



CHARTER OF THE AUDIT COMMITTEE OF THE CLEAN DIESEL TECHNOLOGIES, INC. BOARD OF DIRECTORS

(As Amended February 25, 2015)

Purpose

The purpose of the Audit Committee (the "Committee") is to represent and assist the Board of Directors of Clean Diesel Technologies, Inc. (the "Company") in its general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, internal control and audit functions, and compliance with legal and regulatory requirements and ethical standards adopted by the Company. Management is responsible for (a) the preparation, presentation and integrity of the Company's financial statements; (b) accounting and financial reporting principles; and (c) the Company's internal controls and procedures designed to promote compliance with accounting standards, applicable laws and regulations and the Company's ethical standards. The Company's independent auditing firm is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards.

The Committee members are not professional accountants or auditors and their functions are not intended to duplicate or to certify the activities of management and the independent auditor, nor can the Committee certify that the independent auditor is "independent" under applicable rules. The Committee serves a board level oversight role where it oversees the relationship with the independent auditor, as set forth in this charter, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditor, and the experience of the Committee's members in business, financial and accounting matters.

Membership

The Committee is comprised of at least three directors determined by the Board of Directors (the "Board") to meet the director and audit committee member independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934 and the rules of the NASDAQ Stock Market, Inc. ("NASDAQ"). Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. At least one member of the Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication. Appointment to the Committee, including the designation of the Chair of the Committee and the designation of any Committee members as "audit committee financial experts", shall be made on an annual basis by the full Board upon recommendation of the Compensation and Nominating Committee.

Duties and Responsibilities

The Audit Committee:

- Is directly responsible for the appointment, replacement, compensation, and oversight of the work of the independent auditor. The independent auditor will report directly to the Audit Committee.
- Selects, retains, compensates, oversees and terminates, if necessary, any other 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.
- Obtains and annually reviews a report by the independent auditor describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, peer review, PCAOB inspection, or any inquiry or investigation by governmental or professional authorities undertaken within the preceding five years regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

- Reviews and discusses with the independent auditor the written statement from the independent auditor concerning any relationship between the auditor and the Company or any other relationships that may adversely affect the independence of the auditor, and, based on such review, assesses the independence of the auditor.
- Establishes policies and procedures for the review and pre-approval by the Committee of all auditing services and permissible non-audit services (including the fees and terms thereof) to be performed by the independent auditor.
- Reviews and discusses with the independent auditor: (a) its audit plans, and audit procedures, including the scope, fees and timing of the audit; (b) the results of the annual audit examination and accompanying management letters; and (c) the results of the independent auditor's procedures with respect to interim periods.
- Reviews and discusses reports from the independent auditors on (a) all critical accounting policies and practices used by the Company, (b) alternative accounting treatments within GAAP related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the independent auditor, and (c) other material written communications between the independent auditor and management.
- Reviews and discusses with the independent auditor the independent auditor's judgments as to the quality, not just the acceptability, of the Company's accounting principles and such further matters as the independent auditors present the Committee under generally accepted auditing standards.
- Discusses with management and the independent auditor quarterly and annual earnings press releases, including the interim financial information and business outlook included therein, reviews the quarterly unaudited and annual year-end audited financial statements and the Company's financial disclosures, including the narrative portions of the proxy statement, and, if deemed appropriate, recommends to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year.
- Reviews and discusses with management and the independent auditor various topics and events that may have significant financial impact on the Company or that are the subject of discussions between management and the independent auditors.
- Reviews and discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Reviews and approves related-party transactions (as defined in SEC rules and the relevant NASDAQ requirements).
- Reviews and discusses with the independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.
- Reviews and discusses with management, the independent auditor, and the Company's Chief Financial Officer (CFO): (a) the adequacy and effectiveness of the Company's internal controls (including any significant deficiencies or material weaknesses) and significant changes in internal controls reported to the Committee by the independent auditor or management; (b) the Company's internal audit procedures; and (c) the adequacy and effectiveness of the Company's disclosures controls and procedures, and management reports thereon.
- Reviews and discusses with the CFO and/or Controller or senior finance executives significant risk exposures and control issues.
- Reviews annually with the CFO the scope of the internal audit program, and reviews annually the performance of both the internal audit function and the independent auditor in executing their plans and meeting their objectives.
- Reviews and concurs in the appointment, replacement, reassignment, or dismissal of the CFO or other senior management executives as required.
- Reviews the use of auditors other than the independent auditor in cases such as management's request for second opinions.
- Reviews matters related to the corporate compliance activities of the Company and serves as the Legal Compliance Committee.

- Reviews matters with the General Counsel and outside legal counsel, legal and regulatory matters, including legal cases against or regulatory investigations of the Company and its subsidiaries, that could have a significant impact on the Company's financial statements.
- Establishes 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 employees of concerns regarding questionable accounting or auditing matters.
- Establishes policies for the hiring of employees and former employees of the independent auditor.
- Publishes the report of the Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
- When appropriate, designates one or more of its members to perform certain of its duties on its behalf, subject to such reporting to or ratification by the Committee as the Committee shall direct.

Outside Advisors

The Audit Committee shall have the authority to engage independent legal, accounting and other advisers, as it determines necessary to carry out its duties. The Audit Committee shall have sole authority to approve related fees and retention terms. The Audit Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Company's independent auditors, any other accounting firm engaged to perform services for the Company, any outside counsel and any other advisors to the Committee.

Structure and Operations

A meeting of two members of the Committee constitutes a quorum. Meetings of the Audit Committee shall be held at such times and places as the Committee shall determine, including by unanimous written consent. The Committee will meet at least quarterly, or more frequently, as circumstances dictate. The Audit Committee shall meet privately with the independent auditor, the CFO and management periodically. Minutes of the meetings will be kept by the Company's Corporate Secretary and will be sent to the Committee members for review and approval and kept in the official minute book. When necessary, the Committee shall meet in executive session outside of the presence of any senior executive officer of the Company. The Chair of the Committee will report on activities of the Committee to the full Board.

The Chairman of the Audit Committee is to be contacted directly by the CFO or the independent auditor (1) to review items of a sensitive nature that can impact the accuracy of financial reporting or (2) to discuss significant issues relative to the overall Board responsibility that have been communicated to management but, in their judgment, may warrant follow-up by the Audit Committee.

The Audit Committee will engage in an annual self-assessment with the goal of continuing improvement, and will annually review and reassess the adequacy of its charter, and recommends any changes to the full Board.

Delegation of Authority

In fulfilling its responsibilities, the Committee will have authority to delegate its authority to subcommittees, to the extent permitted by applicable law.