

**TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE
OF THE BOARD OF SPECTRIS plc**

1. Constitution

The Audit and Risk Committee shall be formed under the provisions of Article 119 of the Company's Articles of Association and shall conduct itself as prescribed therein.

2. Membership

- (a) The Committee shall be appointed by the Board and shall be comprised solely of independent Non-Executive Directors of the Company. The Committee shall consist of not fewer than three members;
- (b) The Chairman of the Committee shall be appointed by the Board and shall have recent and relevant financial experience. In the absence of the Chairman of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

3. Secretary

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

4. Quorum

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Meetings

- (a) The Chairman, Chief Executive, Group Finance Director, the Head of Internal Audit and a representative of the external auditor shall normally attend meetings. Other executive directors shall be invited to attend for relevant enquiries or issues of significant concern. All executive directors shall attend the year end final audit review meeting. However, at least once a year the Committee shall offer both the external auditor and the Head of Internal Audit the opportunity for discussions without any executive directors present. Further, both the external audit partner and the Head of Internal Audit shall have the right of direct access to the Chairman of the Committee;
- (b) Meetings shall be held at least three times a year and additionally as required to carry out the duties of the Committee.

6. Notice of Meetings

- (a) Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the

external auditor or the Head of Internal Audit if they consider it necessary;

- (b) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

- (a) The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance;
- (b) Draft minutes of Committee meetings shall be circulated promptly to the Chairman of the Committee for review and comment. Once approved, minutes should be circulated to all other members of the Board, to the audit partner and to the Head of Internal Audit.

8. Annual General Meeting

The Chairman shall attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

9. Duties

The duties of the Committee shall be:

External Audit

- (a) to consider the performance of the external auditor and/or to make recommendations to the Board, for it to put to shareholders at the Annual General Meeting, in relation to the appointment, re-appointment or removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- (b) to agree with the external auditor the nature and scope of the audit and to review the effectiveness of the process;
- (c) to develop policy in relation to, and to review the nature and extent of, (i) the independence of the external auditor generally (ii) non-audit services provided by the external auditor (in which context reference is made to the attached policy adopted by the Committee in February 2003) and (iii) the rotation of key audit partners at appropriate intervals, in the context of the need for objectivity;
- (d) to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement containing specific and detailed financial performance information, before submission to the Board, reviewing significant financial reporting judgments and focusing particularly on:

- (i) any changes in accounting policies and practices;
- (ii) major judgemental areas;
- (iii) the effects and disclosure of unusual transactions;
- (iv) all material information presented with the financial statements, such as the Business Overview, Business Review and Corporate Governance Statements;
- (v) significant adjustments resulting from the year end audit;
- (vi) the going concern assumption;
- (vii) compliance with accounting standards;
- (viii) compliance with stock exchange and legal requirements
- (e) to discuss problems and reservations arising from the interim audit review and final audit, and any additional matters the external auditors may wish to raise;
- (f) to review the external auditors' summary year end management letter of matters considered material in the context of management's response;
- (g) to review the form and content of the management representation letter requested by the external auditors;

Internal Audit

- (h) to receive at least twice yearly a report on the programme of activities undertaken by the Head of Internal Audit, thereby to review the effectiveness of the Company's internal audit activities, and to review and assess the forthcoming internal audit plan;
- (i) to consider and approve the remit of the internal audit function, to ensure it has adequate resources to perform its function effectively and in accordance with the relevant professional standards and to approve the appointment or dismissal of the Head of Internal Audit.

Risk

- (j) to consider and make recommendations to the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environments;
- (k) to review the current risk exposures of the Company and the related risk assessment processes;
- (l) to review at least annually on behalf of the Board the effectiveness of the Company's internal control systems (financial, operational and compliance) and risk management policies, in accordance with the guidance provided within the Turnbull Report on Internal Control;
- (m) to review the responses of management to internal control matters raised, whether by the external auditor or Head of Internal Audit, or otherwise;
- (n) to review and approve the statements to be included in the annual report concerning internal controls and risk management;
- (o) to approve the arrangements by which employees may, in confidence and without fear of retaliation, raise concerns about possible improprieties in financial reporting, legal compliance or other matters, ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

- (p) to consider the major findings of internal investigations recommended by the Committee and management's response;
- (q) to review the Company's procedures for detecting fraud;
- (r) to review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;

Otherwise

- (s) to consider other topics, as defined by the Board.

10. Reporting Responsibilities

- (a) The Chairman of the Committee shall, through circulation of its minutes and, if necessary, presentation report to the Board on the matters reviewed by the Committee and the conclusions arrived at;
- (b) To ensure compliance with Section 418 of The Companies Act 2006 concerning disclosure of information by directors and employees to the Company's auditors, reference is made to the required procedures detailed in the attached Appendix;
- (c) A section of the Directors' Report shall disclose the membership of the Committee and describe its work and processes;
- (d) These Terms of Reference shall be made available on request and published on the Company's website.

11. Other Matters

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) 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 and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its Terms of Reference;
- (f) arrange for periodic reviews of its own performance and of its constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. 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 hereby directed to co-operate with any request

made by the Committee. The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its Terms of Reference.

January 2011

Disclosure of Information to Auditors

Introduction

The Companies Act 2006, Section 418, requires that directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Section 418 elaborates further:

- 'relevant audit information' means 'information needed by the company's auditor in connection with preparing his report.'
- a director is regarded as having taken all the steps that he ought to have taken as a director in order to do the things mentioned in (b) above if he has made such enquiries of his fellow directors and of the company's auditors for that purpose, and taken such other steps (if any) for that purpose, as are required by his duty as a director of the company to exercise reasonable care, skill and diligence.
- in determining the extent of the duty of a particular director, account will be taken of the knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by the director in relation to the company, and the knowledge, skill and experience that the director in fact has, where this exceeds what might reasonably be expected.

The procedure below sets out the steps necessary to enable directors to discharge their obligations under Section 418.

1. A list of required audit information, conformed to the business, operations and risk profile of the Spectris group, will be provided each year by the auditor to each business and in respect of Spectris plc and its intermediate holding companies. Each business and Spectris plc (including its intermediate holding companies) will then provide such information to the auditor, supplemented by any additional information likely to be material to an appreciation of their accounts. Written confirmation will be provided by the business President/Managing Director and Finance Director that the full extent of disclosure required by the list of required audit information has been provided to the auditor and that any additional material issues have been notified to and discussed with the auditor. The same confirmation will be provided by the Group Finance Director in respect of Spectris plc and its intermediate holding companies.
2. The audit close meeting for each business will be attended (in person or by conference telephone) by the Group Finance Director and/or the relevant Group Business Director and all material audit issues relevant to that business shall be

discussed. An audit close meeting will also be held in respect of Spectris plc and its intermediate holding companies, attended by the Group Finance Director and Group Controller, at which all material audit issues relevant to these companies shall be discussed.

3. The Audit Issues Memorandum presented by the auditor to the Audit Committee shall include everything the auditor is aware of that is significant to the understanding and approval of the group consolidated accounts. The Audit Committee shall also receive at the same or prior meeting reports from the Internal Auditor covering internal audit activity and conclusions during the financial year and from the Company Secretary upon significant legal issues and upon the group's pension liabilities. All Spectris plc directors will attend this meeting, providing them with the opportunity to consider the Audit Issues Memorandum and the reports, address particular issues therein, raise additional/exceptional issues for consideration and put any questions to the auditor.
4. Individual directors will need to consider whether they are aware of "relevant audit information" not otherwise known to or fully appreciated by the auditor and, if so, ensure that this is made known and discussed at the Audit Committee meeting. In giving such consideration, directors should be aware that such information may include, but is not necessarily limited to:
 - matters of judgment or sources of potential inaccuracy within all accounting records;
 - all matters relevant to the company's ability to continue as a going concern;
 - all matters referred to within board and committee papers and minutes of meetings, or any known omissions therefrom;
 - the contents of internal audit and risk review reports, including the status of unresolved issues;
 - company transactions with plc or subsidiary directors (or those entities in which they have an interest) and other related parties, including employment agreements, shareholdings, share-based payments and commercial transactions;
 - share dealings, issues, or buy-backs;
 - changes in ownership or control;
 - acquisitions or disposals during the year of businesses, assets, intellectual property, real property or otherwise;
 - fraud identified or alleged during the year, by or against the company or its officers or employees;
 - dealings with all regulatory authorities;
 - dealings with all tax authorities;
 - identified or alleged non-compliance with law or regulations;
 - communications with analysts and brokers;
 - significant new customer or supplier transactions/agreements;
 - side letters/agreements which change the terms of contracts;

- contracts with embedded derivatives;
- significant communications and documents concerning legal issues, for example existing or anticipated claims against the company, including correspondence with the company's solicitors throughout the year;
- insurance contracts and significant communications with insurers;
- commitments and contingent liabilities;
- events subsequent to the balance sheet date;
- any restructuring planned or carried out during the year including new business arrangements/legal entities/joint ventures/related parties;
- information requested by and provided to the company by experts, including property valuations and actuarial reports;
- changes/updates to the company's pensions arrangements;
- all banking and all other financing terms including arrangements/commitments, guarantees given and all contracts and transactions that either are or may contain derivatives including those which might affect off balance sheet commitments;
- changes in accounting treatment/policies; and
- any material information affecting the company or its prospects that is not documented or otherwise has not been disclosed elsewhere.