

# INSITUFORM TECHNOLOGIES, INC.

## AUDIT COMMITTEE

### Charter

#### **I. Purpose.**

The primary functions of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Insituform Technologies, Inc. (the “**Company**”) are:

- To oversee the Company’s accounting and financial reporting processes and the audits of the Company’s financial statements, including overseeing:
  - the integrity of the Company’s financial statements,
  - the Company’s compliance with legal and regulatory requirements,
  - the independent auditor’s qualifications and independence, and
  - the performance of the Company’s internal audit function and independent auditors, and
- To prepare the report that the Securities and Exchange Commission (the “**SEC**”) rules require be included in the Company’s proxy statement.

The Committee will address these functions by carrying out the activities enumerated in this Charter, which are intended to describe a program of guidance and oversight and not to diminish the primary responsibility of the Company’s management for the Company’s financial statements and internal controls.

#### **II. Organization and Authority.**

The Committee shall be comprised of three or more directors, as determined by the Board. Each member of the Committee shall satisfy the applicable independence requirements of The Nasdaq Stock Market (“**Nasdaq**”) and any other applicable regulatory requirements. Committee members may not receive any payment from the Company except for Board or Board committee service. No Committee member may have participated in the preparation of the financial statements of the Company or of any Company subsidiary at any time during the previous three (3) years. Committee members shall be appointed by the Board annually. The Board may remove any Committee member. Members shall serve until their successors are duly elected and qualified.

The Chairman of the Committee shall be designated by the Board; provided, however, if the Board does not do so, the Committee members shall elect a Chairman by vote of a majority of the Committee. The Chairman of the Committee may establish rules as determined by the Chairman to be necessary or appropriate for the conduct of the Committee’s business.

All members of the Committee must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication.

The Committee shall meet on a regular basis, and as frequently as circumstances dictate. The Committee shall maintain minutes and other records of its meetings and other activities. In furtherance of its

objective of creating an open avenue of communication among the Company's accountants, financial and senior management, internal auditors and the Board, the Committee shall meet at least annually with management and the independent auditors in executive session, to discuss any matters that the Committee or these groups believe should be discussed privately. In addition, the Committee should meet with the independent auditors and management quarterly to review the Company's financial statements consistent with the responsibilities set forth in this Charter.

### **III. Responsibilities.**

To fulfill its responsibilities and duties, the Committee shall:

#### *Periodic Review*

1. Review and update this Charter periodically, at least annually, as conditions dictate, and submit any changes for ratification by the Board.
2. Review the Committee's performance of its responsibilities and duties on an annual basis.
3. Review and discuss with management and the independent auditor, prior to filing with the SEC, the Company's annual audited financial statements and quarterly financial statements and the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Chairman of the Committee may represent the entire Committee for purposes of this review.
4. Review, prior to filing and/or publishing, other financial statements contained in filings by the Company with the SEC and other published documents, including the Company's quarterly and annual earnings releases.
5. Discuss financial information and earnings guidance provided by the Company to analysts and rating agencies.
6. Review with the Board 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.
7. Determine appropriate funding for payment of compensation to the independent auditors, any advisers engaged by the Committee and ordinary administrative expenses of the Committee.

#### *Independent Auditors*

8. Bear direct responsibility for the appointment, compensation (including approval of all audit engagement fees and terms, and all significant non-audit engagements), retention and termination of the independent auditors, and oversight of the work of independent auditors engaged (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

9. Pre-approve all auditing services and all non-audit services (to the extent such non-audit services are permissible) to be provided to the Company by the independent auditors.
10. Obtain an annual report from the independent auditor describing (i) the independent auditor's internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review of the independent 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 independent auditor, and the steps taken to deal with any such issues.
11. On an annual basis, review and discuss with the independent auditors all significant relationships the independent auditors have with the Company, to determine independence and objectivity, including actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and take (or recommend that the full Board take) appropriate action to oversee the independence of the independent auditors; and be responsible for ensuring receipt from the independent auditors of a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard 1.
12. Take steps to ensure the independent auditors' ultimate accountability to the Committee, as representatives of the stockholders, and the ultimate authority of the Committee, as such representatives, to select, evaluate and, where applicable, replace the independent auditors.
13. Consult with the independent auditors, out of the presence of management, concerning internal controls, and the fullness and accuracy of the Company's financial statements.
14. Monitor rotation of the audit partner, such that neither the lead (or coordinating) audit partner (having primary responsibility for the Company's audit), nor the audit partner responsible for reviewing the Company's audit (e.g., the concurring audit partner), has performed audit services for the Company in each of the Company's five previous fiscal years.
15. Meet with the independent auditors to receive their report regarding:
  - all critical accounting policies and practices to be used;
  - 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 auditors; and
  - other material written communications between the independent auditors and management.
16. Set clear hiring policies for employees or former employees of the independent auditor.
17. Present to the Board the Committee's conclusions with respect to the independent auditor's qualifications, performance and independence.

### ***Internal Auditors***

18. Bear direct responsibility for the appointment, compensation and termination of the internal auditors, and oversight of the internal auditors' work (including resolution of disagreements between management and the internal auditors regarding financial reporting).
19. Take steps to ensure the internal auditors' ultimate accountability to the Committee, as representatives of the stockholders, and the ultimate authority of the Committee, as such representatives, to select, evaluate and, where applicable, replace the internal auditors.
20. Consult with the internal auditors, out of the presence of management, concerning internal controls, the fullness and accuracy of the Company's financial statements, and management integrity.

### ***Financial Reporting Processes***

21. In consultation with the independent auditors and the internal auditors, review the integrity of the Company's financial reporting processes, both internal and external.
22. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles, as applied in its financial reporting.
23. Consider and approve, if appropriate, any major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors, management or the internal auditors.

### ***Process Improvement***

24. Establish regular and separate systems of reporting to the Committee by each of management, the independent auditors and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
25. Inquire of the independent auditors, the internal auditors and management about assessing risk of fraudulent financial reporting and assess the steps management has taken to minimize such risks to the Company.
26. Following completion of the annual audit, review separately with each of management, the independent auditors and the internal auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
27. Review any significant disagreement among management and the independent auditors or the internal auditors in connection with the preparation of the financial statements.
28. Review with the independent auditors, the internal auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

29. Review with the independent auditors critical accounting policies and practices, alternative treatments of financial information, and other material written communications between the independent auditors and management.
30. Review with the Chief Executive Officer and the Chief Financial Officer:
  - any 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, and
  - any fraud that involves management or other Company employees who have a significant role in the Company's internal controls.

### *Legal and Ethical Compliance*

31. Prepare the report that SEC rules require be included in the Company's proxy statement.
32. Review and approve all related-party transactions.
33. Review and approve all off-balance sheet arrangements that may have a current or future material effect on the Company's financial condition, changes in financial condition, results of operations, revenues or expenses, liquidity, capital expenditures or capital resources.
34. Monitor conflicts of interest between the independent auditors and management.
35. Consult with management to ensure that appropriate ethical standards for business conduct are communicated to Company employees generally, and review compliance with such standards.
36. Establish and maintain procedures for:
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
  - the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
37. Review activities, organizational structure, and qualifications of the internal auditors.
38. Review, with the Company's General Counsel and, when appropriate, outside counsel, legal compliance matters, and any legal matter that could have a significant impact on the Company's financial statements.
39. Review the effect of regulatory and accounting initiatives.
40. Conduct or authorize investigations into any other matters within its scope of responsibilities.
41. Engage independent counsel and other advisers, as the Committee deems necessary or advisable to carry out its duties.

42. Discuss policies with respect to risk assessment and risk management.
43. Perform any other activities consistent with this Charter, the Company's by-laws, the enabling resolutions for the Committee adopted by the Board, and governing law, as the Committee or the Board deems necessary or appropriate.

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