

Novanta Inc.
Audit Committee Charter

This Audit Committee Charter (“Charter”) was adopted by the Board of Directors (the “Board”) of Novanta Inc. and its domestic and foreign subsidiaries (collectively, the “Company”) on May 15, 2013.

I. Composition.

The Board of the Company will appoint from among its members an Audit Committee (the “Committee”) and will designate one such member to serve as the Chair of the Committee. The Committee shall consist of no fewer than three (3) members of the Board, each of whom shall satisfy the independence requirements of the Nasdaq Stock Market, and the more rigorous independence rules for members of the Audit Committee issued by the Securities and Exchange Commission (the “SEC”), subject to any applicable exemptions. All Committee members shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement, and at least one member shall be designated as an “audit committee financial expert,” as defined by SEC regulations. Members of the Committee shall be appointed for one (1) year terms and are subject to removal by the Board, with or without cause, at any time.

II. Purpose.

The primary purpose of the Audit Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.

While the Audit Committee recognizes the importance of its role, it is not the responsibility of the Audit Committee to plan or conduct audits, to determine that the Company’s financial statements are in all material respects complete, accurate, and prepared in accordance with generally accepted accounting principles (“GAAP”), or to certify the Company’s financial statements. These are the responsibilities of management and the independent auditor. It is also not the responsibility of the Audit Committee to guarantee the independent auditor’s report. The Audit Committee shall assist the Board of Directors in overseeing management’s fulfillment of its responsibilities in the financial reporting process of the Company. The Audit Committee also shall be directly responsible for the oversight of the independent auditor’s fulfillment of its responsibilities in the financial reporting process of the Company.

III. Meetings and Procedures.

The Chair (or in the Chair’s absence, a member of the Committee designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone), action without meetings, notice, waiver of notice, quorum and voting requirements as are applicable to the Board. The Committee shall also 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 provision of this Charter, the Company’s bylaws, the rules of the Nasdaq Stock Market, or applicable law.

The Committee shall meet at least once each fiscal quarter and more frequently as the Committee deems necessary or desirable. The Committee shall meet separately, periodically, with management, with the internal auditor, if any, and with the independent auditor. The Chair shall report to the Board following meetings of the Committee and as otherwise requested by the Chairman of the Board.

The Committee may, at its discretion, include in its meetings other members of the Board, members of the Company's management, representatives of the independent auditor, the internal auditor, any other financial personnel employed or retained by the Company, or any other person whose presence the Committee believes to be desirable and appropriate. Notwithstanding the foregoing, the Committee may exclude from its meetings any person it deems appropriate.

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 use 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 payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

In discharging its oversight role, the Committee is empowered to conduct or authorize investigations into any financial or accounting matter with full access to all books, records, facilities, and personnel of the Company, and the authority and funding to engage independent counsel, outside auditors and other advisers as it determines necessary to carry out its duties.

It is the Committee's responsibility to maintain free and open communication between all members of the Committee, the independent auditor, the internal auditors, and management of the Company. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

IV. Powers and Responsibilities.

Interaction with the Independent Auditor

1. The Committee shall be directly responsible for the appointment, compensation, retention, and oversight of the work of the independent auditor and any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review, or attest services for the Company. The independent auditor and each such other registered public accounting firm shall report directly to the Committee.

2. Before the independent auditor is engaged by the Company or its subsidiaries to render audit or non-audit services, the Committee shall pre-approve the engagement. Committee pre-approval of audit and non-audit services will not be required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by the Committee regarding the Company's engagement of the independent auditor, provided the policies and procedures are detailed as to the particular service, the Committee is informed of each service provided and such policies and procedures do not include delegation of the Committee's responsibilities under the Securities Exchange Act of 1934, as amended, to the Company's management. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting.
3. At least annually, the Committee shall review the independence and quality control procedures of the independent auditor. In conducting its review:
 - (a) The Committee shall obtain and review a report prepared by the independent auditor describing (i) the auditing firm's internal financial quality control procedures and (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
 - (b) 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 (to assess the auditor's independence). 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.
 - (c) 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. The Committee shall discuss with management, the internal auditors and the independent auditor the overall scope and plans for the annual audit, including the adequacy of staffing and compensation and the procedures to be followed.

5. The Committee shall discuss with management, the internal auditors, and the independent auditor the adequacy and effectiveness of the accounting and financial controls, and any material off-balance sheet transactions, arrangements, 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.
6. The Committee shall discuss with the independent auditor the report that such auditor is required to make to the Committee regarding: (i) all accounting policies and practices to be used that the independent auditor identifies as critical; (ii) all alternative treatments within GAAP for policies and practices related to material items that have been discussed among management and the independent auditor, and the treatment preferred by the independent auditor; and (iii) all other material written communications between the independent auditor and management of the Company.
7. 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.
8. The Committee shall review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year.
9. The Committee shall review and discuss with management and the independent auditor the annual audited financial statements.
10. The Committee shall discuss with the independent auditors the matters required to be discussed by Auditing Standard No. 16, as then in effect.
11. The Committee shall, based on the review and discussions in paragraphs 9 and 10 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(b) above, determine whether to recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year subject to the audit.

Quarterly Financial Statements

12. The Committee shall review and discuss with management and the independent auditor the interim financial statements. Also, the Committee shall review the results of each quarterly financial report and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.

Other Powers and Responsibilities

13. 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, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
14. The Committee shall provide the Company with the report of the Committee with respect to the audited financial statements required by Item 407 of Regulation S-K, for inclusion in the Company's annual proxy statement.
15. The Committee shall review all related party transactions required to be disclosed pursuant to Item 404 of Regulation S-K on an ongoing basis and all such transactions must be approved by the Committee.
16. 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.
17. The Committee shall, at least annually, review and, if needed, recommend to the Board for approval any proposed amendments to the Company's 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.
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 review and assess the adequacy of this Charter at least annually and recommend any proposed changes to the Board.

V. Other Provisions.

1. The Committee may designate a non-member to serve as secretary at committee meetings to keep meeting minutes.
2. A current version of this Charter will be included on the Company's website.