

## Audit Committee Charter

### BOARD OF DIRECTORS AUDIT COMMITTEE CHARTER Revised July 25, 2012

#### Purpose

The Audit Committee (the "Committee") of Mueller Water Products, Inc. (the "Corporation") shall:

- A. Provide assistance to the Board of Directors in fulfilling its responsibility with respect to its oversight of:
  - i. The quality and integrity of the Corporation's financial statements;
  - ii. The Corporation's compliance with legal and regulatory requirements;
  - iii. The independent auditor's qualifications and independence; and
  - iv. The performance of the Corporation's internal audit function and independent auditors.
- B. Be responsible for the preparation of the report that the Securities and Exchange Commission (the "SEC") rules require be included in the Corporation's annual proxy statement.

#### Structure and Operations

##### *Composition and Qualifications*

The Committee shall be comprised of three or more members of the Board of Directors, each of whom is determined by the Board of Directors to be "independent" in accordance with the applicable rules of the New York Stock Exchange (the "NYSE") and the enhanced independence requirements of the SEC. Members of the Committee may not receive compensation from the Corporation other than directors' fees.

No member of the Committee may serve on the audit committee of more than three public companies, including the Corporation, unless the Board of Directors (i) determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and (ii) discloses such determination in the annual proxy statement.

The Board of Directors has determined that the "financial literacy" qualification for Committee members under NYSE listing standards means a working familiarity with basic finance and accounting practices for public corporations. All members of the Committee shall be financially literate (or become financially literate within a reasonable period after his or her appointment). At least one member must be an "audit committee financial expert" under the requirements of the federal securities laws and the rules promulgated thereunder.

##### *Appointment and Removal*

The members of the Committee shall be appointed by the Board of Directors and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

##### *Chairman*

Unless a Chairman is designated by the full Board of Directors, the members of the Committee shall elect a Chairman by the majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

#### Delegation to Subcommittees

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

#### Meetings

The Committee shall meet at least quarterly, or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet separately with each of management, the internal auditors and the

independent auditors to discuss any matters that the Committee or each of these groups believe would be appropriate to discuss privately. In addition, the Committee should meet with the independent auditors and management quarterly to review the Corporation's financial statements in a manner consistent with that outlined in the "Responsibilities and Duties" section of this Charter. The Chairman of the Board or any member of the Committee may call meetings of the Committee. Meetings of the Committee may be held telephonically.

All non-management directors that are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings any director, management of the Corporation and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

## **Responsibilities and Duties**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in the "Purpose" section of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention.

The Committee shall be given full access to the Corporation's internal auditors, Board of Directors, corporate executives and independent accountants as necessary to carry out these responsibilities. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board of Directors.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Corporation's financial statements or guaranteeing the independent auditor's report. The fundamental responsibility for the Corporation's financial statements and disclosures rests with management and the independent auditors.

### *Documents/Reports Review*

1. Review with management and the independent auditors, prior to public dissemination, the Corporation's filings under the federal securities laws that contain the Corporation's annual audited financial statements and quarterly financial statements, including the disclosures therein under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Corporation's annual internal control report, and discuss with the independent auditors the matters required to be discussed with Audit Committees by professional auditing standards.
2. Recommend to the Board of Directors as to whether the annual audited financial statements should be included in the Corporation's Annual Report on Form 10-K.
3. Review and discuss with management and the independent auditors the Corporation's earnings report press releases (paying particular attention to the use of any "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies.
4. Review the disclosures made to the Committee by the Corporation's Chief Executive Officer and Chief Financial Officer in accordance with the periodic report certification requirements imposed by the rules and regulations of the SEC, regarding 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 Corporation's internal controls.

### *Independent Auditors*

5. Retain and terminate independent auditors and approve the scope of the audit and all audit engagement fees and terms. The independent auditors retained shall be registered with the Public Company Accounting Oversight Board in accordance with applicable law. The Committee is also authorized to determine appropriate funding for payment of compensation 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 Corporation and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
6. Inform each public accounting firm performing audit work for the Corporation that such firm shall report directly to the Committee.
7. Oversee the work of any public accounting firm employed by the Corporation for the purpose of preparing or issuing an audit report or related work or performing other audit services for the Corporation, and resolve any disagreement between management and the auditors regarding financial reporting.
8. Approve in advance any significant audit or non-audit engagement or relationship between the Corporation and the independent auditors, but the Audit Committee may not approve services that the independent auditors are prohibited

from providing by applicable law, rule or regulation. Notwithstanding the foregoing, pre-approval is not necessary for minor audit-related services if: (i) the aggregate amount of all such audit-related services provided to the Corporation constitutes not more than five percent of the total amount of fees paid by the Corporation to its auditors during the fiscal year in which the non-audit services are provided, with the fees for any single assignment not to exceed \$25,000; (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee. The Committee may delegate to one or more of its members the authority to approve in advance all significant audit or non-audit services to be provided by the independent auditors so long as it is presented to the full Committee at a later time.

9. Review, at least annually, the qualifications, performance and independence of the independent auditors. In conducting its review and evaluation, the Committee should:
  - a. Obtain and review a report by the Corporation's independent auditors describing: (i) the auditing firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing 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 auditing firm, and any steps taken to deal with any such issues; and (iii) to assess the auditor's independence, all relationships between the independent auditors and the Corporation;
  - b. Ensure the rotation of the lead audit partner in accordance with applicable independence requirements under any applicable law, rule or regulation, and consider whether there should be rotation of the audit firm itself; and
  - c. Confirm with any independent auditors retained to provide audit services for any fiscal year that the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has not performed audit services for the Corporation in the past that would compromise that partner's independence under any applicable law, rule or regulation.

#### *Financial Reporting Process*

10. In consultation with management, the independent auditors, and the internal auditors, review the integrity of the Corporation's financial reporting processes, both internal and external. In that connection, the Committee should obtain and discuss with management and the independent auditors reports from management and the independent auditors regarding: (i) all critical accounting policies and practices to be used by the Corporation; (ii) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Corporation's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditors; (iii) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles; (iv) major issues as to the adequacy of the Corporation's internal controls and any specific audit steps adopted in light of material control deficiencies; and (v) any other written communications between the independent auditors and the Corporation's management dealing with the foregoing matters or otherwise deemed material by management or the independent auditors.
11. Review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.
12. Review with the independent auditors (i) any audit problems or other difficulties encountered by the independent auditors in the course of the audit process, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management and (ii) management's responses to such matters. Without excluding other possibilities, the Committee may wish to review with the independent auditors (i) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise), (ii) any communications between the independent audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Corporation.

#### *Legal Compliance / General*

13. Review periodically, with the Corporation's counsel, any legal matter that could have a significant impact on the Corporation's financial statements.
14. Discuss with management and the independent auditors the Corporation's guidelines and policies with respect to risk assessment and risk management, including a framework to govern the process by which risk assessment and risk management is undertaken by the Corporation. Meet periodically with management to review the adequacy and effectiveness of the Corporation's risk management framework.
15. Evaluate management's efforts to assess, detect and avoid or mitigate fraud risk.
16. Set clear hiring policies for employees or former employees of the independent auditors. At a minimum, these policies should provide that no public accounting firm may provide audit services to the Corporation if the CEO, controller, CFO, chief accounting officer or any person serving in an equivalent capacity or in a financial reporting oversight role for the Corporation was employed by the public accounting firm and participated in the audit of the Corporation in the past in a

manner that would compromise the independence of the public accounting firm under any applicable law, rule or regulation.

17. Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
18. Review the appointment, performance and replacement of the internal auditors. Approve the annual internal audit plan. Review the significant reports to management prepared by the internal audit function and management's responses.
19. Perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the Corporation's by-laws and the resolutions or other directives of the Board.

#### *Reports*

20. Be responsible for the Committee report required to be included in the Corporation's proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC.
21. Report regularly to the full Board of Directors (i) with respect to any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditors or the performance of the internal audit function; (ii) following all meetings of the Committee; (iii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities; and (iv) with respect to such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.
22. Direct the general counsel of the Corporation to maintain minutes or other records of meetings and activities of the Committee.

### **Annual Performance Evaluation**

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.