



## Audit Committee Charter

### I. Purpose

The Audit Committee ("Committee") will assist the Ashland Inc. ("Company") Board of Directors ("Board") in fulfilling its oversight responsibilities relating primarily to (a) the integrity of the Company's financial statements and financial reporting process; (b) the integrity of the Company's systems of internal accounting and financial controls; (c) the performance of the Company's internal audit function and independent auditors; (d) the independent auditors' qualifications and independence, and the audit of the Company's financial statements; and (e) legal and regulatory compliance requirements.

The Committee shall review and approve the report required by the rules of the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement. The Committee will maintain effective working relationships with and open communication between the Board, management and internal and independent auditors.

### II. Organization

#### A. Membership

The Audit Committee will be composed of three or more directors, as determined by the Board. The Board elects the members of the Committee upon the recommendation of the Governance and Nominating Committee at the annual organization meeting of the Board for terms of one year, or until their successors are duly elected and qualified. Members shall serve at the pleasure of the Board. Unless a Chairman is elected by the full Board, the members may designate a Chairman by majority vote of the full membership of the Committee.

The Committee's composition shall meet the independence and expertise requirements for audit committees imposed by the New York Stock Exchange ("NYSE"), Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and any applicable rules or regulations of the SEC, in each case as in effect from time to time. At least one member of the Committee shall be an "audit committee financial expert," as defined by the SEC.

#### B. Meetings

The Committee will have a minimum of five scheduled meetings each year coincident with regularly scheduled Board of Directors' meetings, plus additional meetings as circumstances require. A majority of the members of the Committee will constitute a quorum for the transaction of business. The Committee will keep minutes of its meetings, and will regularly report to the Board on its activities, making recommendations as appropriate.

### III. Responsibilities and Authorities

The Committee will carry out its oversight responsibilities through a variety of processes. It is management's responsibility to prepare the Company's financial statements and to develop and maintain adequate systems of internal accounting and financial controls, and it is the internal and independent auditors' responsibility to review, and, when appropriate, audit those financial statements and internal control systems. In carrying out its oversight responsibilities, the Committee shall rely on the Company's management and the internal and independent auditors. The Committee cannot provide any expert or special assurances as to the Company's financial statements or internal controls or any professional certification as to the independent auditors' work.

In undertaking its oversight responsibilities, the Committee will take appropriate actions to set the overall corporate tone for quality financial reporting, sound internal accounting and financial controls and compliance with law. In discharging its oversight role, the Committee may, as appropriate and necessary, institute special investigations, including hiring experts to assist as needed. The following are the primary recurring processes that will be utilized by the Committee in carrying out its oversight responsibilities. The Committee will supplement these recurring processes as appropriate for changing circumstances.

- **Accounting and Financial Controls:** The Committee will review with management, the independent auditors and the internal auditor the effectiveness of the accounting and financial controls, including the Company's systems to monitor and manage business risk. The Committee will meet with the internal and independent auditors, with and without management present, to discuss the results of their examinations.
- **Preventive Law and Compliance Programs:** The Committee will review the effectiveness of the Company's

preventive law and compliance programs, and will evaluate whether management is setting the appropriate "tone at the top" with respect to business ethics and compliance with law by communicating the importance of the Company's Code of Business Conduct and acceptable business practices.

- **Independence of Outside Auditors:** The Committee will have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Committee, as representatives of the Company's shareholders. The Committee has the ultimate authority and responsibility to select, compensate, evaluate and, where appropriate, terminate and replace the independent auditors, and the independent auditors shall be ultimately accountable to the Committee. Annually, the Committee will review and recommend to the Board the selection of the Company's independent auditors, subject to shareholder ratification. The Committee will discuss the auditors' independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board. The Committee will review with management and authorize any appointment, replacement, reassignment or dismissal of the internal auditor.
- **Audit Scope:** The Committee will discuss with the internal auditor and the independent auditors the overall scope and plans for their respective audits, including the adequacy of resources to be applied.
- **Reporting Procedures for Independent Auditors:** The Company's independent auditors shall report directly to the Committee.
- **Pre-approval of Services Performed by Independent Auditors:** The Committee shall review and pre-approve (a) all auditing services and (b) all non-auditing services rendered to the Company by its independent auditors, in each case including all engagement fees and terms.
- **Independent Auditors' Internal Quality-Control Procedures:** The Committee shall receive from the independent auditors, at least annually, a written report describing: (a) the independent auditors' internal quality-control procedures; (b) any material issues raised by the most recent internal 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) (to assess the independent auditors' independence) all relationships between the independent auditors and the Company.
- **Evaluation of Independent Auditors:** After reviewing the foregoing report and the independent auditors' work, the Committee shall evaluate the independent auditors' qualifications, performance and independence, and shall present its conclusions with respect to the independent auditors to the Board.
- **Hiring Policies:** The Committee shall establish clear hiring policies with respect to employees and former employees of the independent auditors in accordance with standards imposed by the NYSE and any applicable rules or regulations of the SEC, in each case as in effect from time to time.
- **Financial Statements and Management's Discussion and Analysis:** Prior to their public filing, the Committee will review and discuss with management and the independent auditors (1) the annual audited financial statements and interim consolidated financial statements, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations; and (2) any other matters to be communicated to the Committee by the independent auditors under generally accepted auditing standards, to determine whether they are complete and consistent with information known to the Committee members, and whether the independent auditors are satisfied with the disclosure and content of those financial statements. The Committee will recommend to the Board the consolidated financial statements of Ashland to be included in its Annual Report to Shareholders and Annual Report on Form 10-K.
- **Financial Information:** The Committee will discuss with management and the independent auditors, as appropriate, earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
- **Executive Sessions:** The Committee shall meet periodically in separate sessions with (a) management, (b) the general counsel, (c) the internal auditor, and (d) the independent auditors.
- **Audit Inquiries:** The Committee shall regularly review with the independent auditors and the internal auditor any audit problems or difficulties encountered and management's response.
- **Environmental, Health & Safety Audit Activities:** The Committee will periodically review and discuss with the internal auditor the status of EH&S audit activities.
- **Risk Assessment and Risk Management Policies:** The Committee shall review and discuss with management, the internal auditor and the independent auditors, the Company's risk assessment and risk management policies, including the company's major risk exposures and steps taken by management to monitor and mitigate such exposures.

- **Disclosure Controls and Procedures and Internal Control Over Financial Reporting:** The Committee shall review and discuss with management, the internal auditor and the independent auditors, the quality and adequacy of the Company's disclosure controls and procedures and internal control over financial reporting, including reviewing any management internal control report, any significant internal control deficiencies or material weaknesses, any fraud involving management or others significantly involved in the Company's disclosure controls and procedures or internal control over financial reporting, and any changes implemented in light of material control deficiencies or weaknesses.
- **Integrity of Management:** The Committee shall review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to the Company's Code of Business Conduct; and the Committee shall establish and maintain procedures for handling complaints regarding accounting, internal accounting controls, and auditing matters, including procedures for confidential, anonymous submission of concerns by Company employees regarding accounting and auditing matters.

The Committee may form and delegate authority to subcommittees. In particular, the Committee may delegate to one or more of its members the authority to pre-approve audit and/or non-audit services, provided that the decisions of any member(s) to whom pre-approval authority is delegated shall be presented to the Committee at the next Committee meeting.

The Committee shall have the authority to retain such outside counsel, experts and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

The Committee shall report its recommendations to the Board after each Committee meeting and shall conduct and present to the Board an annual assessment of its performance under its charter. The Committee shall review at least annually the adequacy of this charter and present any recommended additions, changes or deletions to the Board through the Governance and Nominating Committee.

#### **IV. Compensation**

No member of the Committee may receive, directly or indirectly, any compensation from the Company other than (i) fees paid to directors for service on the Board (including customary perquisites and other benefits that all directors receive), (ii) additional fees paid to directors for service on a committee of the Board (including the Committee) or as the chairperson of any committee and (iii) a pension or other deferred compensation for prior service that is not contingent on future service on the Board.