

**STEPAN COMPANY BOARD OF DIRECTORS  
AUDIT COMMITTEE CHARTER  
Amended April 25, 2017**

**I. PURPOSE**

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Stepan Company (the “Company”) is appointed by the Board (1) to assist the Board in fulfilling its oversight responsibilities to stockholders, the investment community, and creditors in relation to (a) the quality and integrity of the Company’s financial statements, (b) the adequacy of the Company’s internal control over financial reporting, (c) the Company’s compliance with legal and regulatory requirements, (d) the qualifications and independence of the Company’s registered public accounting firm (the “Independent Auditor”), and (e) the performance of the Independent Auditor and the Company’s internal audit function; and (2) to prepare the Committee’s report, made pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), to be included in the Company’s annual proxy statement (the “Audit Committee Report”). In performing its duties, the Committee will provide an open avenue of communication between the Board, the Independent Auditor, internal auditors, and financial management.

**II. LIMITATION OF THE AUDIT COMMITTEE’S ROLE**

While the Committee has the responsibilities and power set forth in this charter, it is not the duty of the Committee to plan or conduct audits, to establish or maintain disclosure controls or procedures, or to determine that the Company’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles (“GAAP”) and applicable rules and regulations. These are the responsibilities of management and the Independent Auditor. Further, while the Committee is responsible for reviewing the Company’s and policies with respect to risk assessment and management, it is the responsibility of management to assess and manage the Company’s exposure to risk.

Additionally, the Board and the Committee recognize that financial management (including the internal audit staff), as well as the Independent Auditor, have more knowledge and detailed information regarding the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurances as to the Company’s financial statements or any professional certification as to the Independent Auditor’s work.

**III. COMPOSITION**

Size. The Committee shall be comprised of no fewer than three members.

Qualifications. Each member of the Committee shall satisfy the applicable independence requirements set forth in the rules of the New York Stock Exchange (the “NYSE”) and the Exchange Act. Each Committee member may receive as compensation only (1) director fees and/or (2) pension payments or other deferred compensation

provided that such compensation is not in any way contingent on continued service. To maintain independence, a Committee member may not (a) accept any consulting, advisory, or other compensation fee from the Company; or (b) be an affiliated person of the Company or any subsidiary.

All Committee members shall be financially literate or become financially literate within a reasonable period of time after appointment to the Committee. Additionally, at least one member of the Committee shall be an “audit committee financial expert” as defined by the Securities and Exchange Commission (the “SEC”) and shall have accounting or related financial management expertise. The Board shall determine, in its business judgment, whether a member is financially literate and whether at least one member has the requisite accounting or financial management expertise and qualifies as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert shall not (i) impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation or identification, or (ii) affect the duties, obligations or liability of any other member of the Committee or Board of directors.

No Committee member may simultaneously serve on the audit committees of more than three public companies (including the Company) unless the Board determines that such simultaneous service would not impair the ability of such member to serve on the Committee and this determination is disclosed in accordance with NYSE rules.

Appointment and Removal. The members of the Committee shall be appointed and may be replaced by the Board. The Board shall appoint one member of the Committee as Committee Chairman.

#### **IV. DUTIES AND RESPONSIBILITIES**

##### Oversight and Reporting

1. The Independent Auditor is ultimately accountable to and shall report directly to the Committee in its fiduciary role representing stockholders and the full Board. As such, the Committee has the sole authority and responsibility to appoint, evaluate, oversee and where appropriate, replace the Independent Auditor and to approve all audit and non-audit engagement fees and terms.
2. The director of internal audit has direct reporting responsibility to the Committee, and the Committee shall review and approve any change in the director of internal audit. The director of internal audit will report periodically to the Committee with regard to the performance of internal audit personnel.
3. The Committee shall make regular reports to the Board regarding the activities of the Committee.

### Documents and Reports

1. Prior to public release, the Committee shall review with senior financial management and the Independent Auditor the Company's annual audited financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), and the auditor's opinion rendered with respect to such financial statements. Based on such review and discussion, the Committee shall determine whether to recommend to the full Board the inclusion of such financial statements in the Company's annual report on Form 10-K.
2. The Committee shall review the Company's interim financial information, including the MD&A, with senior financial management and the Independent Auditor before filing of the Company's quarterly reports on Form 10-Q. The Committee shall also discuss the results of the Independent Auditor's review of the Company's quarterly financial information and any other matters required to be communicated to the Committee by the Independent Auditor under auditing standards established from time to time by the Public Company Accounting Oversight Board ("PCAOB") or SEC rules and regulations.
3. The Committee shall review and discuss with management and the Independent Auditor (a) management's reports evaluating the adequacy and effectiveness of the Company's internal control over financial reporting, including any significant deficiencies or material weaknesses in the design or operation of these controls and (b) the Independent Auditor's report concerning the effectiveness of the Company's internal controls over financial reporting.
4. The Committee shall review management's disclosure to the Committee regarding the Company's disclosure controls and procedures, internal controls and the content of the Chief Executive Officer and Chief Financial Officer certifications (including 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 Company's internal controls) for quarterly reports on Form 10-Q and annual reports on Form 10-K.
5. The Committee shall discuss with management and the Independent Auditor, as appropriate, any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of any material control deficiencies.
6. The Committee shall review analyses prepared by management and/or the Independent Auditor setting forth 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.

7. The Committee shall discuss with management and the Independent Auditor, as appropriate, corporate policies with respect to earnings press releases (including any use of “pro-forma” or “adjusted” non-GAAP information), as well as financial information and earnings guidance provided to analysts and ratings agencies.
8. The Committee shall review the effect of regulatory and accounting initiatives, as well as off-balance-sheet structures on the financial statements of the Company.
9. The Committee shall review with the Independent Auditor any audit problems or difficulties and management’s response. Such review shall also include discussion of the responsibilities, budget and staffing of the Company’s internal audit function.
10. The Committee shall review material findings reported to management by the internal audit department and management’s subsequent responses.
11. The Committee shall review the ongoing implementation status of all internal audit recommendations.
12. The Committee shall review and discuss with Management any significant deficiencies or material weaknesses identified by the Independent Auditor.
13. The Committee shall review with Management derivative transactions executed by the Company in accordance with Derivative Financial Instrument policy.
14. The Committee shall review and discuss such other matters relating to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its sole discretion, deem appropriate in connection with the functions described above.

#### Annual Audit Scope

1. The Committee shall monitor the coordination of internal and external audit efforts and ensure adequate audit coverage of key business and financial risk areas.
2. The Committee shall review and assess the process for developing the annual internal audit plan, including the budget, the scope of the review of internal control over financial reporting, the adequacy of staffing and other factors that may affect the effectiveness of the internal audit process, and modify the process or plan as necessary.
3. The Committee shall review the overall scope, budget and focus of the annual external audit plan, including the review of internal control over financial reporting, the adequacy of staffing and other factors that may affect the effectiveness of the audit, and request modifications as necessary.
4. The Committee shall review progress towards completion of both the internal and external audit plans at each Committee meeting.

### Oversight of Independent Auditor

1. The Committee shall oversee the work of the principal Independent Auditor (including resolution of any disagreements between the Company's management and the Independent Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report on the Company's consolidated financial statements or related work or performing other audit, review or attest services for the Company.
2. The Committee shall, at least annually, evaluate the Independent Auditor's qualifications, performance and independence (consistent with SEC requirements) and present its conclusions with respect to the Independent Auditor to the Board. This process shall include a formal written statement from the Independent Auditor describing (a) the audit firm's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits performed by the audit firm, and any steps taken to remedy such issues, and (c) all relationships between the auditor and the Company, including those that may impact objectivity and independence in accordance with the standards of the PCAOB.
3. The Committee shall discuss with the Independent Auditor its business relationships with the Company and the nature of any non-audit services provided to the Company that may impact the objectivity and independence of the auditor. The Committee shall recommend that the Board take appropriate action when required.
4. The Committee shall review and evaluate the lead partner of the Independent Auditor and take such steps as may be required by law with respect to the identification and regular rotation of the audit partners serving on the Company's audit engagement team. The Committee shall also consider whether, in order to assure continuing auditor independent, there should be regular rotation of the audit firm serving as Independent Auditor.
5. The Committee shall set hiring policies for employees or former employees of the Independent Auditor, which include the restrictions set forth in Section 206 of the Sarbanes-Oxley Act of 2002 and any rules promulgated thereunder by the SEC.
6. The Committee shall review non-audit services provided by the Independent Auditor to ensure compliance with all applicable laws and regulations.
7. The Committee shall pre-approve the audit engagement and all non-audit services to be provided by the Independent Auditor and all fees or other compensation associated therewith and develop the Committee's pre-approval policies and processes. The Committee may delegate the authority to grant any pre-approvals required by such sections to one or more members of the Committee as it

designates, subject to the delegated member or members reporting any such pre-approvals to the Committee at its next scheduled meeting.

8. The Committee shall discuss with the Independent Auditor the items required by the Statement standards of the PCAOB, including: (a) all critical accounting policies and practices; (b) the clarity of the Company's financial disclosures; (c) all alternative treatments of financial information within GAAP related to material items that have been discussed with management; (d) all significant disagreements between management and the Independent Auditor; (e) unrecorded audit adjustments and disclosure deficiencies; and (f) other significant decisions made by management in preparing financial disclosures.
9. The Committee shall periodically consult with the Independent Auditor outside the presence of internal management about internal controls and the fairness of presentation of the Company's financial statements.
10. The Committee shall ensure the Independent Auditor has conducted reviews of the Company's interim financial information prior to the company's filing of its quarterly reports on Form 10-Q in accordance with PCAOB standards.
11. The Committee shall report regularly (in no event less than once a year) to the Board on 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 Auditor, or the performance of the internal audit function.
12. The Committee shall obtain assurance from the Independent Auditor that in the course of conducting the audit, there have been no acts detected or that have otherwise come to the attention of the audit firm that require disclosure to the Committee under Section 10A(b) of the Exchange Act.

#### SEC Reporting Requirements

1. The Committee shall prepare the Audit Committee Report.
2. The Committee shall make available on the Company's website this Charter of the Committee.

#### Other Duties and Requirements

1. The Committee shall establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, as well as for the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters as required by Section 301 of the Sarbanes-Oxley Act of 2002 and the rules and listing requirements promulgated thereunder by the SEC and the NYSE. The Committee shall conduct or authorize investigations into any matters within the Committee's scope of responsibilities.

2. The Committee shall review compliance with the Company's Code of Conduct, including periodic reports from management, the director of internal audit, and the Independent Auditor, and approve any waivers of the Company's Code of Conduct granted to executive officers and directors.
3. The Committee shall review and either approve, ratify or disapprove Related Party Transactions (as defined in the Company's Related Party Transactions Policy) presented by management in accordance with the Company's Related Party Transactions Policy.
4. The Committee shall review any previously approved or ratified Related Party Transactions that remain ongoing at the Committee's first regularly scheduled meeting of the calendar year. Based on all relevant facts and circumstances, taking into consideration the Company's contractual obligations, the Committee shall determine if it is in the best interests of the Company and its stockholders to continue, modify or terminate the Related Party Transaction.
5. The Committee shall review with management, the internal auditors and the Independent Auditor the Company's risk assessment and risk management policies, the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
6. The Committee shall conduct and present to the Board an annual performance evaluation of the Committee.
7. The Committee shall perform, and shall have the resources and authority to perform, such additional functions as may be required to be performed by it pursuant to applicable rules and regulations.

## **V. MEETINGS**

The Committee shall meet regularly, with special meetings called as necessary to meet the requirements under this charter. At a minimum, the Committee shall meet in person four times per year. At least annually, the Committee shall meet separately with management, the director of internal audit, and the Independent Auditor. The Committee shall regularly meet in executive session of the Committee absent members of management.

## **VI. DELEGATION**

The Committee may form and delegate authority to subcommittees when appropriate.

## **VII. RESOURCES AND AUTHORITY**

The Committee, at its discretion, has the authority to obtain advice and assistance from outside legal, accounting, or other advisors and such other resources as it may deem necessary to carry out the responsibilities and duties as set forth in this charter and shall

have the authority to approve related fees and retention terms. The Company shall provide for appropriate funding, as determined by the Committee, for payment of (1) compensation to the Independent Auditor, (2) compensation to any advisors employed by the Committee and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

#### **VIII. CHARTER REVIEW AND PERFORMANCE EVALUATION**

The Committee shall periodically review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review its own performance.