

**LYDALL, INC.**  
**AUDIT REVIEW COMMITTEE CHARTER**

Purpose

The primary purpose of the Audit Review Committee (the “Committee”) shall be to assist the Board of Directors (the “Board”) in fulfilling its responsibility to oversee the integrity of the Company’s financial reporting process, including the performance of the Company’s systems of internal accounting and financial controls, the Company’s internal audit function, the outside auditors’ qualifications and independence, the Company’s process for monitoring compliance with applicable legal, regulatory and ethics programs, and the annual independent audit of the Company’s financial statements. A purpose of the Committee shall also be to prepare the Audit Review Committee Report to be included in the Company’s proxy statement for the annual meeting of stockholders and any other meeting of stockholders at which members of the Board are to be elected.

In discharging its oversight role, the Committee shall have the power to investigate any matter that comes to its attention, with full access to all books, records, facilities and personnel of the Company. The Committee shall also have the power to retain (at the Company’s expense) outside counsel, auditors or other advisors as it determines necessary to carry out its purposes and to determine the engagement terms and fees of such outside counsel, auditors and other advisors. The outside auditors are ultimately accountable to the Committee and shall report directly to the Committee.

The Committee shall review the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board for approval.

Membership

The Committee shall comprise not less than three (3) members of the Board, each of whom shall be independent as defined below. The Committee’s composition will meet the requirements of the listing standards of the New York Stock Exchange and all applicable federal securities laws. No member of the Committee shall serve on the audit committee of more than two other public companies. If any member of the Committee ceases to meet these standards or requirements, the Committee member shall resign from the Committee.

The members of the Committee shall be appointed by the Board, on the recommendation of the Corporate Governance Committee.

Independence

Committee members shall meet the standards for independence of the New York Stock Exchange and any applicable federal securities law.

## Financial Expertise and Experience

At least one (1) member of the Committee shall be an “audit committee financial expert” as defined in rules promulgated by the Securities and Exchange Commission. All members of the Committee shall be financially literate, as defined in the listing standards of the New York Stock Exchange.

## Key Responsibilities

The Committee’s job is one of oversight. Management is responsible for the preparation, presentation, and integrity of the Company’s financial statements, for the appropriateness of the accounting principles and reporting policies that are used by the Company and for establishing and maintaining adequate internal control over financial reporting. The independent auditor is responsible for auditing the Company’s financial statements and the Company’s internal control over financial reporting and for reviewing the Company’s unaudited interim financial statements. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Committee to plan or conduct any audits, to determine or certify that the Company’s financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee the independent auditor’s reports.

The Committee shall meet at least four times per year, or more often as necessary to perform the duties and responsibilities of the Committee as set forth herein. The Committee shall report to the Board at its next meeting after each Committee meeting.

The following are functions of the Committee in carrying out its oversight function.

### *1. Selection and Compensation of the Outside Auditors*

The Committee shall have the sole authority and direct responsibility to select, evaluate and, where appropriate, replace the outside auditors. In connection therewith, the Committee is responsible for determining the engagement terms and fees of the outside auditors and for resolving disputes between management and the outside auditors regarding financial reporting. Prior to initially engaging an outside audit firm, the Committee shall receive a written statement consistent with the applicable requirements of the Public Accounting Oversight Board (the “PCAOB”) regarding outside accountant’s communications with the Audit Committee concerning independence.

### *2. Pre-Approval of Audit and Non-Audit Services*

All audit services provided to the Company whether provided by the principal outside auditor or other firms shall be pre-approved by the Committee.

Additionally, the Committee, or one or more of its members, shall review any non-audit services provided to the Company by its outside auditors and, except for certain de minimis services to the extent permitted by law, shall pre-approve any such non-audit services. The

Committee, or one or more of its members, shall be responsible for determining the engagement terms and fees of any non-audit services to be provided by the outside auditors. The Committee shall not approve the engagement of the Company's outside auditors to perform any non-audit services that are prohibited by Section 10A(g) of the Securities Exchange Act of 1934, as amended, or any rules promulgated thereunder.

The decisions of any member of the Committee to whom authority is delegated to approve any activity by the outside auditors shall be presented to the full Committee at its next meeting.

The Committee shall consider whether the outside auditors' performance of any proposed non-audit services is compatible with the outside auditors' independence.

1. *Meetings with and Reports from Outside Auditors and Internal Auditors*

- a) The Committee shall periodically meet with management, the internal auditors and the outside auditors in separate executive sessions.
- b) The Committee shall review and discuss with management and the outside auditors the audited financial statements and related footnotes and the Management's Discussion and Analysis to be included in the Company's Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of the Form 10-K). Such review and discussion shall include the analysis and judgment of management and the outside auditors about the appropriateness and quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, adequacy of internal controls and disclosures of changes in internal controls and the clarity of the disclosures in the financial statements. In addition, the Committee shall review and consider with the management and outside auditors the matters required to be discussed by Statement on Auditing Standards ("SAS") No. 61, as amended (AICPA), *Professional Standards*, Vol. 1. AV section 380), as adopted by the PCAOB. The Committee shall recommend to the Board whether, based on the review and discussions described herein, the financial statements should be included in the Company's Annual Report on Form 10-K.
- c) The Committee shall review and discuss with management and the outside auditors the Company's interim financial results and the Management's Discussion and Analysis to be included in the Company's quarterly reports to be filed with the Securities and Exchange Commission. This review will occur prior to each filing by the Company of its Quarterly Report on Form 10-Q.
- d) The Committee shall review and discuss with management and the outside auditors the accounting policies and assumptions which may be viewed as critical, the alternative treatments of financial information within generally accepted accounting principles that the outside auditors have discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the outside auditors. The Committee shall review and discuss with management and the outside auditors any significant changes in the accounting policies of the Company and accounting and

financial reporting pronouncements and proposed rules that may have a significant impact on the Company's financial reports.

- e) The Committee shall review and discuss with the management and the outside auditors:
  - i. any financial or non-financial arrangements of the Company which do not appear on the financial statements of the Company but are necessary to understand how significant aspects of the Company's business are conducted; and
  - ii. material transactions or courses of dealing with parties related to the Company.
- f) The Committee will meet with the internal auditors to discuss and review summaries of significant reports to management prepared by them, such as those detailing audit problems or difficulties, if any, and management's responses thereto.
- g) At least annually, the Committee shall obtain and review a report by the outside auditors describing the following:
  - i. the outside auditors' internal quality control procedures; and
  - ii. any material issues raised by the most recent internal quality control review, peer review or PCAOB review of the outside auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five (5) years respecting one (1) or more independent audits carried out by the outside auditors, and any steps taken to deal with any such issues.

The Committee shall evaluate the qualifications, performance and independence of the outside auditors and the lead audit partner (including the rotation of the lead audit partner) and present the conclusions of the Committee to the entire Board. In evaluating the outside auditors, the Committee shall consider whether it is appropriate to rotate outside auditing firms.

- h) The Committee shall:
  - i. request from the outside auditors annually, a formal written statement delineating all relationships between the auditors and the Company consistent with PCAOB Rule 3526;
  - ii. discuss with the outside auditors any such disclosed relationship and its impact on the outside auditors' independence; and
  - iii. determine any appropriate action in response to the outside auditors' report to satisfy itself of the auditors' independence.
- i) The Committee shall meet separately with the outside auditors, with and without management present, to discuss the results of their audits, including any audit problems or difficulties and management's response, as well as the responsibilities, budget and staffing of the Company's internal audit function.

- j) The Committee shall review and discuss with management and the outside auditors the Company's legal and regulatory compliance programs, the Company's internal control over financial reporting and the Company's code of ethics for senior financial officers. The Committee shall review and discuss the Company's legal and regulatory compliance programs with the Company's General Counsel.
- k) The Committee shall review and discuss the Company's guidelines and policies to govern the process by which risk assessment and risk management is undertaken and its programs for monitoring and controlling major financial risks.
- l) The Committee shall review and discuss with the Company's Chief Executive Officer and Chief Financial Officer their evaluation of the Company's disclosure controls and procedures.
- m) The Committee shall review and discuss with the Company's Chief Executive Officer and Chief Financial Officer the Company's internal audit function.

#### Other Matters

##### *1. Legal Proceedings and Contingent Liabilities*

The Committee shall review with management material and pending or overtly threatened legal proceedings involving the Company and other material contingent liabilities.

##### *2. Press Releases and Information Provided to Analysts and Ratings Agencies*

The Committee shall discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies. Such discussion may be done generally (through a discussion of the types of information to be disclosed and the types of presentations to be made). In addition, the Committee may delegate the review of individual press releases or presentations to the Committee's Chairman or another member of the Committee.

##### *3. Proxy Statement Report*

The Committee shall prepare the Audit Review Committee Report required by the rules of the Securities and Exchange Commission to be included in the Company's proxy statement for the election of members of the Board of Directors. The report will address all issues required by the Securities and Exchange Commission.

##### *4. Procedures for Employee Complaints and Concerns*

The Committee shall establish procedures for:

- a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

- b) confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

#### 5. *Hiring Practices for Employees of Outside Auditor*

The Committee shall set clear hiring practices for employees or former employees of the outside auditors.

#### 6. *Annual Self-Evaluation*

The Committee shall perform an annual self-evaluation to determine the extent to which it fulfilled its obligations as described in this Charter or otherwise required by applicable listing standards, regulations or law.

#### 7. *Funding*

The Committee is empowered, without further action by the Board, to cause the Company to pay (i) compensation of the outside auditor as determined by the Committee, (ii) the compensation of outside counsel, auditors and other advisors as determined by the Committee, and (iii) the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.