

## **Renishaw plc**

### **Audit Committee Terms of Reference**

(approved by the Board and adopted by the Committee effective from 5 July 2022)

#### **1. Membership**

- 1.1 The Committee shall be appointed by the Board on the recommendation of the Nomination Committee and shall comprise a chair and a minimum of 2 other members.
- 1.2 All members of the Committee shall be independent non-executive directors. At least one member of the Committee should have recent and relevant financial experience and competence in accounting or auditing (or both). The Committee as a whole should have competence relevant to the sector within which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 1.3 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- 1.4 The Board, on the recommendation of the Nomination Committee, shall appoint the chair of the Committee who shall be an independent non-executive director. In the absence of the chair of the Committee, the remaining members present shall select one of their number present to chair the meeting.
- 1.5 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, Deputy Chairman, Chief Executive, Group Finance Director, other Directors, Head of Group Finance, Group Audit Manager and representatives from the finance and legal functions may be invited by the Committee to attend all or part of any meeting as and when the Committee deems it appropriate and necessary.
- 1.6 A representative of the external auditors may attend all meetings. The Committee should have at least one meeting, or part of a meeting, with the external auditor without executive directors being present.

#### **2. Secretary**

- 2.1 The Company Secretary, or their nominee, shall act as the secretary of the Committee.

#### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be 2. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **4. Frequency of meetings**

- 4.1 The Committee shall meet not less than three times a year and at such other times as the chair of the Committee shall require.
- 4.2 Meetings shall be arranged at an appropriate time, consistent with the publication of the Company's financial statements, such that the Committee reviews financial matters before such statements are approved by the Board.
- 4.3 Meetings may be requested by the external or internal auditors if they consider one is necessary.

#### **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any member of the Committee or at the request of external or internal auditors if they consider it necessary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers shall be forwarded to each member of the Committee and any other person attending the meeting no less than 3 working days before the date of the meeting.

## 6. **Minutes of meetings**

6.1 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 The secretary should ascertain at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.

6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to the other members of the Board, unless the Committee determines that it would be inappropriate to do so, for example because a conflict of interest exists.

## 7. **Annual General Meeting**

7.1 The chair of the Committee shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities.

## 8. **Duties**

The Committee shall have oversight in relation to the matters set out below for the Group as a whole and, unless otherwise required by law or regulation, carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

### 8.1 Internal control and risk assessment

(a) The Committee shall keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks and shall consider the level of assurance it receives on risk management and internal controls and whether this is sufficient to satisfy the Board that they are operating effectively.

(b) The Committee shall review the Company's statement on internal financial control before endorsement by the Board.

### 8.2 Internal audit

(a) The Committee shall consider applications for the post of and approve the appointment to the role of Group Audit Manager. Any dismissal of the post holder should be considered by the Committee.

(b) The Committee shall consider and approve the terms of reference of the internal audit function and shall be advised of the planned programme of audits and the reason for any change or delay in the programme.

(c) The Committee shall monitor the Company's internal audit function. It shall review the management of financial matters and focus upon the freedom allowed to the internal audit function, ensuring it has the necessary resources available to it and its standing within the Company.

(d) At least annually, the Committee shall review the effectiveness of the internal audit function, including meeting with the Group Audit Manager without management present to discuss the effectiveness of the function, reviewing the annual internal audit work plan, reviewing the actions management has taken to implement the recommendations of the internal audit function and assessing the role and effectiveness of the function in the overall context of the Company's risk management system.

- (e) The Committee shall review at least twice a year a summary of the reports on the Company from the internal auditors, including the major findings of internal investigations and management's response.
- (f) The Group Audit Manager shall be independent of the executive, able to exercise independent judgement and shall have the right of direct access to the chair of the Committee.

### 8.3 External audit

- (a) The Committee shall consider and make recommendations to the Board as regards the appointment and re-appointment of the Company's external auditors. It shall approve the external auditor's terms of engagement including the fees to be paid for audit and non-audit services.
- (b) The Committee shall ensure that key partners within the appointed firm are rotated from time to time and shall approve the choice of lead audit partner.
- (c) The Committee shall discuss with the external auditors:
  - (i) the nature and scope of the audit, in particular, the annual audit plan, the factors that could affect audit quality and their approach to perceived risk areas; and
  - (ii) any problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss, including their observations on the system of internal financial control (in the absence of management where necessary).
- (d) The Committee shall meet with the external auditors at least twice each year, once after completion of the "hard close" external audit and once after completion of the "year end" external audit, and shall ensure that any auditor's management letters and management's responses (including timetable and any responsibilities assigned for remedial actions, if any) are reviewed.
- (e) The Committee shall develop and implement a policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account relevant UK professional and regulatory requirements. It shall also implement a policy on the employment of former employees of the external auditor, taking into account relevant UK professional and regulatory requirements, and monitor the applicability of this policy. The Committee shall keep these policies under review.
- (f) The Committee shall keep under review the relationship with external auditors including, but not limited to:
  - (i) the independence and objectivity of the external auditors, taking into consideration applicable law and regulation and relevant UK professional and regulatory requirements;
  - (ii) the effectiveness of the external audit process, including an assessment of audit quality and the handling of key judgements by the external auditor, taking into consideration relevant UK professional and regulatory requirements;
  - (iii) the consideration of audit fees which should be paid as well as any other fees which are payable to auditors for non-audit activities, in accordance with the requirements of legislation; and
  - (iv) discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made regarding the Company's standards of internal auditing.

- (g) The Committee shall oversee the selection process for new external auditors, including determining the timing for any audit tender process (having regard to applicable law and regulation), developing and overseeing the tender process and ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process.

#### 8.4 Financial statements

- (a) The Committee shall keep under review the consistency of accounting policies both on a year-to-year basis and across the Company/Group.
- (b) The Committee shall review and challenge where necessary the integrity of the Company's financial statements, including its annual report, its half year report and its preliminary results announcement, focussing in particular on:
  - (i) significant accounting policies and practices and any changes to them;
  - (ii) significant financial reporting issues and decisions requiring a major element of judgement;
  - (iii) whether appropriate accounting policies have been adopted and where necessary, appropriate estimates and judgements have been made taking into account the views of the external auditor on the financial statements;
  - (iv) the extent to which the financial statements are affected by any unusual transactions or any fluctuations in balances, ratios and statistics;
  - (v) the clarity and completeness of disclosures and whether such disclosures are set properly in context;
  - (vi) significant adjustments or additional disclosures resulting from the audit;
  - (vii) the going concern assumption;
  - (viii) the viability statement;
  - (ix) compliance with accounting standards; and
  - (x) compliance with the Financial Conduct Authority, Financial Reporting Council, London Stock Exchange and other legal or regulatory requirements.
- (c) The Committee shall report its views to the Board if it is not satisfied with any aspect of the proposed financial reporting by the Company.

#### 8.5 Reporting responsibilities

- (a) The Committee or its chair shall meet formally with the Board at least once a year to discuss such matters as the Annual Report and the relationship with the external auditors and to report to the Board on how it has discharged its responsibilities.
- (b) Where requested by the Board, the Committee should provide advice on whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee should also support the Board in relation to statements in the Annual Report:
  - (i) of the Company's ability to continue in operation for a specified period of time;
  - (ii) of the robust assessment undertaken of the emerging and principal risks facing the Company, and an explanation of how these are being managed or mitigated; and

- (iii) that the Board has monitored the effectiveness of the Company's risk management and internal control systems.
- (c) In the light of its other duties, the Committee shall make whatever recommendations to the Board it deems appropriate and shall compile a separate report to shareholders to be included in the Company's Annual Report which should describe the work of the Committee in discharging its responsibilities including:
  - (i) the significant issues that it considered in relation to the financial statements, and how these issues were addressed;
  - (ii) an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any retendering plans, and any contractual obligations that acted to restrict the Committee's choice of external auditors; and
  - (iii) if the auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

## 9. **Authority**

9.1 The Committee is authorised:

- (a) to seek any information it requires from any employee of the Company in order to perform its duties and employees are directed to cooperate with any requests made by the Committee;
- (b) to obtain, at the Company's expense, external legal or other professional advice on any matters within its terms of reference within an agreed budget; and
- (c) to secure the attendance of any employee or third party with relevant expertise at a Committee meeting as and when required.

## 10. **Other matters**

- 10.1 The Committee shall give due consideration to the requirements of the UK Corporate Governance Code and associated guidance, Financial Conduct Authority's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules, and the UK Market Abuse Regulation as appropriate.
- 10.2 The Committee shall be responsible for co-ordination of the internal and external auditors.
- 10.3 The Committee will review the Company's procedures for detecting fraud, corruption or other potential wrongdoing. The Committee shall review the Company's whistleblowing processes, ensuring that arrangements are in place for the workforce to raise concerns which allow for proportionate and independent investigation of such matters and appropriate follow up action. The Committee shall report to the Board on these matters.
- 10.4 The Committee shall oversee any investigation of activities that are within its terms of reference and act as an adjudicator of last resort.
- 10.5 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 10.6 The Committee shall ensure it has access to sufficient resources in order to carry out its duties, including access to the Company Secretariat as required.
- 10.7 Appropriate and timely training shall be provided to the Committee, both in the form of an induction programme for new members and on an on-going basis for all members.