

IMPAX ENVIRONMENTAL MARKETS PLC

Audit Committee

Terms of reference

SCOPE

These terms of reference are issued to the Audit Committee (the “Committee”).

MEMBERSHIP

The Committee consists of all independent directors. Additional members of the Committee will be appointed by the Board in consultation with the Committee.

The Committee shall consist of at least three members, who should all be independent non-executive directors.

The Board shall appoint the Committee Chairman. The Chairman currently appointed is Julia Le Blan. The Chairman shall receive an additional fee which will be approved by the Board for the fulfilment of that role.

SECRETARY

The Company Secretary of the Company is the Secretary of the Committee.

MEETINGS AND ATTENDANCE

The Committee will meet at least twice each year.

The quorum at the meetings shall be two members of the Committee.

A representative of the external auditor should attend meetings on at least an annual basis.

AUTHORITY

The members of the Committee are authorised to seek any information that they require from the Manager or Company Secretary and to obtain advice from the Company’s external auditors, professional advisers or otherwise and to take independent professional advice and to request the Manager or Company Secretary, at the expense of the Company, to attend meetings of the Committee in order to obtain such information or advice.

DUTIES, MAIN ROLE AND RESPONSIBILITIES

The Committee will at all times comply with the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in the UK, as appropriate, and the recommendations of the AIC Code of Corporate Governance. In particular the duties, main role and responsibilities of the Committee are:

Internal controls

- to monitor the Company's risk management and internal control systems so as to safeguard the shareholders' investment and the company's assets;
- to analyse the key procedures adopted by the Board, the Manager, the Administrator and other service providers to provide effective internal control and regulatory compliance and to review the effectiveness of such procedures;
- to make recommendations to the Board on how to report on the review of the effectiveness of the Company's risk management and internal controls systems in the Company's Annual Report;
- to perform a review of the Company's risk assessment programme and make recommendations to the Board in relation to any matters covered by these terms of reference; and
- to make recommendations annually to the Board on whether an internal audit function is needed and, if appropriate, to explain the reasons for the absence of such a function in the Annual Report.

Financial statements

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the half yearly and annual report and accounts, focusing in particular on: -
 1. Changes in accounting policies
 2. Any areas of major judgments
 3. Significant adjustments resulting from the audit
 4. Review of going concern status of the Company^
 5. Compliance with accounting standards
 6. Compliance with the Listing Rules and legal requirements, including any relevant provisions in the AIC Code of Governance;
- keep under review the effectiveness of the financial reporting process;
- to provide advice, as required, to the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- to consider any other topic as deemed necessary.

External audit

- to make recommendations to the Board, to be put to the shareholders of the Company for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor. If the Board does not accept the Committee's recommendation, it will include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the Committee explaining the recommendation and will set out reasons why the Board has taken a different position;
- to 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;
- to develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant rules regarding the provision of non-audit services by the external audit firm; and to 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. Tax compliance services will not be provided by the external auditor. Any other services will be assessed on a case-by-case basis;
- to discuss and agree with the external auditor the nature and scope of the audit and to review the auditor's audit plan prior to the commencement of the audit;
- to keep under review the scope and results of the audit;
- to review the external auditors letter of engagement;
- to review the external auditor's management letter if one is issued and prepare any response;
- to review the effectiveness of the audit and performance of the auditor following completion of the annual audit; and
- to oversee the nature and scope of any audit tenders.

REPORTING PROCEDURES

The Committee Chairman will report to the Board on how the Committee has fulfilled its duties and discharged its responsibilities.

The Secretary will circulate the minutes of all meetings to the members of the Committee.

The Committee will prepare a separate section of the annual report to describe the work of the Committee in discharging its responsibilities. This report will include:

- the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed;
- an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted;
- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded; and
- if an audit tender is proposed, details of the audit tender process.

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