

# Audit Committee Charter

IDEXX Laboratories, Inc.

The Audit Committee is a committee of the Board of Directors (the “Board”) of IDEXX Laboratories, Inc. (the “Company”). Its primary function is to assist the Board in fulfilling its oversight responsibilities for the Company’s accounting, internal control, and financial reporting processes, the audit process of the Company and related party transactions.

The Company’s management is responsible, among other things, for preparation, presentation, and integrity of the Company’s financial statements; the appropriateness of the accounting principles and reporting policies that are used by the Company; establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)); establishing and maintaining the effectiveness of internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act); evaluating the effectiveness of disclosure controls and procedures and internal control over financial reporting; and evaluating any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. The independent auditors are responsible for auditing the Company’s financial statements and for reviewing the Company’s unaudited interim financial statements as well as expressing an opinion on the effectiveness of internal control over financial reporting. The authority and responsibilities set forth in this Audit Committee charter (“Charter”) do not reflect or create any duty or obligation of the Audit Committee to plan or conduct any audit, to determine or certify that the Company’s financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles (“GAAP”) or applicable law, or to guarantee the independent auditor’s report.

## I. Organization

The Audit Committee will consist of at least three members of the Board. Each member of the Audit Committee shall be an “independent director” as defined in the Company’s Corporate Governance Guidelines and applicable laws, regulations, and listing standards (including NASDAQ Rule 5605(a)(2)), meet the criteria for independence set forth in Rule 10A 3(b)(1) under the Exchange Act (subject to the exemptions provided in Rule 10A 3(c)), and not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. At least one member of the Audit Committee shall be an “audit committee financial expert” as defined under the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In addition, at least one member must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities. Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement, at the time of his or her appointment to the Audit Committee. The Nominating and Governance Committee of the Board shall determine annually whether the members of the Audit Committee meet the requirements of this paragraph.



Audit Committee members and the Audit Committee Chair shall be designated by a majority vote of the full Board upon recommendation of the Nominating and Governance Committee. The Board may remove members of the Audit Committee from such committee, with or without cause. Members of the Audit Committee shall serve for terms of one year, or until their successors are duly elected and qualified.

## **II. Duties and responsibilities**

In meeting its responsibilities, the Audit Committee shall perform the following activities:

### **A. Oversight of the independent auditors and audit process:**

1. The Audit Committee is solely responsible for appointing, evaluating, retaining, compensating, and, when necessary, terminating the engagement of the independent auditors. The Audit Committee may, in its discretion, seek stockholder ratification of the independent auditor it appoints. The Audit Committee is empowered without further action of the Board, to cause the Company to pay the compensation of the independent auditors established by the Audit Committee.
2. The Audit Committee shall pre-approve all services associated with the annual audit to be provided to the Company by the independent auditor or other firms performing services on behalf of the independent auditor. The Audit Committee shall pre-approve all other services (review, attest, and non-audit) to be provided to the Company by the independent auditor; provided, however, that *de minimis* non-audit services may instead be approved in accordance with applicable SEC rules.
3. The Audit Committee shall oversee the work of the independent auditors, who shall report directly to the Audit Committee. Such oversight shall include resolution of disagreements between management and the independent auditors regarding financial reporting. In connection with its oversight role, the Audit Committee shall, from time to time as appropriate, receive and consider the reports and other communications required to be made by the independent auditor regarding:
  - critical accounting policies and practices;
  - alternative treatments within GAAP for policies and practices related to material items that have been discussed with Company management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - other material written communications between the independent auditor and Company management; and
  - the other matters addressed in Public Company Accounting Oversight Board (the “PCAOB”) Auditing Standard No. 16, Communications with Audit Committee (“AS 16”).
4. The Audit Committee shall provide an open avenue of communication between the independent auditors and the Board.
5. The Audit Committee shall take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditor. In connection with this responsibility, the Audit Committee shall obtain and review the written disclosures and the letter from the independent auditor required by applicable requirements of the PCAOB regarding the independent auditor’s communications with the Audit Committee concerning independence. The Audit Committee shall

actively engage in dialogue with the independent auditor concerning any disclosed relationships or services that might impact the objectivity and independence of the auditor.

6. The Audit Committee shall conduct an annual review of the performance of the independent auditors, including a review of (1) the background and performance of partners and managers assigned to the Company's account, (2) quality control procedures established by the independent auditors, (3) material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, and any steps taken to deal with any such issues, and (4) relevant information regarding any inspections of the independent auditor by the PCAOB.
7. The Audit Committee shall ascertain that (1) the lead (or concurring) audit partner from any public accounting firm performing audit services serves in that capacity for no more than five fiscal years of the Company and (2) any partner other than the lead or concurring partner serves no more than seven years at the partner level on the Company's audit.
8. The Audit Committee shall set clear hiring policies for employees or former employees of the independent auditors.
9. The Audit Committee shall consider and review, with management, the rationale for employing audit firms other than the principal independent auditors.

#### **B. Oversight of internal auditors:**

1. The Audit Committee shall maintain oversight of the internal auditors in consultation with management, review the charter, plans, activities, staffing, and organizational structure of the internal audit function and review and concur in the appointment, replacement, reassignment, or dismissal of the Director of Internal Auditing or person having similar responsibilities. The Audit Committee will provide an open channel of communication between the internal auditors and the Board.
2. The Audit Committee shall consider and review with the internal auditors and management:
  - a. the objectivity, independence, and effectiveness of the internal auditors;
  - b. the internal audit risk assessment process, audit scope, and plans of the internal auditors;
  - c. the coordination of effort with the independent auditors to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
  - d. the quality and adequacy of the Company's internal accounting controls; and
  - e. any significant findings and recommendations of the internal auditors together with management's responses thereto.

#### **C. Oversight of the financial reporting process:**

1. The Audit Committee shall consider and review with management and the independent auditors prior to the filing of each periodic report:
  - a. the Company's financial statements and related footnotes;
  - b. the quality of the Company's earnings from a subjective and an objective standpoint;

- c. judgments of the independent auditors about the quality of the Company's accounting principles as applied in its financial reporting for its financial statements;
- d. any significant events or transactions occurring during the period being reported;
- e. any changes in accounting estimates, policies and practices, unusual or significant commitments or liabilities, and legal and regulatory matters that may have a material impact on the financial statements;
- f. the reports to be filed with the SEC and other published documents containing the Company's financial statements and consider whether the information contained in these documents is consistent with the information contained in the financial statements;
- g. internal control matters required to be communicated to the Audit Committee by management, including all significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize, and report financial data, and any allegation of fraud that involves management or other employees who have a significant role in the Company's internal controls;
- h. the process used by management to evaluate the effectiveness of disclosure controls and procedures and the results of management's evaluation of such effectiveness; and
- i. the Company's earnings press release.

2. The Audit Committee shall consider and review with management and the independent auditors at the completion of the annual audit examination:

a. Report provided by the independent auditors on the following matters:

- all critical accounting policies and practices in use;
- all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative treatments, and the treatment preferred by the independent auditors; and
- other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

b. The independent auditors' audit of the financial statements and report thereon, including any attestation report on management's assessment of the internal control system:

3. The Audit Committee shall consider whether it will recommend to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K.

4. The Audit Committee shall review and discuss with the Company's management and independent auditor the Company's audited financial statements, including the matters required to be discussed by AS 16.

#### **D. Other oversight responsibilities:**

1. The Audit Committee shall maintain procedures for:

- a. the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and

- b. The confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
2. The Audit Committee shall coordinate the Board's oversight of the Company's internal control over financial reporting and disclosure controls and procedures. The Audit Committee shall receive and review the reports of the Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Exchange Act.
3. The Audit Committee shall annually review the adequacy of the Company's computerized information system controls and security.
4. The Audit Committee shall periodically review the Code of Ethics and review with the General Counsel, Chief Compliance Officer, and the Director of Internal Auditing the results of their monitoring of compliance with the Code of Ethics.
5. The Audit Committee shall periodically meet independently and in separate executive sessions with the internal auditors, the independent auditors, and management.
6. The Audit Committee shall prepare the annual committee report required by the rules of the SEC to be included in the Company's annual proxy statement.
7. The Audit Committee shall report Audit Committee actions to the Board, with such recommendations, as it may deem appropriate.
8. The Audit Committee is authorized to conduct or instruct management to conduct investigations into any matters within its scope of responsibilities.
9. The Audit Committee shall review the Company's policies and procedures for reviewing and approving or ratifying related party transactions (i.e., transactions within the scope of Item 404 of Regulation S-K), including the Company's Related Party Transaction Policy, and recommend any changes to the Board.
10. The Audit Committee shall review all related party transactions (defined as transactions required to be disclosed pursuant to Item 404 of Regulation S-K) for potential conflict of interest situations on an ongoing basis, and all such transactions must be approved or ratified by the Audit Committee.
11. The Audit Committee shall review with management the Company's policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the independent auditors.
12. The Audit Committee shall discuss with management the Company's major policies with respect to risk management, including insurance coverage.
13. The Audit Committee will perform such other functions as assigned by law, regulation, listing standards, the Company's charter or by-laws, or delegated by the Board.
14. The Audit Committee shall review the structure and function of the Company's Finance organization at least annually.
15. The Audit Committee shall periodically review critical accounting topics or processes of the Company as determined by the Chief Financial Officer, independent auditors, or the Audit Committee.

### **III. Process and administration**

1. The Audit Committee shall meet as frequently as required to fulfill the requirements of this Charter or as circumstances require. The Audit Committee will ask members of management or others to attend the meeting and provide pertinent information as necessary. The Audit Committee shall be governed by the same rules regarding meetings (including meetings in person or by telephone or other similar methods of communication), notice, waiver of notice, action by written consent and quorum, and voting requirements as are applicable to the Board. The Audit Committee shall keep such records of its meetings as it shall deem appropriate, and shall report the results of its meetings regularly to the Board.
2. The Audit Committee may form and delegate authority to one or more subcommittees, as it deems appropriate from time to time under the circumstances (including a subcommittee consisting of a single member). Any decision of a subcommittee to pre-approve audit, review, attest, or non-audit services shall be presented to the full Audit Committee at its next scheduled meeting.
3. The Audit Committee shall review and reassess the adequacy of its charter at least annually and recommend any proposed changes to the Nominating and Governance Committee.
4. The Audit Committee may, without further action by the Board, retain such independent legal, accounting, and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of compensation to any such advisors.
5. The Audit Committee is empowered, without further action by the Board, to cause the Company to pay the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

*Last Updated as of July 13, 2016*