

## **AUDIT COMMITTEE CHARTER**

### **PURPOSE**

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Flowserve Corporation (the “Company”) is to: (a) represent and assist the Board in discharging its oversight responsibility relating to (i) financial, accounting and reporting policies and practices, including the integrity of the Company’s financial statements and system of internal controls, (ii) the Company’s compliance with applicable legal and regulatory requirements, (iii) the qualifications and independence of the independent registered public accounting firm performing the Company’s external audit (“External Auditors”), (iv) the performance of the External Auditors, and (v) the performance of the Company’s internal audit function ; (b) be responsible for the appointment, compensation, retention and oversight of the Company’s External Auditors; and (c) prepare the Committee report required by the rules of the Securities and Exchange Commission (“SEC”) to be included in the Company’s annual proxy statement.

### **MEMBERS**

The Committee must have at least three members. All Committee members must have been determined by the Board to be independent, as defined and to the extent required in the New York Stock Exchange (“NYSE”) listing standards applicable to directors and audit committee members, as they may be amended from time to time, and must qualify as independent directors under the Company’s Corporate Governance Guidelines. Each Committee member must be financially literate, as determined by the Board in its business judgment, and at least one Committee member must be an “audit committee financial expert,” as determined by the Board in accordance with applicable SEC rules and regulations. Committee members and the Committee Chairman shall be appointed by and may be removed by the Board on the recommendation of the Corporate Governance and Nominating Committee. Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

### **POWERS**

The Committee has all powers necessary to carry out its purpose and discharge its responsibilities. These include the power to directly retain outside legal counsel, accountants, experts and other advisors as the Committee determines necessary to perform its responsibilities, without additional approval from the Board, and the power to investigate any matter within the scope of its duties, with full access to books, records, facilities and personnel necessary to do so. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the External Auditors and any other advisors retained by the Committee and for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **RESPONSIBILITIES**

Among its duties and responsibilities, the Committee shall:

### Financial Statement and Disclosure Matters

1. Meet to review and discuss with management and the External Auditors: (a) the quality and integrity of the annual financial statements and the quarterly financial statements; (b) any reports of the External Auditors with respect to interim periods; and (c) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its quarterly Form 10-Q and annual Form 10-K filings with the SEC, including any significant unusual disclosures.
2. Discuss with the External Auditors the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication With Those Charged With Governance), as amended, including any significant events, transactions or changes in accounting principles or estimates that potentially affect the quality of financial reporting, audit problems or difficulties and management's response, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
3. Recommend to the Board whether the Company's audited financial statements should be included in the Company's Annual Report on Form 10-K.
4. Review and discuss reports from management and the External Auditors regarding the adequacy and effectiveness of the Company's internal controls over financial reporting, including any significant deficiencies or material weaknesses in internal controls and significant changes in internal controls or incidents of fraud that involve Company management or other employees who have a significant role in the Company's internal controls.
5. Receive and discuss reports from management regarding the adequacy and effectiveness of the Company's disclosure controls and procedures.
6. Receive and discuss all communications prepared for the Committee by the External Auditors that are required by the rules of the SEC or of the Public Company Accounting Oversight Board ("PCAOB") and applicable professional standards. Obtain the External Auditors' summary of aggregated deficiencies regarding internal controls over financial reporting.
7. Discuss with management the Company's earnings and other financial related press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
8. Oversee management's enterprise risk assessment process and periodically discuss and review with management the Company's major risk exposures and the steps management has taken to monitor and control such exposures.

9. Review and discuss on a quarterly basis the key estimates and assumptions used by management in preparing the financial statements and related reports, including, among other things, reviewing periodically the Company's contingent liability reserves, allowance for doubtful accounts and other applicable provisions of the Company's financial statements.
10. Review management's presentation of financial statements and related materials and evaluate whether the Board receives an objective and adequate flow of information as to matters that lie within the scope of the Committee's responsibilities.
11. Provide an open avenue of communication between the External Auditors and internal auditors and the Board.
12. Review and discuss with management the Company's annual proxy statement filings with the SEC.
13. Prepare the report of the Committee required by the SEC rules to be included in the Company's annual proxy statement.

#### Oversight of the Company's Relationship with the External Auditors

14. Be directly responsible for the appointment, compensation, retention and oversight of the work of the External Auditors (including resolution of disagreements between management and the External Auditors regarding financial reporting). In this regard, the Committee shall appoint and retain, compensate, evaluate and terminate, when appropriate, the External Auditors, who shall report directly to the Committee.
15. Subject to the de minimis exception for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, pre-approve (except as delegated to the Committee Chairman to the extent allowed by law) all audit and non-audit services to be performed by the External Auditors, including approving the itemized fees for both the annual audit and non-audit services and confirmations from the External Auditors that any such non-audit services are permitted by law, with a focus on identifying any matters that might affect the scope of the audit or the independence of the External Auditors. When any such power is delegated to the Committee Chairman, he or she must disclose all determinations to the full Committee at the next scheduled meeting of the Committee.
16. Obtain and review a report by the External Auditors at least annually describing: (a) the firm's system of internal quality-control procedures; (b) the results of the most recent internal quality-control review, or peer review, of the firm, and of an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more external audits carried out by the firm, including any reports on inspections of the firm conducted by the PCAOB; and (c) (to assess the auditor's independence) all relationships between the

External Auditors and the Company and any other relationships that could impact independence.

17. Consider, at least annually, the External Auditors' qualifications, performance and independence.
18. Set clear policies regarding the Company's hiring of employees or former employees of the External Auditors.

#### Oversight of the Company's Internal Audit Function

19. Review and pre-approve the Company's annual internal audit budget and plan, including the scope, timing and staffing for the internal audit plan.
20. Review how the Company's internal audit function coordinates with the External Auditors and make inquiries of the Company's internal auditors as to any significant accounting exposures and management's responses thereto. As desired, review any matters with the Company's internal auditors that are also reviewed separately with either the External Auditors or management under this charter.
21. Meet with the Company's internal auditors to:
  - (a) review the performance of, and all the reports prepared for the Committee by, the Company's internal auditors, including reports regarding significant findings by the Company's internal audit staff and the response of management to the findings;
  - (b) review any significant substantiated allegations of unethical behavior or fraudulent activities by Company employees related to any business practices, actions or inactions, including, without limitation, internal controls, financial accounting or reporting matters; and
  - (c) assess whether the scope of the Company's internal audit program has been substantially completed, including whether problems were encountered and, if so, management's response.

#### Compliance Oversight Responsibility

22. Oversee the Company's compliance program with respect to legal and regulatory requirements regarding accounting or financial matters.
23. Establish procedures for: (a) the receipt, retention, treatment and resolution of allegations or complaints received by the Company from its employees or third parties regarding any Company business practices, actions or inactions, including, without limitation, accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by Company employees of

concerns regarding any Company business practices, actions or inactions, including accounting, internal accounting controls or auditing matters.

24. Review the formulation of appropriate standards and policies and review the procedure for compliance with antitrust laws, business conduct policies and the Foreign Corrupt Practices Act. Review periodic reports received from the General Counsel or the Company's internal auditors regarding compliance with the same.
25. Provide oversight and conduct a periodic review of the design, implementation and status of the Antifraud Program. This includes the results of fraud risk assessments, internal control issues identified to be addressed as a result of the Antifraud Program activities and quarterly reports concerning the disposition of allegations, related to auditing, accounting and internal controls matters, received, processed and investigated through the Ethics Hotline and other channels.
26. Review and reassess the adequacy of this charter at least annually.
27. Conduct an annual performance review of the Committee.

## **MEETINGS**

The Committee shall meet at least eight times per year, either in person or telephonically, at such times and places as the Committee shall determine. The Committee shall meet separately in executive session, periodically, with each of management, the principal internal auditor of the Company, and the External Auditors. The Committee shall report regularly to the full Board with respect to its activities, but not less frequently than quarterly. A majority of the Committee members shall constitute a quorum.