

FIBERWEB PLC AUDIT COMMITTEE TERMS OF REFERENCE

1. Membership

- 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. The Chairman of the Board shall not be a member of the Committee.
- 1.3 The quorum shall be two members.
- 1.4 The Chairman of the Committee shall be appointed by the Board. In his absence the remaining members present shall elect one of themselves to chair the meeting.
- 1.5 Only members of the Committee have the right to attend Committee Meetings. However, other individuals such as the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, other directors, the Group Financial Controller, the Internal Auditor and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.6 The Committee shall meet with the external auditors and internal auditors at least once a year without management being present. The external auditor will be invited to attend meetings of the Committee on a regular basis.

2. Meetings

- 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 or internal 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 or his/her nominee 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 the Chairman of the Committee and, once agreed, to all Board members, unless it would be inappropriate to do so.

- 2.6 The Chairman of the Committee (or a duly appointed deputy) should attend the Annual General Meeting and answer any shareholder questions on the Audit Committee's activities.

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, at the Company's expense, to seek independent advice, obtain market data and commission surveys as may be required to assist it in carrying out its duties. The Committee is authorised to seek any information it requires from any employee in order to perform its duties and all employees are directed to co-operate with any request made by the Audit Committee. The Committee is authorised to publish in the Company's Annual Report and Accounts details of any issues that cannot be resolved between the Committee and the Board.

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, the interim and preliminary results announcements, Interim Management Statements, reviewing significant financial reporting issues and 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.
- The Audit Committee shall review the systems of financial reporting and management reports on the effectiveness of those systems.

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 and audit process.
- The Audit Committee shall oversee the relationship with the external auditor including (but not limited to) (i) recommendations on their remuneration, whether for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted; (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit; (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services; (iv) seeking to ensure co-ordination with the activities of the internal audit function and (v) considering the risk of the withdrawal of the current auditors from the market in its evaluation and planning.
- The Audit Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, regarding the appointment, re-appointment and removal of the external auditors. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- The Audit Committee shall review any representation letter(s) requested by the external auditor before they are signed by management.
- The Audit Committee shall review the management letter and management's response to the auditor's findings and recommendations.
- The Audit Committee shall review and approve a 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.
- The Audit Committee shall meet regularly with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- The Audit Committee shall review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- The Audit Committee shall review the findings of the audit with the external auditor. This shall include, but not be limited to, (i) a discussion of any major issues which arose during the audit; (ii) any accounting and audit judgements; (iii) levels of errors identified during the audit; and (iv) the effectiveness of the audit.

4.3 Internal Controls and Risk Management Systems

- The Audit Committee shall keep under review the adequacy and effectiveness of the Company's systems of 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 and approve the statements to be included in the Company's Annual Report and Accounts concerning internal controls.
- The Audit Committee shall review management's procedures for monitoring and reports on the effectiveness of systems of internal control.
- Unless attended to by the Board, the Audit Committee shall determine the nature and extent of the significant risks the Company is willing to take in achieving its strategic objectives.
- Unless attended to by the Board, the Audit Committee shall, using both qualitative and quantitative metrics, continuously review the mitigation and insurance arrangements in respect of identified risks.
- Unless attended to by the Board, the Audit Committee shall review the policies and procedures for identifying and assessing business risks.
- Unless attended to by the Board, the Audit Committee shall review and consider bi-annually, Group wide risk registers / maps including both financial and non-financial elements.
- The Audit Committee shall review the adequacy and effectiveness of the Company's systems of risk management and approve the statements to be included in the Company's Annual Report and Accounts concerning risk management.

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 Internal Auditor, in order to underpin the independence of the Internal Auditor.
- The Audit Committee shall review the remit of any internal audit function and 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 in accordance with relevant professional standards and has appropriate standing within the Company and is free from management or other restrictions.
- The Audit Committee shall review and assess the annual internal audit plan.
- The Audit Committee shall review reports addressed to the Committee from the Internal Auditor.

- The Audit Committee shall review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor.
- The Audit Committee shall meet the Internal Auditor at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Internal Auditor shall be given the right of direct access to the Chairman of the Board and to the Committee.

4.5 Compliance, Whistleblowing and Fraud

- The Audit Committee shall keep under review arrangements by which staff and contractors 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.
- The Audit Committee shall review the Company's procedures for detecting fraud.
- The Audit Committee shall review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

5. Reporting Responsibilities

- The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- The Committee shall produce a report on its activities to be included in the Company's Annual Report and Accounts.

6. Other Matters

- The Audit Committee shall give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus, Disclosure and Transparency and any other applicable Rules, as appropriate.
- The Audit Committee shall be responsible for co-ordination of the internal and external auditors.
- The Audit Committee shall arrange for periodic reviews of its own performance and, at least annually, review its Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.