

Owens-Illinois, Inc. Audit Committee Charter

Purpose

The Audit Committee shall represent and assist the Board of Directors with the oversight of (a) the integrity of the Company's financial statements and internal controls, (b) the Company's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence and (d) the performance of the Company's internal audit function and independent auditor. In addition, the Audit Committee shall prepare an audit committee report as required by the Securities and Exchange Commission to be included in the Company's annual proxy statement.

Membership

The Audit Committee shall consist of three or more directors all of whom in the judgment of the Board of Directors meet the requirements of Rule 10A-3(b)(1) of the Securities Exchange Act of 1934 and shall satisfy the requirements for independence set out in Section 303A.02 of the New York Stock Exchange listing standards. Each member shall in the judgment of the Board of Directors be financially literate or shall at the time of appointment undertake training to become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. The Board of Directors defines "financially literate" as having the ability to read and understand the Company's financial statements. At least one member of the Audit Committee shall in the judgment of the Board of Directors be an "audit committee financial expert" in accordance with the rules and regulations of the Securities and Exchange Commission and at least one member (who may also serve as the audit committee financial expert) shall in the judgment of the Board of Directors have accounting or related financial management expertise in accordance with New York Stock Exchange listing standards. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies, unless the Board of Directors (i) determines that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee and (ii) discloses such determination either on or through the Company's website or in the Company's annual proxy statement or Form 10-K filing with the Securities and Exchange Commission. The members of the Audit Committee shall be appointed by the Board of Directors on the recommendation of the Nominating & Governance Committee. Audit Committee members may be replaced by the Board of Directors or where appropriate, on the recommendation to the Board of Directors by the Nominating & Governance Committee.

Chairman

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

Responsibilities

1. Direct responsibility for the appointment, compensation, retention and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor must report directly to the Audit Committee.
2. Pre-approve all permitted non-audit services to be performed by the independent auditor subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 which are approved by the Audit Committee prior to the completion of the audit and establish policies and procedures for the engagement of the independent auditor to provide permitted non-audit services. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.
3. At least annually, consider the independence of the independent auditor, including whether the provision by the independent auditor of permitted non-audit services is compatible with its independence. In connection therewith, the Audit Committee shall obtain and review: (a) a report by the independent auditor describing (i) the independent auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer 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 firm, and any steps taken to deal with any such issues, and (iii) (to assess the independent auditor's independence) all relationships between the independent auditor and the Company; and (b) any other required reports from the independent auditor.
4. Review with the independent auditor the results of the annual audit, audit work and any other matters required to be communicated to the Audit Committee by the independent auditor under generally accepted auditing standards, Securities and Exchange Commission regulations and New York Stock Exchange listing standards, including, but not limited to, (a) any problems or difficulties that the auditor encountered in the course of the audit work, and management's response; (b) any restrictions on the scope of activities or access to requested information; (c) any significant disagreement with management; and (d) any questions, comments or suggestions the independent auditor may have relating to the internal controls, and accounting practices and procedures, of the Company.

Without excluding other possibilities, the Audit Committee may wish to review with the independent auditor (i) any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise), (ii) any communications between the audit team and the independent auditor'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 auditor to the Company.

5. At least annually, review the scope and results of the internal audit program, including current and future budgets, programs, responsibilities and staffing of the Company's internal audit department, procedures for implementing accepted recommendations made by the independent auditor, and any significant matters contained in reports from the internal audit department.
6. In consultation with the independent auditor, management and the internal auditor, review the integrity of the Company's financial reporting processes, both internal and external. In that regard, the Audit Committee should obtain and discuss with management and the independent auditor reports from management and the independent auditor regarding: (a) all critical accounting policies and practices to be used by the Company; (b) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (c) major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (d) 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 Company's financial statements, including analyses of the effects of alternative generally accepted accounting principles (GAAP) methods on the financial statements; (e) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and (f) the current and future budgets, programs, responsibilities and staffing of the Company's internal audit department.
7. Review and discuss with management and the independent auditor the annual audited financial statements and quarterly financial statements of the Company, including: (a) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations;" (b) any material changes in accounting principles or practices used in preparing the financial statements prior to the filing of a report on Form 10-K or Form 10-Q with the Securities and Exchange Commission; and (c) the matters that are required to be discussed under the Public Company Accounting Oversight Board standards.
8. Recommend to the Board of Directors, whether the financial statements should be included in the Form 10-K.
9. Review and discuss with management and the independent auditors the corporation's earnings 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. The Audit Committee's discussion in this regard may be general in nature (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and need not take place in advance of each earnings release or each instance in which the corporation may provide earnings guidance.
10. Discuss Company guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures and guidelines and policies to govern the process by which risk assessment and management is undertaken, and review contingent liabilities and risks that may be material to the Company and major legislative and regulatory developments which could materially impact the Company's contingent liabilities and risks.

11. Review: (a) the status of compliance with laws, regulations, and internal procedures; and (b) the scope and status of systems designed to promote Company compliance with laws, regulations and internal procedures, through receiving reports from management, legal counsel and third parties as determined by the Audit Committee.
12. Establish procedures for (a) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and (b) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
13. Establish clear policies for the hiring of employees and former employees of the independent auditor.
14. Conduct an annual performance evaluation of the Audit Committee and annually evaluate the adequacy of its Charter.
15. Ensure rotation of partners of the independent auditor as required by law.

Structure and Operation

1. The Audit Committee shall (a) meet at least four times each year and at such other times as it deems necessary to fulfill its responsibilities, (b) periodically meet separately, in executive session, with management, the internal auditor and the independent auditor, and (c) report regularly to the Board of Directors with respect to its activities and make recommendations to the Board of Directors as appropriate. The report to the Board of Directors should include a review of 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.
2. The Audit Committee shall have the authority to retain and obtain advice and assistance from independent counsel, accountants and other advisers, as it deems necessary or appropriate, to assist in the carrying out of its duties. In addition, the Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.
3. The Audit Committee shall have the appropriate funding, as determined by the Audit Committee, for payment of (a) compensation to the independent auditor engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, (b) compensation to any independent counsel, accountants and other advisors employed by the Audit Committee and (c) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
4. The Audit Committee has the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's bylaws that are applicable to the Audit Committee.

5. The Audit Committee may conduct or authorize investigations into any matters within the scope of the duties and responsibilities delegated to the Audit Committee.

General

The Audit Committee's members are neither employees of the Company nor accountants or auditors by profession or experts in the fields of accounting, auditing or auditor independence. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits, to establish procedures or set standards for accounting, auditing or auditor independence or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and all applicable laws, rules and regulations. These are the responsibilities of management and the independent auditor. The Audit Committee shall be entitled to rely on (a) the integrity, skill and information of persons and advisors within and outside the Company; and (b) the accuracy of financial and other information provided by such persons or advisors absent actual knowledge to the contrary, which shall be promptly reported to the Board of Directors.