

Audit Committee Terms of Reference

23 October 2023

Terms of Reference for the Audit Committee

(approved on 23rd October 2023)

Constitution

1. It is resolved that a Committee of the Board of Directors (the “**Board**”) of Spirax Group plc (the “**Company**”) be established, to be known as the Audit Committee.

Membership

2. The Audit Committee shall consist of non-executive directors of the Company identified by the Board as independent in accordance with the requirements of the UK Corporate Governance Code (the “**Code**”). At least one Audit Committee member shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies and the Audit Committee as a whole shall have competence relevant to the sector in which the Company operates.
3. Members of the Audit Committee shall be appointed by the Board (in accordance with the Company's articles of association), on the recommendation of the Nomination Committee in consultation with the Audit Committee Chair.
4. The Audit Committee shall comprise at least three members, one of whom shall be appointed as the Chair of the Audit Committee. The Chair of the Board may not be a member of the Audit Committee.
5. Each member shall hold office as an Audit Committee member for a period of up to three years, which may be extended for two further three year periods, provided that each member of the Audit Committee continues to be identified as independent by the Board.
6. In the absence of the Audit Committee Chair (and/or an appointed alternate member), the members present at any meeting of the Audit Committee shall elect one member amongst themselves to chair the meeting.
7. The Chair and members of the Audit Committee shall be listed each year in the Company's annual report.
8. The Company Secretary shall be the Secretary of the Audit Committee and will ensure that the Audit Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
9. Each member of the Audit Committee shall disclose (in writing) to the Audit Committee and the Company Secretary as soon as the member becomes aware of any:
 - 9.1 personal interest, including financial interest (other than as a shareholder) in any matter to be decided by the Audit Committee; or
 - 9.2 potential conflict of interest.

Any such member shall abstain from voting on resolutions of the Audit Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Audit Committee.

Attendance at Meetings

10. No one other than the Chair and members of the Audit Committee is entitled to be present or vote at a meeting of the Audit Committee. The Chair and members of the Audit Committee shall, however, have the discretion to decide if non-members should be invited to attend for a particular meeting or a particular agenda item.

Examples of non-members that may be invited include the Chair of the Board, Group Chief Executive, Chief Financial Officer, other directors, the heads of risk, compliance, IT and internal audit and representatives from the finance function.

11. It is expected that the external audit engagement partner will be invited regularly to attend meetings as well as the Group Chief Executive, Chief Financial Officer and the Head of Internal Audit. At least once a year, the Audit Committee shall meet with the external auditors and the Head of Internal Audit, without management, to discuss matters relating to its remit and any issues arising from the audit.

Meetings

12. The Audit Committee Chair, in consultation with the Company Secretary, shall decide the frequency and timing of the Audit Committee's meetings. In any event, meetings shall be held not less than three times a year, to coincide with key dates within the financial reporting and audit cycle. The Company Secretary shall call a meeting as soon as reasonably practicable upon a request for such meeting by the Company's internal or external auditors or any Audit Committee member.
13. The quorum for meetings of the Audit Committee shall be two members present throughout the meeting in person or by telephone or by video conference. A duly convened meeting of the Audit 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 Audit Committee.
14. Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded to each member of the Audit Committee, and all other Board members, no fewer than five working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Audit Committee to all members of it and to arrange such meetings so that members are able to attend them. The Chief Financial Officer is primarily responsible for the provision of information to the Audit Committee. Outside the formal meeting programme, the Audit Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Group Chief Executive, the Chief Financial Officer, the external lead audit partner and the Head of Internal Audit.
15. The Secretary shall keep a record of:
 - 15.1 the membership, and the dates of any changes to the membership, of the Audit Committee;
 - 15.2 any non-audit services provided by the external auditor to enable the Company to make the necessary statement in the annual report on safeguarding the auditor's objectivity and independence.

16. The Secretary shall record the proceedings and resolutions of meetings of the Audit Committee.
17. Draft minutes of Audit Committee meetings shall be agreed with the Audit Committee Chair and circulated to all members of the Audit Committee as part of the meeting papers for the next Committee meeting. When formally approved, the Audit Committee minutes will be circulated to all members of the Board unless, exceptionally, it would be inappropriate to do so in the opinion of the Audit Committee Chair.
18. The Audit Committee Chair shall attend, and be available to answer questions from shareholders at, the Annual General Meeting of the Company. In addition, the Audit Committee Chair should seek engagement with shareholders on significant matters related to the Audit Committee's area of responsibility. All members of the Audit Committee shall also attend the Annual General Meeting, where possible.
19. The Chair should ensure that the Company maintains an appropriate dialogue as required by shareholders about the work of the Audit Committee.

Authority and Duties

The Audit Committee (unless required otherwise by regulation) should carry out the following duties for the Company and its subsidiaries ("**Group**"), as appropriate.

20. The Secretary shall provide the Audit Committee with sufficient resources to enable it to undertake its duties.
21. The Audit Committee is authorised by the Board to obtain outside legal, accounting or other independent professional advice and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary, at the Company's expense.
22. The Audit Committee shall have access to the services of the Company Secretary on all Audit Committee matters including (but not limited to) assisting the Chair in planning the Audit Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of practical support.
23. The Audit Committee is authorised by the Board to investigate any activity within the scope of its duties in accordance with the Group Delegated Authorities approved by the Board.
24. The Audit Committee is authorised to seek any information it requires from any employee of the Group. All employees are directed to co-operate with any request made by the Audit Committee.
25. The Audit Committee is authorised to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Audit Committee and the Board.
26. The Audit Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which are to report back to the Audit Committee.
27. The duties of the Audit Committee shall be:

Financial Reporting

- 27.1 to monitor the integrity of the financial statements of the Company including its annual and half-yearly reports and trading updates, and any formal announcements relating to the Company's financial performance, and to review the significant financial reporting issues and judgements made in connection with their preparation, and in particular to review and challenge where necessary:
- a. critical accounting policies and practices, the consistency of, and any changes in them;
 - b. decisions requiring a major element of judgement;
 - c. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - d. the methods used to account for significant or unusual transactions where different approaches are possible;
 - e. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - f. the clarity and completeness of disclosure in the Company's financial statements and whether such disclosures are properly set in context;
 - g. significant adjustments resulting from the audit;
 - h. the going concern assumption;
 - i. compliance with accounting standards;
 - j. compliance with stock exchange and other legal requirements;
 - k. the use and disclosure of Alternative Performance Measures in reporting Group performance;
 - l. the Company's statement on internal control processes prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company;
 - m. all material information presented with financial statements, including the operating and financial review, and corporate governance statements relating to the audit and risk management;
- 27.2 to report its views to the Board if it is not satisfied with any aspect of the proposed financial reporting by the Company;
- 27.3 to review any other statements containing financial information for which Board approval is required;

Internal Controls

- 27.4 to review the adequacy and effectiveness of the Company's internal financial controls (that is, the processes established to identify, assess, manage and monitor financial risks) and to review the statement in the annual report and accounts on the Company's internal controls;
- 27.5 to receive reports from the Risk Management Committee on operational risks;

- 27.6 to review the Group Tax Policy and compliance with any related legislation such as the Facilitation of Tax Evasion Offences regulations;
- 27.7 to review the Group Treasury Policy and any related matters;
- 27.8 to review the Group's debt facilities and cash pooling arrangements;
- 27.9 to review the Group's FX Risk Management Policy;
- 27.10 to monitor and oversee the continued strengthening of the Group's internal financial control environment, and make recommendations to the Board;

Whistle-blowing

- 27.11 to routinely review the adequacy and security of the arrangements by which the Company's workforce may, in confidence (and, if they wish, anonymously), raise concerns about possible wrongdoing in matters of financial reporting or other matters and the reports arising from the operation of those arrangements, prior to referral to the Board;
- 27.12 to ensure arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action, prior to referral to the Board;
- 27.13 to receive whistle-blowing and other reports on non-compliance with Company's policies of fraud, bribery and unethical behaviour;

Risk Management

- 27.14 review the Company's procedures and/or controls for:
 - a. detecting fraud;
 - b. preventing bribery and unethical behaviour;
 - c. identifying money laundering; and
 - d. ensuring compliance with relevant legal and regulatory requirements;

Internal Audit

- 27.15 to approve the appointment, remuneration and removal of the Head of Internal Audit;
- 27.16 to monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management procedures;
- 27.17 to consider and approve the structure, composition and remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively. The Audit Committee shall also ensure the function has adequate standing and is free from management or other restrictions

and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;

- 27.18 to review, assess and approve the annual internal audit plan to ensure it is aligned to the key risks of the business and monitor completion of audit activity against internal audit plan;
- 27.19 to review internal audit reports addressed to the Audit Committee on a periodic basis and review promptly all key issues on subsidiary companies arising from the internal audit function;
- 27.20 to review and monitor management's responsiveness to the findings and recommendations of the internal audit function;
- 27.21 to meet the Head of Internal Audit at least once a year without management being present, to discuss their remit and any issues arising from the internal audits carried out. The Head of Internal Audit shall also be given rights of direct access to the Chair of the Board and to the Audit Committee;
- 27.22 to consider an independent, third party review of the internal audit function and processes (such a review being carried out at least every five years);

External Audit

- 27.23 to make recommendations to the Board, for it to put to the shareholders for their approval in a general meeting, the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditor;
- 27.24 to oversee the selection of new appointees as external auditors in accordance with applicable Code and regulatory requirements, if the Audit Committee's recommendation is that the Company should consider appointing new auditors;
- 27.25 to ensure that at least once every ten years the audit services contract is put out to tender to enable the Audit Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 27.26 to explain to shareholders in the Audit Committee section of the annual report how the Audit Committee reached its recommendation to the Board on the appointment, reappointment or removal of the external auditors;
- 27.27 if the Board does not accept the Audit Committee's recommendation on the appointment, reappointment and removal of external auditors, to prepare a statement explaining the Audit Committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the Board's reasons for taking a different position;
- 27.28 to assess annually the qualification, expertise and resources of the external auditors, and assess audit quality including a report from the external auditor on their own internal quality procedures;
- 27.29 to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process annually, taking into account relevant laws, regulations, the Financial Reporting Council's Revised Ethical Standard December

2019 (the “**Ethical Standard**”) and other professional and regulatory requirements and the relationship with the external auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provisions of any non-audit services;

- 27.30 to satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity, taking into account the relevant Ethical Standard;
- 27.31 to agree with the Board a policy for the employment of former employees of the external auditor in accordance with the Ethical Standard and legal requirements and to monitor the application of such policy;
- 27.32 to approve the external auditor's remuneration, whether fees for audit or non-audit services, and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
- 27.33 to monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 27.34 to evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Audit Committee;
- 27.35 if the external auditor resigns, to investigate the issues leading to such resignation and to consider whether any action is required;
- 27.36 to review and agree the engagement letter and annual audit plan with the external auditor at the start of each audit; to discuss with the external auditors before the audit commences and keep under review, the scope and results of the audit as well as to satisfy itself that the level of fee payable is appropriate for the provision of those services and that an effective audit can be conducted for such a fee, and ensure co-ordination where more than one audit firm is involved;
- 27.37 to review with the external auditor (in the absence of management if necessary), the results of their work in conducting the annual audit;
- 27.38 to develop and implement a policy on the provision of non-audit services by the external auditor, taking into account relevant ethical guidance; and to report to the Board on the implementation of the policy and identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken (so as to ensure that the provision of such services does not impair the external auditor's independence and objectivity);
- 27.39 in relation to the provision of non-audit services, to consider:
 - a. the nature and extent of the non-audit services;
 - b. threats to the independence and objectivity of the external auditor and any safeguards in place;
 - c. whether the external audit firm is the most suitable supplier of the non-audit service;

- d. the criteria governing compensation;
 - e. the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee;
 - f. to set and apply a formal policy specifying the types of non-audit service for which the use of the external auditor is pre-approved; for which specific approval from the Audit Committee is required; and from which the external auditor is excluded;
 - g. compliance with the Audit Committee's policy on the provision of non-audit services and disclosure of the details set out in the FRC Guidance on Audit Committees in relation to each significant engagement;
- 27.40 to seek to ensure co-ordination between the external auditor and the activities of the internal audit function;
- 27.41 to meet regularly with the external auditor. The Audit Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit, any issues arising out of the audit, any significant accounting and audit judgements, levels of errors identified during the audit and the effectiveness of the audit;
- 27.42 to discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 27.43 to review the findings of the audit with the external auditor, including, but not be limited to, the following:
- a. a discussion of any major issues which arose during the audit;
 - b. the auditor's explanation of how the risks to audit quality were addressed;
 - c. key accounting and audit judgements;
 - d. the auditor's view of their interactions with senior management; and
 - e. levels of errors identified during the audit;
- 27.44 to review the audit representation letters before signature by management, giving particular consideration to matters where representation has been requested that relates to non-standard issues;
- 27.45 to review the external auditors' management letter and management's response;
- 27.46 to review and monitor management's responsiveness to the external auditor's findings and recommendations;
- 27.47 at the end of the annual audit cycle, to assess the effectiveness of the audit process;
- 27.48 to consider the major findings of internal investigations and management's response;

Conflicts of Interest

- 27.49 in respect of each director, to review any report from the Company Secretary to the Committee which sets out interests the director may have which conflict or may conflict with the interests of the Company including;
- a. to make recommendations to the Board as to whether any such conflict should be authorised and, if so, as to the terms and conditions on which any such authorisation should be given by the Board;
 - b. reviewing the basis on which any authorisation was given by the Board in order to determine whether the authorisation given should stand on the terms and conditions on which it has been given or whether additional terms and conditions should be imposed or whether the authorisation should be revoked (subject to giving the relevant director notice of the proposed revocation).

Other

- 27.50 to provide members of the Audit Committee with appropriate and timely training in the form of an induction programme for new members and on an ongoing basis for all members;
- 27.51 where requested by the Board, to provide advice in respect of the viability statement, on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate, and to advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period, drawing attention to any qualifications or assumptions as necessary;
- 27.52 to review the statement by the directors to be included in the annual report on the going concern status of the Company and the Group and any supporting assumptions and qualifications;
- 27.53 to arrange for the Company to make available these Terms of Reference to shareholders by placing a copy of on the Company's website;
- 27.54 to work and liaise as necessary with all other Committees of the Board, ensuring interaction between Committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to the Risk Management Committee;
- 27.55 to give due consideration to any applicable laws and regulations, including the provisions of the Code and the requirements of the Financial Conduct Authority's

Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules and the provisions of the FRC's Guidance on Audit Committees;

- 27.56 to consider other topics, as defined by the Board;
- 27.57 in exercising its powers, to take into account the duties of directors under Chapter 2 of Part 10 of the Companies Act 2006 including, in particular, section 172 of the 2006 Act;
- 27.58 at least once a year, to review its own performance, constitution and these Terms of Reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval;
- 27.59 to review the viability statement made by the directors to be included in the annual report and any supporting assumptions and qualifications;

Reporting Procedures

- 28. The Audit Committee Chair or, as a minimum, another member of the Audit Committee, shall attend the Board meeting at which the accounts are approved. Where, following its review, the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board. The Audit Committee's duties and activities during the year shall be disclosed in the annual report.
- 29. The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 30. The Audit Committee Chair shall formally report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities particularly noting how it has discharged its responsibilities in relation to the following matters:
 - 30.1 review of the significant financial reporting disclosures and judgements made in connection with the preparation of the Company's financial statements, interim reports, preliminary announcements and related formal statements;
 - 30.2 its assessment of the effectiveness of the external audit process (required under paragraph 27.28), the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - 30.3 review of the content of the annual report and accounts and advice to the Board on whether, taken as a whole, it is fair, balanced and understandable and provides sufficient information necessary for shareholders to assess the Company's performance, business model and strategy.
- 31. The Audit Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should describe the work of the Audit Committee and include:
 - 31.1 details of the membership of the Audit Committee, number of meetings held and attendance over the course of the year;
 - 31.2 a summary of the role and work of the Audit Committee;
 - 31.3 how the Audit Committee composition requirements have been addressed, and the names and qualifications of all members of the Audit Committee during the period, if not provided elsewhere;

- 31.4 how the Audit Committee's performance evaluation has been conducted;
- 31.5 the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor;
- 31.6 an explanation of how the Audit Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
- 31.7 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code; and
- 31.8 any other information requirements set out in the Code, or the FRC's Guidance on Audit Committees.

In compiling the reports referred to in 30 and 31, the Audit Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's longer term viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.