

PENTAIR, INC.
AUDIT AND FINANCE COMMITTEE CHARTER

The Audit and Finance Committee is responsible for:

(a) assisting the Board of Directors with oversight of the accounting and financial reporting processes of the Company and audits of the financial statements of the Company, including

- (i) the integrity of the Company's financial statements,
- (ii) the Company's compliance with legal and regulatory requirements,
- (iii) the independence and qualifications of the Company's external auditor; and
- (iv) the performance of the Company's internal audit function and of the external auditor;

and

(b) preparing the report that Securities and Exchange Commission ("SEC") rules require be included in the Company's annual proxy statement.

The Committee at least quarterly shall meet separately as a committee with the Company's senior financial management, with the Company's senior internal audit staff, and with the external auditor. In addition, the Committee shall meet separately or with management, other personnel, and its advisors as frequently as it shall determine necessary or appropriate in its reasonable judgment to perform its duties hereunder. It shall meet periodically with the Company's General Counsel to review legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or government agencies.

The Committee shall generally be referred to as the Audit Committee.

1. Committee Composition. The Audit Committee shall consist of at least three directors, all of whom shall be Independent, as defined below, and financially literate. All members of the Committee shall be directors of the Company. In addition, at least one member of the Committee shall be an Audit Committee Financial Expert, as determined by the Board of Directors. The members of the Audit Committee, and its Chairperson, will be appointed by the Board of Directors on the recommendation of the Governance Committee. Any member of the Audit Committee may be removed by a majority vote of the Board of Directors. If an Audit Committee member simultaneously serves on the audit committee of more than two other public companies, the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee and disclose such determination in the Company's annual proxy statement.

Each Committee member will submit an annual statement to the Board of Directors confirming compliance with these independence requirements.

Qualifications

“Audit Committee Financial Expert” shall mean a person who has, through

- (i) education and experience as a public accountant, auditor, principal financial officer, controller, or principal accounting officer or experience in one or more positions that involve the performance of similar functions,
- (ii) experience actively supervising a public accountant, auditor, principal financial officer, controller, or principal accounting officer or other person performing similar 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,

the following attributes:

- (a) an understanding of generally accepted accounting principles (“GAAP”) and financial statements;
- (b) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities;
- (d) an understanding of internal controls and procedures for financial reporting; and
- (e) an understanding of audit committee functions.

For a director to qualify as “Independent” for the purposes of this Charter, the director must satisfy the definition of Independent as set forth in the Company’s Corporate Governance Principles. In addition:

- (a) The director may not, other than in his or her capacity as member of the Board of Directors or any committee thereof, accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any affiliate (as defined and interpreted pursuant to SEC rules).
- (b) Other than in his or her capacity as a member of the Board of Directors or any committee thereof, the director may not be an affiliated person of the Company or any of its subsidiaries (as defined and interpreted pursuant to SEC rules).

2. Hiring and Independence of External Auditors. The Audit Committee is directly responsible for the appointment, compensation, evaluation, terms of engagement (including retention and termination) and oversight of the independent registered public accounting firm chosen to serve as external auditor of the Company for the purpose of preparing or issuing an audit report or related work, and for rendering opinions reflecting proper compliance with GAAP and various financial accounting standards. The external auditor shall report directly to the Audit Committee.

- (a) The external auditor appointed by the Committee shall, in the opinion of the Committee, be independent of the Company. An external auditor does not meet the independence requirement of this Charter if a chief executive officer, controller, chief financial officer, chief accounting officer, any person serving in an equivalent position for the Company or any person in a position to, or that does, exercise influence over the contents of the Company's financial statements or anyone who prepares them, was employed by the external auditor and participated in any capacity in the audit of the Company during the one year period preceding the date of the initiation of the audit.
- (b) The Committee shall require the external auditor to submit to the Committee, on at least an annual basis, a formal written statement delineating all relationships between the external auditor and the Company; shall actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor.
- (c) On an annual basis, the Committee shall be responsible for obtaining and reviewing a report by the external auditor describing: (i) the external auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the external auditor, 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 external auditor, and (iii) any steps taken to deal with any such issues.
- (d) In appointing an external auditor, the Committee shall require audit partner rotation at least every 5 years, after the effective date of any transition time periods under applicable SEC and other rules and regulations.
- (e) The Committee shall report periodically to the Board regarding its determinations and findings with respect to the independence and qualifications of the external auditor.
- (f) The Committee shall set clear policies for the hiring by the Company of employees or former employees of the external auditors who participated in any capacity in the audit of the Company.

3. Audit Services and Permitted Non-Audit Services; Conduct of Audit. The Audit Committee is responsible for approving all auditing services (including providing

comfort letters in connection with securities underwritings) and all Permitted Non-Audit Services, proposed to be provided by the external auditor, *prior* to the rendering of such services.

- (a) The Committee shall review and approve the external auditor's audit plan including scope, staffing and timing of work.
- (b) "Permitted Non-Audit Services" shall mean such non-audit services, including tax services, that are permitted by law and applicable rules and regulations, but *shall not include* the following services, after the effective date of any transition time periods under applicable SEC and other rules and regulations:
 - (i) bookkeeping or other services related to the accounting records or financial statements of the company;
 - (ii) financial information systems design and implementation;
 - (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - (iv) actuarial services related to financial statement amounts or disclosures;
 - (v) internal audit outsourcing services;
 - (vi) management functions or human resources;
 - (vii) broker or dealer, investment adviser, or investment banking services;
 - (viii) legal services; or
 - (ix) expert services unrelated to the audit.
- (c) The Committee may delegate authority to approve Permitted Non-Audit Services to one or more members of the Committee, provided that such approvals are disclosed to the Audit Committee at its next regularly scheduled Committee meeting, and shall cause such approved non-audit services to be disclosed in the Company's periodic reports in accordance with SEC rules.
- (d) The Committee shall receive reports from the external auditor regarding:
 - (i) all critical accounting policies and practices to be used in the audit;
 - (ii) all alternative treatments of financial information within GAAP that have been discussed with management of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor;
 - (iii) other material written communications between the external auditor and management of the Company, such as any management letter or schedule of unadjusted differences.
- (e) The Committee shall review with the external auditor any audit problems or difficulties and management's response, including any restrictions on the scope of the external auditor's activities or on access to requested information, and any significant disagreements with management, such as

- (i) any accounting adjustments that were noted or proposed by the auditor but were “passed” as immaterial or otherwise;
 - (ii) any communications between the audit team and the external auditor’s national office respecting auditing or accounting issues presented by the engagement; or
 - (iii) any management or internal control letter issued or proposed to be issued by the external auditor to the Company.
 - (f) Discuss with the external auditor such other matters as it deems relevant in its judgment or those required to be discussed by applicable laws, rules, regulations and accounting standards, including Statement on Auditing Standards No. 61, relating to the conduct of the audit.
4. Financial Statements; Accounting Practices and Policies. With regard to the Company’s financial statements and accounting practices and policies, the Committee shall:
- (a) Meet with management to review the annual audited financial statements and discuss major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Company’s financial statements.
 - (b) Review significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements.
 - (c) Review and discuss with management and the external auditor the Company’s annual audited financial statements and quarterly financial statements, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.
 - (d) Review major changes to the Company’s auditing and accounting principles and practices as suggested by the external auditor, internal auditor or management.
 - (e) Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
 - (f) Be responsible for resolution of disagreements between management of the Company and the external auditor regarding financial reporting.
5. Risk Management. The Committee shall review and discuss policies with respect to risk assessment and risk management, and advise management of any suggested additions or changes to such policies and guidelines that govern the process by which risk assessment and risk management is handled. It is the Audit Committee’s responsibility to meet periodically with management to review the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures.

6. Internal Audit Function. With regard to the Company's internal audit practices, the Committee shall:
 - (a) Perform a general oversight function assuring adequate competent staff and sufficient internal control policies to ensure the integrity of the Company's financial reporting process.
 - (b) Review the performance of the internal audit department.
 - (c) As appropriate, review significant reports to management prepared by the internal audit department and management's responses.
 - (d) Discuss with the external auditor, the appropriate responsibilities, budget and staffing of the Company's internal audit function, as well as any limitation on the internal audit that the external auditor is aware of.
7. Procedure for Reporting Accounting and Auditing Concerns. The Audit Committee is responsible for establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
8. Disclosures Regarding Controls. The Audit Committee shall review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer, or their equivalent, during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
9. Outside Advisors. The Audit Committee shall have the authority to retain additional legal, accounting or other advisers, as it deems necessary to advise the Committee. The Audit Committee shall obtain advice from such advisers as the Audit Committee deems necessary to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the outside auditor for the purpose of rendering or issuing an audit report and to any advisers employed by the Committee. The Audit Committee may request any officer or employee of the Company or the Company's or Committee's outside counsel or external auditor, or other consultants and advisors to attend a meeting of the Committee or to meet with any members of the Committee.
10. Other Duties and Responsibilities. The Audit Committee shall:
 - (a) Review and reassess at least annually the adequacy of this Charter and recommend any proposed changes to the Board for its review and approval.

- (b) Prepare the report required by the rules of SEC to be included in the Company's annual proxy statement regarding the activities of the Audit Committee and shall submit all required certifications to the appropriate exchanges.
- (c) Perform an annual performance evaluation of the Audit Committee.
- (d) Reports its activities to the Board of Directors at each Board meeting.
- (e) Perform such other duties as delegated to it from time to time by the Board of Directors.

11. Finance Oversight. In addition to its responsibilities for oversight of the Company's accounting and financial reporting process, the Audit Committee also provides oversight for the financing strategy, investment policies and financial condition of the Company. The Committee shall conduct reviews, receive reports, provide direction to management and counsel to the Board of Directors concerning matters within the scope of this responsibility.

In order to accomplish its objectives, in consultation with management and legal counsel, as the Committee deems necessary or appropriate, the Committee shall have the following specific responsibilities and authority:

- (a) Shall conduct reviews jointly with management prior to making recommendations regarding:
 - (i) Changes in company capital structure.
 - (ii) Sales or repurchases of equity and long-term debt.
 - (iii) The financing of major capital expenditure programs.
 - (iv) The financing of acquisitions, divestitures, joint ventures, partnerships or other combinations of business interests.
 - (v) Annual financial performance objectives as developed by management.
 - (vi) Dividend policy and declarations.
 - (vii) The use of any derivative related instruments, including its use to manage currency and interest exposure.
 - (viii) Foreign currency positions.
- (b) Shall review investment policies and practices as follows:
 - (i) Review investment policies relating to the Company's qualified employee plans and approve any material changes to such policies.

- (ii) Receive and review written semi-annual investment performance reports.
 - (iii) Review annually management's reports regarding the effectiveness of trustees and performance of investment managers relative to established benchmarks.
 - (iv) Report investment results to the Board of Directors annually and, as conditions may require, report on the result of any specific inquiries and analysis.
 - (v) As to the 401(k) plans, review (a) the criteria for selecting funds to be offered to participants and (b) the performance and related risks of each fund.
- (c) If appropriate and necessary to receive information not otherwise available, contact directly outside investment managers and advisors and such other persons within or outside of the company.