

FIBERWEB PLC AUDIT COMMITTEE TERMS OF REFERENCE

The terms of reference of the Audit Committee of the Board were adopted at a Meeting of the Board of Directors on 31 August 2006.

1. Membership and Attendance

- 1.1 Members of the Audit Committee shall be appointed by the Board in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least two members.
- 1.2 All members of the Committee shall be independent non-executive directors and at least one shall have recent and relevant financial experience.
- 1.3 The quorum shall be two independent non-executive directors.
- 1.4 The Chairman of the Committee shall be appointed by the Board.
- 1.5 Only members of the Committee have the right to attend Committee Meetings. However, other individuals such as the Chief Executive Officer, Chief Financial Officer, Group Financial Controller, Head of Internal Audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 1.6 The Committee shall meet with the external auditors at least once a year without management being present.

2. Meetings and Reporting Procedures

- 2.1 The Audit Committee shall meet as often as may be necessary to discharge its duties and in any event at least four times a year, with meetings timed to coincide with key dates in the audit and financial reporting cycle.
- 2.2 In addition to regularly scheduled meetings the Chairman of the Committee may call a meeting at the request of any member of the Board or the Company's external auditors.
- 2.3 It is the responsibility of the Chairman of the Committee to decide what data he or she considers necessary for the purpose of any discussion, to obtain such data for the Committee and to see that it is circulated to the Committee.
- 2.4 The Company Secretary shall be Secretary of the Committee
- 2.5 The Chairman of the Committee shall report to the Board on matters dealt with by the Committee, 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.

Minutes of Audit Committee meetings shall be circulated to all Board members.

- 2.6 The Chairman shall attend the Annual General Meeting and be prepared to answer questions on the Audit Committee's activities and its responsibilities.

3. Authority

- 3.1 The Audit Committee is authorised to pursue any activity within its terms of reference.
- 3.2 The Audit Committee is authorised to seek independent advice, obtain market data and commission surveys as may be required to assist in carrying out its duties. The Committee is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

4. Duties

The duties of the Audit Committee are as follows:

4.1 Financial Matters

- The Audit Committee shall consider any matters relating to the financial affairs of the Company and its subsidiaries and shall examine any other matters referred to it by the Board.
- The Audit Committee shall monitor the integrity and review the annual and interim financial statements and the interim and preliminary announcements, reviewing significant financial reporting judgements contained in them before their submission to the Board for approval.
- The Audit Committee shall determine whether the accounting policies of the Group are appropriate for the Group and are in accordance with the law and relevant accounting standards.
- The Audit Committee shall review any profit forecasts or previously unpublished financial data to be published in any public document or any other documents as requested by the Board.

4.2 External Audit

- The Audit Committee shall keep under review the scope, efficiency and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors.
- The Audit Committee shall make recommendations to the Board regarding the remuneration of the external auditors, their appointment, dismissal or resignation.

- The Audit Committee shall review and approve a Group policy on the provision of non-audit services by the external auditors. In doing so, the Committee shall take into account relevant ethical guidance. The Audit Committee shall report to the Board on any matter in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

4.3 Internal Control and Risk Management Systems

- The Audit Committee shall review management's procedures to monitor the effectiveness of the systems of accounting and internal control. The role of the Audit Committee in assessing the effectiveness of internal controls shall be stated in the Company's Annual Report and Accounts.
- The Audit Committee shall review Management's reports on the effectiveness of systems for internal financial control, financial reporting and risk management.
- The Audit Committee continuously review the mitigation and insurance arrangements in respect of identified risks.
- The Audit Committee shall review the policies and procedures for identifying and assessing business risks.
- The Audit Committee shall review and consider bi-annually, Group wide risk registers / maps including both financial and non-financial elements.

4.4 Internal Audit

- The Audit Committee shall monitor and review the effectiveness of the Company's Internal Audit Function in the context of the Company's overall risk management system.
- The Audit Committee shall approve the appointment and removal of the Head of the Internal Audit Function, in order to underpin the independence of the Head of Internal Audit.
- The Audit Committee shall review any internal audit programme and ensure that the internal audit function is adequately resourced, has appropriate access to information to perform its function effectively and has appropriate standing within the Company.

4.5 Whistleblowing

- The Audit Committee shall keep under review arrangements by which staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Audit Committee's objective shall be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

