

## **ENGELHARD CORPORATION**

### **AUDIT COMMITTEE CHARTER**

#### **I. Audit Committee Purpose**

The Audit Committee (the “Committee”), in its capacity as a committee of the Board, shall assist the Board in overseeing:

- the integrity of the Company's financial statements,
- the compliance by the Company with all applicable laws, regulations and corporate policies,
- the independent auditor's qualifications and independence, and
- the performance of the Company's internal audit function and independent auditor.

The Audit Committee shall prepare an audit committee report as required by the SEC to be included in the Company’s proxy statement.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the responsibility or duty of the Committee to plan or conduct audits, to guarantee the auditor's report, to certify the Company's financial statements or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles or applicable rules and regulations. It is also not the responsibility of the Committee to ensure compliance with laws and regulations or with the Company's Policies of Business Conduct. These are the responsibilities of management and the independent auditor, as appropriate.

#### **II. Audit Committee Authority**

The Committee has the sole authority to, and shall directly, appoint, retain, evaluate and terminate the Company's independent auditor, which shall report directly to the Committee. The Committee shall be directly responsible for determining the compensation (including as to fees and terms) and oversight of the work of the Company's independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting). The Committee shall have the sole authority to, and shall pre-approve all auditing services and permitted non-audit

services performed for the Company by the independent auditor, subject to applicable laws, rules and regulations. The Committee has the authority, without Board approval, to retain, at the Company's expense, independent or outside legal, accounting, or other advisors of its choice as it deems necessary or appropriate in the performance of its duties. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to such advisors employed by the Committee, to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may request any officer or employee of the Company or the Company's counsel or independent auditor to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee may delegate authority to an individual member of the Committee or to subcommittees to the extent permitted by applicable laws, rules and regulations, including those of the New York Stock Exchange.

### III. Audit Committee Membership and Meetings

The Committee shall be comprised of three or more independent directors appointed annually by the Board. Each member shall comply with and satisfy requirements of the New York Stock Exchange and all other applicable laws, rules and regulations and may be removed by the Board of Directors in its discretion. If a Committee Chairman is not designated or present, the members of the Committee may designate a Chairman by majority vote of the Committee membership present at the meeting.

All members of the Committee shall be financially literate, as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable time after his or her appointment to the Committee. In addition, at least one member of the Committee shall have accounting or related financial management expertise, as determined by the Board in its business judgment.

The Committee shall meet at stated times four times per year, or more frequently as circumstances dictate. Meetings of the Committee shall be called by the Chairman of the Committee or the Chief Executive Officer of the Company. All meetings of the Committee shall be held pursuant to the Bylaws of the Company with regard to notice and waiver thereof, and written minutes of each meeting shall be duly filed in the Company's records. Reports of meetings of the Committee shall be made to the Board at its regularly scheduled meeting following the Committee meeting accompanied by any recommendations to the Board approved by the Committee.

Periodically, the Committee shall meet with management, the director or senior representative of internal audit and the independent auditor in separate sessions to discuss any matters that the Committee or any of the aforementioned believes should be discussed.

#### IV. Audit Committee Responsibilities and Duties

The Committee shall:

##### A. General

1. Meet to review and discuss with management and the independent auditor the annual audited financial statements, including reviewing the specific disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and any related certifications required to be made by any officer of the Company, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
2. Meet to review and discuss with management and the independent auditor the Company's quarterly financial statements, including reviewing the specific disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and any related certifications to be made by any officer of the Company, including the results of the independent auditor's reviews of the quarterly financial statements.
3. Review the Company's disclosure controls and procedures and the certifications required to be made by any officer of the Company in each of the Company's quarterly reports on Form 10-Q and the Company's annual report on Form 10-K.
4. Discuss with management the Company's earnings press releases, including the type and presentation of information to be included therein, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's responsibility to discuss earnings releases as well as to review any financial information and earnings guidance may be done generally (*i.e.*, discussion of the types of information to be disclosed and the type of presentation to be made). The Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.

5. Prepare a report to shareholders to be included in the Company's annual proxy statement in accordance with applicable laws, rules and regulations.
6. Discuss with management and the independent auditor 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.
7. Review with management and/or the independent auditor, and discuss as necessary, all 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.
8. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.
9. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
10. Review and assess any legal, regulatory and environmental matters that may have a material impact on the Company's financial statements.
11. Review the adequacy of internal controls and the activities of the Company's internal audit department, including the proposed annual audit plan, periodic reports on the status of the plan, assessments of the Company's risk management processes and system of internal control, and summaries of any significant issues raised during the performance of internal audits.
12. Review and assess compliance with all applicable rules and regulations of the SEC and the New York Stock Exchange specifically applicable to the composition and responsibilities of the Audit Committee.
13. Review annually the Company's Policies of Business Conduct, which prohibits unethical or illegal activities by the Company's directors, offi-

cers and employees, as well as review the actions taken to monitor compliance with the Code.

14. Recommend to the Board any waivers for directors or executive officers proposed to be granted, and review any material waivers for non-executive officers or employees granted by the General Counsel, pursuant to the Company's Policies of Business Conduct.

B. Independent Auditors

The Committee shall:

1. Set clear policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account.
2. Review and evaluate the experience and qualifications of the lead (or coordinating) partner of the independent auditor.
3. Obtain and review a report from the independent auditor at least annually describing (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent 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 (c) in order to assess the auditor's independence, all relationships between the independent auditor and the Company. Evaluate the qualifications, performance and independence of the independent auditor, taking into account the foregoing report, the services provided by the independent auditor and the opinions of management and the internal auditor. In addition to ensuring the regular rotation of the lead audit partner as required by law, the Committee should further consider whether, in order to ensure continuing auditor independence, there should be regular rotation of the audit firm itself. The Committee shall present its conclusions to the full Board.
4. Discuss with the independent auditor any matters required to be discussed in accordance with SAS 61 relating to the conduct of the audit. In particular, discuss:

- (a) the adoption of, proposal of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management;
  - (b) any management or internal control letter provided, or proposed to be provided, by the independent auditor and the Company's response to that letter; and
  - (c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
5. Review with the independent auditor and financial management of the Company the scope and staffing of the proposed audit for the current year and, at the conclusion thereof, review such audit including any comments or recommendations of the independent auditor.
6. Review with the independent auditor any audit problems or difficulties and management's response.
7. Receive, and take any required or appropriate action in relation to, all reports and other communications which the independent auditor is required to make to the Audit Committee, including timely reports concerning:
- (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 officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
  - (c) other material written communications between the independent auditor and the management of the Company, such as any management letter or schedule of unadjusted differences.
8. Discuss with the independent auditors their judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting.

9. Obtain assurance from the independent auditor that the Company is in compliance with the provisions of Section 10A of the Securities Exchange Act of 1934, as amended.

C. Other Audit Committee Responsibilities

The Committee shall:

1. Review and reassess the adequacy of this Charter and the Committee's own performance annually or more often as conditions dictate, and recommend proposed changes to the Board.
2. Review the appointment, performance and replacement of the senior internal auditing executive and the performance of the internal audit group.
3. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
4. Perform any other activities consistent with this Charter, the Company's By-laws and as the Committee or the Board deems necessary or appropriate.