

**FLOWTECH FLUIDPOWER PLC**  
**("Company")**

**AIM COMPLIANCE AND CORPORATE GOVERNANCE COMMITTEE:**  
**TERMS OF REFERENCE**

**1. Introduction**

On 28 April 2014, the Board of Directors of the Company (the "Board") resolved to constitute the AIM Compliance and Corporate Governance Committee of the Board (the "Committee") the business of which is to establish, monitor, and review the Company's procedures and controls for ensuring compliance with the AIM Rules for Companies published by the London Stock Exchange plc (the "AIM Rules") and timely disclosure of information to satisfy the Company's legal and regulatory obligations, in particular under AIM Rules 11, 17, 18 and 19.

**2. Membership**

- 2.1 The Committee shall comprise at least three members, each member shall be a Director of the Company. A majority of the members of the Committee shall be independent Non-Executive Directors.
- 2.2 The initial members of the Committee (as appointed by the Board on 28 April 2014) are Nigel Richens (Chairman of the Committee), Malcolm Diamond and Bryce Brooks.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, representatives of Zeus Capital Limited the Company's nominated adviser will also be invited to attend.
- 2.4 Other individuals (such as representatives from the risk and compliance functions and other external advisors) may also be invited by the Committee to attend all or part of any meeting of the Committee as and when the Committee considers appropriate and necessary but such persons shall have no right of attendance.

**3. Secretary**

The Committee may at each meeting appoint one of their number to be the Secretary of the Committee.

**4. Quorum**

The quorum necessary for the transaction of business shall be two.

**5. Chairman**

- 5.1 The Board shall appoint the Chairman of the Committee, who shall be an independent Non-Executive Director.
- 5.2 In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting from those who under these terms of reference to be appointed to that position by the Board.

## **6. Frequency of meetings**

- 6.1 The Committee shall meet at least twice a year and otherwise as required.
- 6.2 Any member of the Committee may at any time call a meeting of the Committee and the secretary of the Committee must call a meeting of the Committee if at any time requested to do so by a member of the Committee.
- 6.3 Unless otherwise agreed by all members of the Committee, 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, any other person required or invited to attend and all other Non-Executive Directors at least five working days before the date of the meeting. Any relevant supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.
- 6.4 Notwithstanding the foregoing the members of the Committee shall report to the Company's nominated adviser on any matter falling within their terms of reference at the earliest possible opportunity in line with the general objective and purpose of the Committee and shall not wait for a formal meeting of the Committee before so reporting.

## **7. Voting at meetings**

- 7.1 Matters arising at any meeting of the Committee shall be decided by a majority of votes.
- 7.2 Subject to paragraph 7.3 below, each member of the Committee shall have one vote. In the event of an equality of votes, the Chairman of the Committee shall have a second or casting vote (again subject to paragraph 7.3 below).
- 7.3 A member of the Committee at a meeting of the Committee shall not vote in respect of any matter being considered by the Committee in which he has, directly or indirectly, a personal interest and shall not be counted in the quorum at a meeting in relation to any matter on which he is debarred from voting.
- 7.4 Each member of the Committee shall disclose at a Committee meeting:
  - 7.4.1 any personal, financial or other interest in any matter to be decided or discussed at the Committee meeting; and/or
  - 7.4.2 any potential conflict of interest arising from a cross-directorship or otherwise.

## **8. Minutes of meetings**

- 8.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance and the existence of any conflicts of interest.
- 8.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved and finalised, the minutes shall be circulated to the Company's nominated adviser, unless a conflict of interest exists.

## **9. Constitution and Authority**

- 9.1 The Committee is authorised to investigate and undertake any activity within these terms of reference. It is authorised to seek any information it properly requires in order to perform its duties from the company secretary, any Director, employee or professional adviser (subject to paragraph 9.2 below) of the Company or any subsidiary of the

Company (the term "**subsidiary**" shall be as defined in section 1159 of the Companies Act 2006). It is authorised to call any employee to be questioned at Committee Meeting as and when required. All Directors, employees and professional advisors (subject to paragraph 9.2 below) of the Company are directed to co-operate by any such request made by a member of the Committee.

- 9.2 If at a Committee meeting the Committee considers it necessary to examine any activity within these terms of reference, it is authorised to obtain appropriate external professional advice including, without limitation, legal and accounting advice to assist in the performance of its duties, to secure the services of outsiders with relevant experience and expertise and to invite such persons to attend Committee meetings. The Committee shall have full authority to commission any reprints or surveys which it deems necessary to help it fulfil its obligations under these terms of reference. The cost of obtaining such advice or services shall be borne by the Company within such limits as may be authorised by the Board from time to time.

## **10. Responsibilities**

- 10.1 The role of the Committee under these terms of reference is to establish, monitor and review the Company's procedures and controls for ensuring:

10.1.1 compliance with the AIM Rules; and

10.1.2 the timely and accurate disclosure of all information that is required to be disclosed in order to satisfy the Company's legal and regulatory obligations.

- 10.2 Without limiting the foregoing, the Committee shall:

10.2.1 in relation to the compliance checklist set out in the Annex to these terms of reference:

10.2.1.1 review and consider the compliance checklist at each meeting, with all due care and attention;

10.2.1.2 complete the compliance checklist, providing as much information as the attendees reasonably consider necessary to the Company's nominated adviser to enable the Company's nominated adviser to comply with its obligations under the AIM Rules for Nominated Advisers published by the London Stock Exchange plc (as in force from time to time); and

10.2.1.3 ensure that the completed compliance checklist is signed by a member of the Committee and that it is circulated to all of the Directors of the Company and the Company's nominated adviser;

10.2.2 monitor developments concerning the Company's business or financial position and assess whether any such development is price sensitive and whether it gives rise to a disclosure obligation;

10.2.3 assess whether any acquisition, disposal or other transaction proposed to be undertaken by the Company gives rise to a disclosure obligation;

10.2.4 assess whether any other matters or occurrences concerning the Company give rise to a disclosure obligation;

10.2.5 maintain a record of the Company's disclosures and the matters considered for disclosure but not disclosed;

- 10.2.6 review the Company's annual and half-yearly reports, periodic trading updates, any Annual General Meeting statement and all other announcements and material disseminated to Shareholders and the market;
  - 10.2.7 monitor the need for and prepare leak announcements, holding announcements and announcements in response to rumour and speculation concerning the Company;
  - 10.2.8 assess market rumours or speculation concerning the Company and make recommendations as to what response, if any, should be made;
  - 10.2.9 assess whether any information contained in previous disclosures by the Company needs to be updated in any respect by way of a further announcement and make recommendations as to any necessary corrective action;
  - 10.2.10 monitor the reporting of disclosures following publication and make recommendations as to any necessary corrective action in the event of misreporting;
  - 10.2.11 monitor analysts' expectations as to the Company's performance and make recommendations as to any necessary corrective action; and
  - 10.2.12 recommend appropriate employee training in respect of the handling of price sensitive information.
- 10.3 In carrying out its duties, the Committee shall:
- 10.3.1 liaise on a regular basis with the Company's nominated adviser and seek advice from the nominated adviser regarding the Company's compliance with the AIM Rules whenever appropriate and take that advice into account; and
  - 10.3.2 give due consideration to all applicable laws, regulations and guidance including the provisions and recommendations of the QCA Corporate Governance Guidelines for Smaller Quoted Companies, the NAPF Corporate Governance Policy and Voting Guidelines for AIM Companies, the AIM Rules, the UK Corporate Governance Code (formerly the Combined Code) and the requirements of the Disclosure and Transparency Rules which apply to the Company.

## **11. Annual General Meeting**

A representative of the Committee shall attend the Annual General Meeting of the Company prepared to respond to any Shareholder questions on the Compliance Committee's activities.

## **12. Other Matters**

- 12.1 The Committee shall, at least once a year, review the conduct, constitution and terms of reference of the Committee to ensure it is operating at maximum effectiveness and implement any changes it considers necessary or desirable.
- 12.2 The Board shall make available these terms of reference for inspection at the registered office of the Company.

12.3 Any of the terms set out in this document may be varied by a majority resolution of the Board.