

## **Terms of Reference of the Audit Committee of Porvair Plc**

### **Constitution**

The Board has established an Audit Committee to review and advise the Board on matters relating to the internal controls and financial reporting of the Group. This schedule sets out the revised terms of reference for the role of the Audit Committee. In carrying out its duties the Audit Committee should have due regard for the guidance for audit committees set out in The Smith Guidance and any similar future guidance issued.

### **Membership**

The Committee members shall be drawn solely from the independent non-executive directors. The Committee shall comprise at least two members and the Group will seek to ensure that at least one member has recent and relevant financial experience. A quorum shall be two members.

Appointments to the Committee shall be made by the Board after due consultation with the nomination Committee and the Chairman of the Audit Committee. The Chairman of the Audit Committee shall be appointed by the Board. The Chairman of the Committee shall not have a casting vote but will refer deadlocked issues to the Board as a whole.

The Chairman of the Company shall not be a member of the Audit Committee.

### **Attendance at meetings**

The members of the Committee may decide if non-members should attend for particular meetings or agenda items.

The Group Finance Director will be expected to attend for all or part of every meeting.

The external audit partner will be invited regularly to attend the meeting and the Committee is expected to meet with the external auditors without management at least annually. The external auditors of the company may request a meeting of the Audit Committee if they consider an additional meeting necessary.

### **Frequency of meetings**

The Committee is expected to meet at least three times every year. Meetings should generally be timed to coincide with the key dates within the financial reporting and audit cycle.

### **Authority**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request from the Committee.

The Committee has access to the services of the Company Secretary.

The Committee is authorised by the Board to obtain such outside legal and other independent advice as it considers necessary at the expense of the company.

### **Duties**

The Audit Committee shall:

- monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance. This should include, inter alia:
  - The appropriateness of the group's accounting policies paying particular attention to any changes in policies or practices
    - A particular focus on the major areas of judgment concerning the valuation of assets and liabilities
    - Significant adjustments resulting from the audit
    - The going concern assumption
    - Compliance with accounting standards
    - Compliance with Stock Exchange and legal requirements.
- review the company's internal financial controls and the company's internal control and risk management systems;
- keep under regular review the need for the company to set up an internal audit function;
- make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor;
- approve the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- review arrangements by which staff of the company may raise concerns about possible improprieties in matters of financial reporting or other matters.

### **Reporting**

The Committee shall report to the board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

The Committee shall review its own terms of reference and effectiveness at least annually and recommend any necessary changes to the Board.

The proceedings and resolutions of meetings shall be minuted and the minutes shall be circulated to the Board.