

## **XYRATEX LTD**

### **AUDIT COMMITTEE CHARTER**

This Audit Committee Charter was adopted by the Board of Directors (the “**Board**”) of Xyratex Ltd (the “**Company**”) on 30 November 2009.

#### **I. Purpose**

The purpose of the Audit Committee (the “**Committee**”) is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company’s Bye-laws. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

Notwithstanding the foregoing, the Committee’s responsibilities are limited to oversight. Management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements as well as the Company’s financial reporting process, accounting policies, internal accounting controls and disclosure controls and procedures. The independent auditor is responsible for performing an audit of the Company’s annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles and reviewing the Company’s financial statements. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Company’s quarterly financial statements and disclosure are complete and accurate and in accordance with generally accepted accounting principles and applicable laws, rules and regulations. Each member of the Committee shall be entitled to rely on the integrity of those persons within the Company and of the professionals and experts (including the Company’s independent auditor) from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.

Further, auditing literature, particularly Statement of Accounting Standards No. 71, defines the term “review” to include a particular set of required procedures to be

undertaken by independent auditors. The members of the Committee are not independent auditors, and the term “review” as used in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

## **II. Membership**

The Committee shall consist of at least three members of the Board; provided, that if at any time there is a vacancy on the Committee and the remaining members meet all membership requirements, then the Committee may consist of two members until the earlier of the Company’s next annual shareholders meeting or one year from the occurrence of the vacancy; provided, however, that if the annual shareholders meeting occurs no later than 180 days following the event that caused the vacancy, then the Company shall have 180 days to fill such vacancy. Each Committee member must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. Members of the Committee are not required to be engaged in the accounting and auditing profession and, consequently, some members may not be expert in financial matters, or in matters involving auditing or accounting. However, at least one member of the Committee shall 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. In addition, either at least one member of the Committee shall be an “audit committee financial expert” within the definition adopted by the U.S. Securities and Exchange Commission (the “SEC”) or the Company shall disclose in its periodic reports required pursuant to the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) the reasons why at least one member of the Committee is not an “audit committee financial expert.” The SEC’s definition of “audit committee financial expert” is set forth in Annex B to this Charter. Each Committee member shall satisfy the independence requirements of the NASDAQ Stock Market and Rule 10A-3(b)(1) under the Exchange Act; provided, that if a member of the Committee ceases to be independent for reasons outside the member’s reasonable control, then the member may remain on the Committee until the earlier of the Company’s next annual shareholders meeting or one year from the occurrence of the event that caused the member to cease to be independent. The criteria for director independence are set forth in Annex A to this Charter.

The members of the Committee, including the Chair of the Committee, shall be appointed by the Board on the recommendation of the Nominations Committee. Committee members may be removed from the Committee, with or without cause, by the Board.

## **III. Meetings and Procedures**

The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings.

The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's Bye-laws that are applicable to the Committee.

The Committee shall meet at least once during each fiscal quarter and more frequently as the Committee deems desirable. The Committee shall meet separately, periodically, with management and with the independent auditor.

All non-management directors that are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee may, at its discretion, include in its meetings members of the Company's management, representatives of the independent auditor, and any other financial personnel employed or retained by the Company or any other persons whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate, including, but not limited to, any non-management director that is not a member of the Committee.

The Committee may retain any independent counsel, experts or advisors (accounting, financial or otherwise) that the Committee believes to be necessary or appropriate. The Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attest services, for payment of compensation to any advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may conduct or authorize investigations into any matters within the scope of the powers and responsibilities delegated to the Committee.

#### **IV. Powers and Responsibilities**

##### *Interaction with the Independent Auditor*

1. *Appointment and Oversight.* The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor (including resolution of any disagreements between Company management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and the independent auditor shall report directly to the Committee.

2. *Pre-Approval of Services.* The Committee shall conduct the pre-approval of audit or non-audit services in accordance with the Audit and Non-Audit Services Pre-Approval Policy attached as Annex C to this Charter.

3. *Independence of Independent Auditor.* The Committee shall, at least annually, review the independence and quality control procedures of the independent auditor and the experience and qualifications of the independent auditor's senior personnel that are providing audit services to the Company. In conducting its review:

(i) The Committee shall ensure that the independent auditor prepare and deliver, at least annually, a written statement delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard No. 1. The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that, in the view of the Committee, may impact the objectivity and independence of the independent auditor. If the Committee determines that further inquiry is advisable, the Committee shall take appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence.

(ii) The Committee shall confirm with the independent auditor that the independent auditor is in compliance with the partner rotation requirements established by the SEC.

*Annual Financial Statements and Annual Audit*

4. *Meetings with Management and the Independent Auditor*

(i) The Committee shall meet with management, and the independent auditor in connection with each annual audit to discuss the scope of the audit, the procedures to be followed and the staffing of the audit.

(ii) The Committee shall review and discuss with management and the independent auditor any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities of which the Committee is made aware that do not appear on the financial statements of the Company and that may have a material current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses.

(iii) The Committee shall review and discuss the annual audited financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

5. *Separate Meetings with the Independent Auditor.*

(i) The Committee shall review with the independent auditor any problems or difficulties the independent auditor may have encountered during the course of the audit work, including any restrictions on the scope of activities or access to required information or any significant disagreements with management and management's responses to such matters. Among the items that the Committee should consider reviewing with the Independent Auditor are: (a) any accounting adjustments

that were noted or proposed by the auditor but were “passed” (as immaterial or otherwise); (b) any communications between the audit team and the independent auditor’s national office respecting auditing or accounting issues presented by the engagement; and (c) any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditor to the Company. The Committee shall obtain from the independent auditor assurances that Section 10A(b) of the Exchange Act has not been implicated.

(ii) The Committee shall discuss with the independent auditor the report that such auditor is required to make to the Committee regarding: (a) all accounting policies and practices to be used that the independent auditor identifies as critical; (b) all alternative treatments within GAAP for policies and practices related to material items that have been discussed among management and the independent auditor, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (c) all other material written communications between the independent auditor and management of the Company, such as any management letter, management representation letter, reports on observations and recommendations on internal controls, independent auditor’s engagement letter, independent auditor’s independence letter, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any.

(iii) The Committee shall discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as then in effect, including, among others: (a) the methods used to account for significant unusual transactions; (b) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; (c) the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor’s conclusions regarding the reasonableness of those estimates; and (d) any disagreements with management over the application of accounting principles, the basis for management’s accounting estimates, and the disclosures in the financial statements

6. *Recommendation to Include Financial Statements in Annual Report.* The Committee shall, based on the review and discussions in paragraphs 4(iii) and 5(iii) above, and based on the disclosures received from the independent auditor regarding its independence and discussions with the auditor regarding such independence pursuant to subparagraph 3(ii) above, determine whether to recommend to the Board that the audited financial statements be included in the Company’s Annual Report on Form 20-F for the fiscal year subject to the audit.

#### *Internal Controls*

7. The Committee shall discuss any disclosures made to the Committee by the Company’s Chief Executive Officer or Chief Financial Officer during their certification process in respect of the Company’s Annual Report on Form 20-F regarding: (a) any significant deficiencies in the design or operation of internal controls which could adversely affect the Company’s ability to record, process, summarize and report financial

data and any material weaknesses in internal controls identified to the independent auditor; and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

8. The Committee shall read management's report (to be included in the Company's Annual Report on Form 20-F) assessing the effectiveness of the internal control structure and procedures of the Company for financial reporting and shall discuss with the independent auditor such auditor's attestation to and report on management's report.

*Other Powers and Responsibilities*

9. The Committee shall review all related party transactions on an ongoing basis and all such transactions must be approved by the Committee.

10. The Committee shall discuss with management and the independent auditor any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Company's financial statements, financial reporting process or accounting policies.

11. The Committee shall discuss with the Company's General Counsel or outside counsel any legal matters brought to the Committee's attention that could reasonably be expected to have a material impact on the Company's financial statements.

12. The Committee shall request assurances from management and the independent auditor that the Company's subsidiaries and affiliated entities, if any, are in conformity with applicable legal requirements, including disclosure of affiliated party transactions.

13. The Committee shall discuss with management the Company's policies with respect to risk assessment and risk management. The Committee shall discuss with management the Company's significant financial risk exposures and the actions management has taken to limit, monitor or control such exposures.

14. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential and anonymous submission by employees regarding questionable accounting or auditing matters.

15. The Committee, through its Chair, shall report regularly to, and review with, the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor, or any other matter the Committee determines is necessary or advisable to report to the Board.

16. The Committee shall, at least annually, consider and discuss with management and the independent auditor the Company's Code of Ethics and the procedures in place to enforce the Code of Ethics. The Committee shall also consider and discuss and, as appropriate, grant requested waivers from the Code of Ethics brought to the attention of the Committee, though the Committee may defer any decision with respect to any waiver to the Board.

17. If reported to the Committee by any attorney employed by or performing legal services for the Company, the Committee shall consider any evidence of a material violation of securities law or breach of fiduciary duty or similar violation by the Company or any agent of the Company.

18. The Committee shall at least annually perform an evaluation of the performance of the Committee and its members, including a review of the Committee's compliance with this Charter.

19. The Committee shall at least annually review and reassess this Charter and submit any recommended changes to the Board for its consideration.

**Audit Committee Independence Requirements**  
**(as in effect on 30 November 2009)**

Set forth below are the criteria for “independence” under the rules of the NASDAQ Stock Market, Inc (the “**NASDAQ Rules**”) and the U.S. Sarbanes-Oxley Act of 2002 (“**Sarbanes-Oxley**”). It is important to note that “independence” is more tightly defined for audit committee members than for other members of the board of directors. Audit committee members must satisfy the independence standards applicable to the board of directors, but in addition, may not receive any other compensation from the Company (other than their compensation for board and committee service) or be an affiliated person of the Company or any subsidiary. In addition, there are limited exemptions to the independence requirements of the NASDAQ Rules and Sarbanes-Oxley. We recommend the Company contact its U.S. legal counsel should circumstances require the need to take advantage of an exemption.

**A. NASDAQ Rules**

Under the NASDAQ Rules, “independent director” means a person other than an executive officer or employee of the Company<sup>1</sup> or any other individual having a relationship, which, in the opinion of the Company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. A director cannot be independent:

1. unless at least three years have passed since:
  - a. the director was employed by the Company (or any Family Member<sup>2</sup> of the director was employed by the Company as an executive officer);
  - b. the director (or any Family Member of the director) was a partner or employee of the Company’s outside auditor who worked on the Company’s audit, or is a current partner of the Company’s outside auditor; or
  - c. the director (or any Family Member of the director) was employed as an executive officer of another company whose compensation committee includes an officer of the Company;
  - d. the director participated in the preparation of the financial statements of the Company;
2. if the director (or any Family Member of the director) accepted payments from the Company or any parent or subsidiary of the Company in excess of \$120,000 during any

period of 12 consecutive months within the three years preceding the determination of independence<sup>3</sup>; and

3. if the director (or a Family Member of the director) is a partner in, controlling shareholder or executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed five percent of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more.<sup>4</sup>

## **B. Sarbanes-Oxley**

Under Sarbanes-Oxley, in order to be considered to be “independent”, a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board, or any other Board committee:

1. accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof, provided that, unless the NASDAQ Rules or the national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior services with the Company (provided that such compensation is not contingent in any way on continued service); or
2. be an affiliated person<sup>5</sup> of the Company or any subsidiary thereof.

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<sup>1</sup> References to the “Company” include any parent or subsidiary of the Company. The term “parent or subsidiary” is intended to cover entities Xyratex Ltd controls and consolidates with its financial statements as filed with the U.S. SEC (but not if the Company reflects such entity solely as an investment in its financial statements).

<sup>2</sup> “Family Member” is defined to include a person’s spouse, parents, children, siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.

<sup>3</sup> The following are not considered prohibited payments for purposes of the rule: (i) compensation for board or board committee service; (ii) compensation paid to a Family Member who is a non-executive employee of the Company; or (iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation.

<sup>4</sup> The following are not considered prohibited payments for purposes of the rule: (i) payments arising solely from investments in the company’s securities; or (ii) payments under non-discretionary charitable contribution matching programs.

<sup>5</sup> The definition of “affiliated person” includes a person that, directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the specified person. Moreover, all of the following will be deemed to be affiliates: An executive officer of an affiliate, a director who also is an employee of an affiliate, a general partner of an affiliate, or a managing member of an affiliate.

**Audit Committee Financial Expert Requirements****(as in effect on 30 November 2009)**

Set forth below is the definition of “audit committee financial expert” under the U.S. Sarbanes-Oxley Act of 2002 (“**Sarbanes-Oxley**”). A director who qualifies as an audit committee financial expert under the Sarbanes-Oxley requirements is presumed to qualify as a financially sophisticated audit committee member under rules of the NASDAQ Stock Market, Inc (the “**NASDAQ Rules**”), also summarized below.

**A. Sarbanes-Oxley**

Sarbanes-Oxley requires that one member of the Audit Committee be an “audit committee financial expert” or, where this is not the case, the Company disclose that fact in its Annual Report on Form 20-F together with an explanation of why that no member of the Audit Committee is a financial expert. Under Sarbanes-Oxley, an “audit committee financial expert” is defined to mean a person who has:

- (i) an understanding of GAAP and financial statements;
- (ii) the ability to assess the general application of GAAP in connection with the accounting for estimates, accruals and reserves;
- (iii) experience preparing, auditing, analyzing or evaluating financial statements similar to those of the Company, or experience actively supervising others engaged in these activities;
- (iv) an understanding of internal controls and procedures over financial reporting; and
- (v) an understanding of audit committee functions.

In addition, the audit committee financial expert is required to have acquired such attributes through:

- (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in similar positions;
- (ii) experience actively supervising these functions;
- (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- (iv) other relevant experience.

It is important to note that Sarbanes-Oxley provides a safe harbor for the audit committee financial expert, pursuant to which:

- (i) a person who is determined to be an audit committee financial expert will not be deemed an “expert” for any purpose, including without limitation the liability provisions of the U.S. federal securities laws;
- (ii) the designation or identification of a person as an audit committee financial expert does not impose on such person any greater duties, obligations or liabilities than on other members of the audit committee and board of directors; and
- (iii) the designation or identification of a person as an audit committee financial expert does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

## **B. NASDAQ Rules**

The NASDAQ Rules require that at least one member of the Audit Committee be “financially sophisticated”, which is defined to mean a person who has 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.

## XYRATEX LTD

**Audit and Non-Audit Services Pre-Approval Policy****I. STATEMENT OF PRINCIPLES**

Under the Sarbanes-Oxley Act of 2002 (the “**Act**”), the Audit Committee of the Board of Directors is responsible for the appointment, compensation and oversight of the work of the independent auditor. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor’s independence from the Company. To implement these provisions of the Act, the U.S. Securities and Exchange Commission (the “**SEC**”) has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the audit committee’s administration of the engagement of the independent auditor. Accordingly, the Audit Committee has adopted, and the Board of Directors has ratified, the Audit and Non-Audit Services Pre-Approval Policy (the “**Policy**”), which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditor may be pre-approved.

The SEC’s rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services either: may be pre-approved without consideration of specific case-by-case services by the Audit Committee (“*general preapproval*”); or require the specific pre-approval of the Audit Committee (“*specific pre-approval*”). The Audit Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the independent auditor. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor. Any proposed service exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

For both types of pre-approval, the Audit Committee will consider whether such services are consistent with the SEC’s rules on auditor independence. The Audit Committee will also consider whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Company’s business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Company’s ability to manage or control risk or improve audit quality. All such factors will be considered as a whole, and no one factor should necessarily be determinative.

The Audit Committee is also mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services and may determine, for each fiscal year, the appropriate ratio between the total amount of fees for

Audit, Audit-related and Tax services and the total amount of fees for certain permissible non-audit services classified as All Other services.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditor without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add or subtract to the list of general pre-approved services from time to time, based on subsequent determinations.

The purpose of this Policy is to set forth the procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the independent auditor to management.

The independent auditor has reviewed this Policy and believes that implementation of the policy will not adversely affect the auditor's independence.

## **II. DELEGATION**

As provided in the Act and the SEC's rules, the Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

## **III. AUDIT SERVICES**

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit (including required quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. Audit services also include the attestation engagement for the independent auditor's report on management's report on internal controls for financial reporting. The Audit Committee will monitor the Audit services engagement as necessary, but no less than on a quarterly basis, and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval to other Audit services, which are those services that only the independent auditor reasonably can provide. Other Audit services may include statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with SEC registration statements, periodic

reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Audit Committee has pre-approved the Audit services in Appendix A. All other Audit services not listed in Appendix A must be specifically pre-approved by the Audit Committee.

#### **IV. AUDIT-RELATED SERVICES**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent auditor. Because the Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to Audit-related services. Audit-related services include, among others, due diligence services pertaining to potential business acquisitions/dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements.

The Audit Committee has pre-approved the Audit-related services in Appendix B. All other Audit-related services not listed in Appendix B must be specifically pre-approved by the Audit Committee.

#### **V. TAX SERVICES**

The Audit Committee believes that the independent auditor can provide Tax services to the Company such as tax compliance, tax planning and tax advice without impairing the auditor's independence, and the SEC has stated that the independent auditor may provide such services. Hence, the Audit Committee believes it may grant general pre-approval to those Tax services that have historically been provided by the auditor, that the Audit Committee has reviewed and believes would not impair the independence of the auditor, and that are consistent with the SEC's rules on auditor independence. The Audit Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Audit Committee will consult with the Chief Financial Officer or outside counsel to determine that the tax planning and reporting positions are consistent with this policy.

Pursuant to the preceding paragraph, the Audit Committee has pre-approved the Tax services in Appendix C. All Tax services involving large and complex transactions not listed in Appendix C must be specifically pre-approved by the Audit Committee,

including: tax services proposed to be provided by the independent auditor to any executive officer or director of the Company, in his or her individual capacity, where such services are paid for by the Company.

## **VI. ALL OTHER SERVICES**

The Audit Committee believes, based on the SEC's rules prohibiting the independent auditor from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general preapproval to those permissible non-audit services classified as All Other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

The Audit Committee has pre-approved the All Other services in Appendix D. Permissible All Other services not listed in Appendix D must be specifically pre-approved by the Audit Committee.

A list of the SEC's prohibited non-audit services is attached to this policy as Exhibit 1. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

## **VII. PRE-APPROVAL FEE LEVELS OR BUDGETED AMOUNTS**

Pre-approval fee levels or budgeted amounts for all services to be provided by the independent auditor will be established annually by the Audit Committee. Any proposed services exceeding these levels or amounts will require specific pre-approval by the Audit Committee. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services. For each fiscal year, the Audit Committee may determine the appropriate ratio between the total amount of fees for Audit, Audit-related and Tax services, and the total amount of fees for services classified as All Other services.

## **VIII. PROCEDURES**

All requests or applications for services to be provided by the independent auditor that do not require specific approval by the Audit Committee will be submitted to a member of the Audit Committee that has been delegated this responsibility and must include a detailed description of the services to be rendered. The designated Audit Committee member will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the independent auditor.

Requests or applications to provide services that require specific approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditor and the designated Audit Committee member, and must include a joint statement

as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

The Audit Committee has designated the Chief Financial Officer (the "**Responsible Person**") to monitor the performance of all services provided by the independent auditor and to determine whether such services are in compliance with this policy. The Responsible Person will report to the Audit Committee on a periodic basis on the results of its monitoring. Both the Responsible Person and management will immediately report to the chairman of the Audit Committee any breach of this policy that comes to the attention of the Responsible Person or any member of management.

## **IX. ADDITIONAL REQUIREMENTS**

The Audit Committee has determined to take additional measures on an annual basis to meet its responsibility to oversee the work of the independent auditor and to assure the auditor's independence from the Company, such as reviewing a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard No. 1, and discussing with the independent auditor its methods and procedures for ensuring independence.

**Pre-Approved Audit Services for Fiscal Year 200X<sup>4</sup>**

Dated: [     ], 200X

Service	Range of Fees
{ Statutory audits or financial audits for subsidiaries or affiliates of the Company }	
{ Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to SEC comment letters }	
{ Attestation of management reports on internal controls }	
{ Consultations by the company’s management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies (Note: Under SEC rules, some consultations may be “audit-related” services rather than “audit” services) }	

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<sup>4</sup> The services listed in this appendix are for illustrative purposes.

**Appendix B to Annex C**

**Pre-Approved Audit-Related Services for Fiscal Year 200X<sup>5</sup>**

Dated: [        ], 200X

Service	Range of Fees
{ Due diligence services pertaining to potential business acquisitions/dispositions }	
{ Financial statement audits of employee benefit plans }	
{ Agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters }	
{ Internal control reviews and assistance with internal control reporting requirements }	
{ Consultations by the company’s management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standard or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies (Note: Under SEC rules, some consultations may be “audit” services rather than “audit-related” services) }	
{ Attest services not required by statute or regulation }	
{ Information systems reviews not performed in connection with the audit (eg. application, data center and technical reviews) }	
{ Statutory, subsidiary or equity investee audits incremental to the audit of the consolidated financial statements }	
{ Closing balance sheet audits pertaining to dispositions }	
{ Review of the effectiveness of the internal controls }	
{ General assistance with implementation of the requirements of SEC rules or listing standards promulgated pursuant to the Sarbanes-Oxley Act }	

<sup>5</sup> The services listed in this appendix are for illustrative purposes and may not be applicable to Xyratex.

**Appendix C to Annex C**

**Pre-Approved Tax Services for Fiscal Year 200X<sup>6</sup>**

Dated: [        ], 200X

Service	Range of Fees
{U.S. federal, state and local tax planning and advice }	
{U.S. federal, state and local tax compliance }	
{International tax planning and advice }	
{International tax compliance }	
{Review of federal, state, local and international income, franchise, and other tax returns }	
{Domestic and foreign tax planning, compliance, and advice }	
{Assistance with tax audits and appeals before the IRS and similar state, local and foreign agencies }	
{Tax only valuation services, including transfer pricing and cost segregation studies }	
{Tax advice and assistance regarding statutory, regulatory or administrative developments }	
{Expatriate tax assistance and compliance }	

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<sup>6</sup> The services listed in this appendix are for illustrative purposes and may not be applicable to Xyratex.

**Appendix D to Annex C**

**Pre-Approved All Other Services for Fiscal Year 200X<sup>7</sup>**

Dated: [        ], 200X

Service	Range of Fees
{ Risk management advisory services, e.g. assessment and testing of security infrastructure controls }	
{ Treasury advisory services, e.g. review of check-clearing and float-management practices and recommendations regarding potential areas of improvement }	

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<sup>7</sup> The services listed in this appendix are for illustrative purposes and may not be applicable to Xyratex.

**Prohibited Non-Audit Services**

- Bookkeeping or other services related to the accounting records or financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit

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<sup>1</sup> References to the “Company” include any parent or subsidiary of the Company. The term “parent or subsidiary” is intended to cover entities Xyratex Ltd controls and consolidates with its financial statements as filed with the U.S. SEC (but not if the Company reflects such entity solely as an investment in its financial statements).

<sup>2</sup> “Family Member” is defined to include a person’s spouse, parents, children, siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.