Reviewing the significant reports to management prepared by the internal auditing department and management's responses
- Discussing with the independent auditor and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit
- Selecting each year after discussion with the board (subject, if applicable, to shareholder ratification) the corporation's independent auditor, which firm is ultimately accountable to, and reports directly to, the Audit Committee
- Approving all audit and non-audit services in advance as required by law and approving all fees paid to the auditor for both audit and non-audit services, giving consideration to the possible effect that providing such non-audit services could have on the auditor's independence
- Receiving periodic reports from the independent auditor regarding the independent auditor's qualifications and independence, discussing such reports with the independent auditor, and if so determined by the Audit Committee, recommending that the Board take appropriate action to satisfy itself of the qualifications and independence of the independent auditor
- Discussing with the independent auditor those matters required to be communicated to audit committees by Statement of Auditing Standards (SAS) No. 61
- Obtaining from the independent auditor assurance that Section 10A(b) of the Securities and Exchange Act of 1934 has not been implicated

- Reviewing significant programs maintained by the corporation with respect to compliance with law and exercising oversight of the activities of the Office of Global Ethics and Compliance as well as the Corporate Compliance Committee
- Establishing procedures for handling complaints about accounting and auditing matters
- Regularly reporting to the Board concerning the activities of the committee
- Reviewing at least annually the corporation's Code of Business Conduct and Ethics
- Performing an annual evaluation of the performance of the Audit Committee
- Reviewing this charter on an annual basis and recommending to the Board appropriate modifications or additions hereto

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Finally, it is not the duty of the Audit Committee to conduct investigations to assure compliance with laws and regulations and the corporation's policies and code of conduct.

**Meetings:**

The Audit Committee meets four times each year in January, March, July and October and, as necessary, at other times during the year. In addition, in each quarter in which the corporation files or releases quarterly financial statements, the chairman of the Audit Committee will meet by telephone or in person with management and the independent auditor prior to such filing or release to determine whether there have been any significant changes in the corporation's accounting principles and whether there are any items required to be communicated by the independent auditors to the Audit Committee in accordance with SAS No. 61. Based upon the outcome of this meeting, the chairman will determine whether or not to convene a meeting of the Audit Committee prior to the filing or release of the quarterly financial statements.

Adopted: April 29, 2003  
 Revised: January 23, 2005