

## **TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE OF THE BOARD OF SPECTRIS PLC**

### **1. Constitution**

The Audit and Risk Committee (the "Committee") shall be formed under the provisions of Article 119 of Spectris plc's (the "Company") Articles of Association and shall conduct itself as prescribed therein.

### **2. Membership**

- 2.1 The Committee shall be appointed by the Board of Directors of the Company (the "Board") and shall be comprised solely of independent Non-Executive Directors of the Company. The Committee shall consist of not fewer than three members.
- 2.2 The Chairman of the Committee shall be appointed by the Board and shall have recent and relevant financial experience. All other members of the Committee are required to have competencies that the Board deems relevant to the sectors in which the Company operates. The Chairman of the Board shall not be the Chairman of the Committee. In the absence of the Chairman of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

### **3. Secretary**

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

### **4. Quorum**

The quorum necessary for the transaction of business shall be two. 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.

### **5. Meetings**

- 5.1 The Chairman, Chief Executive, Chief Financial Officer, the Head of Internal Audit and a representative of the external auditor shall attend meetings at the invitation of the Committee. Other executive directors shall be invited to attend for relevant enquiries or issues of significant concern. All executive directors shall attend the year end final audit review meeting. However, at least once a year the Committee shall offer both the external auditor and the Head of Internal Audit the opportunity for discussions without executive directors present. Further, both the external audit partner and the Head of Internal Audit shall have the right of direct access to the Chairman of the Committee.
- 5.2 Meetings shall be held at least three times a year at appropriate intervals in the financial reporting and audit cycle and additionally as required to carry out the duties of the Committee.
- 5.3 Outside the formal meeting programme, the Chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance,

including the Chairman, Chief Executive, Chief Financial Officer, the Head of Internal Audit, the General Counsel & Company Secretary and the external auditor.

- 5.4 Meetings of the Committee may be conducted when the members are physically present together, or in the form of either audio or video conference, or a combination of mediums.

## 6. Notice of Meetings

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the external auditor or the Head of Internal Audit if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

## 7. Minutes of Meetings

- 7.1 The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to the Chairman of the Committee for review and comment. Once approved, minutes will be made available to all other members of the Board, to the external audit partner and to the Head of Internal Audit as appropriate.

## 8. Annual General Meeting

The Chairman shall attend the Annual General Meeting ("AGM") to answer any shareholder questions on the Committee's activities. In addition, the Chairman shall seek engagement with shareholders on any significant matters related to the Committee's areas of responsibility.

## 9. Duties

The Committee shall have the following responsibilities, powers, authorities and discretions:

### 9.1 Financial and Narrative Reporting

The Committee shall:

- 9.1.1 Monitor and discuss with management the integrity of the Company's financial and narrative statements, including the annual financial statements and their preliminary announcement and the half- yearly financial statements and any other formal announcement containing specific and detailed financial performance information.
- 9.1.2 Review and report to the Board significant financial reporting issues and judgements which the financial statements, interim reports, preliminary

announcements and related formal statements contain, having regard to matters communicated to it by the external auditor.

9.1.3 Review and challenge where necessary:

- (a) the consistency, quality and appropriateness of the accounting policies, including any changes to accounting policies both on a year on year basis and across the Company and the Group;
- (b) whether the Company has made the appropriate estimates and judgements, taking into account the external auditor's views;
- (c) the clarity and completeness of financial reporting disclosures and any changes to those disclosures, including the review of any correspondence between the Company and the external auditor;
- (d) the methods used to account for significant or unusual transactions where different approaches are possible;
- (e) significant adjustments resulting from the external audit; and
- (f) the assumptions and qualifications in support of the going concern statement, (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement.

9.1.4 Monitor compliance with financial reporting standards, the stock exchange and other legal and regulatory requirements.

9.1.5 Review all material information presented with the financial statements, such as the business overview, strategic report and the corporate governance statements relating to the audit and to risk management.

9.1.6 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board.

9.1.7 Review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

9.2 External Audit

The Committee shall, taking into account any applicable law and legislation, other professional requirements and the Financial Reporting Council's Revised Ethical Standard 2016 (Ethical Standard):

9.2.1 Provide recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor, which are subject to approval by the Company's shareholders at the AGM.

9.2.2 If an auditor resigns, investigate the issues leading to this and decide whether any action is required.

9.2.3 Conduct a tender for the external audit contract at least once every ten years, in accordance with the applicable Code and regulatory requirements, to

enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other firms.

- 9.2.4 Take steps to ensure that key partners within the appointed firm are rotated from time to time in compliance with relevant ethical and professional guidance.
- 9.2.5 Meet the external auditor, without management being present, at least once each year to discuss their remit and any other matters arising.
- 9.2.6 Keep under review the relationship with the external auditor, taking into account the relevant UK professional and regulatory requirements, including (but not limited to):
- (a) annually assessing their independence and objectivity including satisfying itself that there are no relationships 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, and agreeing a policy on the employment of former partners and employees of the external auditor;
  - (b) assessing annually the qualifications of the external auditor, its exposure and its resources which shall include a report from the external auditor on their own internal quality procedures; and
  - (c) approval of the terms of engagement of the external auditor, including:
    - (i) any engagement letter issued at the start of each audit and, as appropriate, any material changes in the external auditor's terms of engagement;
    - (ii) reviewing and approving the annual audit plan; and
    - (iii) in consultation with the Board, agreeing and approving the audit fees which should be paid.
- 9.2.7 Assess the independence and effectiveness of the audit, including:
- (a) reviewing any representation letter(s) requested by the external auditor before they are signed by management;
  - (b) reviewing the management letter and management(s) response to the external auditor's findings and recommendations;
  - (c) reviewing the external auditor's reports which address matters identified from their audit of the year-end financial statements and review of the half yearly financial statements;
  - (d) reviewing the Company's policy on the supply of non-audit services by the external auditor (taking into account any relevant ethical guidance and with reference to the policy on non-audit services as adopted by the Committee ) and the implementation of that policy;
  - (e) monitoring the percentage of fees paid to the external auditor, including oversight of the operation of the 70% fee cap for permitted non-audit services and considering the impact this may have on independence; and

- (f) considering the risk of withdrawal of the present external auditor from the market.

### 9.3 Internal Audit

- 9.3.1 Monitor and keep under review the effectiveness of the Company's internal audit function.
- 9.3.2 Consider and approve the appointment of the Head of Internal Audit / Internal Audit Outsource Partner. Any dismissal of the post holder should be approved by the Committee.
- 9.3.3 Satisfy itself that the internal audit function has an appropriate remit with adequate resources and appropriate access to information to enable it to fulfil its mandate, and to ensure it is equipped to perform its function effectively and in accordance with the appropriate professional standards for internal auditors. The Committee shall also satisfy itself that the function has adequate standing and is free from management or other restrictions.
- 9.3.4 Review and assess annually the internal audit plan and be advised of the reason for any material change or delay in the planned programme.
- 9.3.5 Meet, without management being present, with the Head of Internal Audit / Internal Audit Outsource Partner regularly and at least twice a year to discuss their remit and any other matters arising.
- 9.3.6 Monitor the effectiveness of the internal audit function in the context of the Company's overall internal controls and risk management systems.
- 9.3.7 The Committee shall:
  - (a) receive a report on the results of the internal audit function's work on a periodic basis; and
  - (b) review and monitor management responsiveness to their findings and recommendations.
- 9.3.8 Ensure that the Head of Internal Audit / Internal Audit Outsource Partner has direct access to the Chairman of the Committee and, if required, to the Chairman of the Board, and is accountable to the Committee.

### 9.4 Internal Controls and Risk Management Systems

The Committee shall:

#### 9.4.1 Risk Management

- (a) on behalf of the Board (which retains overall responsibility for risk management), review and monitor the Company's risk management system and, at least annually, carry out a review of its effectiveness, and review and approve the statement to be included in the annual report concerning risk management and the viability statement;
- (b) ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity) and provide advice on the procedures in place to identify emerging risks, and on the management and mitigation of those risks;

- (c) oversee and advise the Board on the Group's current risk exposure and future risk strategy and, at least annually, consider how the remuneration of executives shapes their view on risk.

#### 9.4.2 Internal Controls

Review the Company's internal financial controls and internal control systems in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting and, at least annually, carry out a review of its effectiveness and approve the statement to be included in the annual report concerning internal control.

#### 9.4.3 On-going Viability

Provide advice to the Board 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. The Committee shall also 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 said period, drawing attention to any qualifications or assumptions as necessary.

#### 9.4.4 Management and internal and external audit reports

Review management reports on the effectiveness of the internal control and risk management systems and from internal audit, the external audit or others, on the operational effectiveness of matters related to risk and control. Review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation.

The Committee should satisfy itself that these sources of assurance and information are sufficient and objective enough to enable the Board to conclude that they are operating effectively.

#### 9.4.5 Disclosures

- (a) Consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts; and
- (b) Consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, bribery, money laundering or misconduct and management's response.
- (c) Consider whether any such failings or weaknesses are significant and therefore require disclosure; if so, an explanation as to what action has been taken to address them, and whether the level of disclosure of such action is appropriate.

### 9.5 Compliance, whistleblowing and fraud

- 9.5.1 Review arrangements by which the workforce may, in confidence and – if they wish - anonymously, raise concerns about any matters, including possible improprieties in matters of financial reporting, ensuring that arrangements

are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

9.5.2 To monitor and assure the Board that adequate control procedures are in place to comply with the Group's policies on business ethics, bribery, compliance and fraud.

## 9.6 Other Matters

9.6.1 To review any profit forecasts or previously unpublished financial data to be published in any public document or any other document as requested by the Board.

9.6.2 To receive a report on the treasury function's operations on a periodic basis and keep under review the Group's treasury policies.

9.6.3 To review and recommend to the Board for approval, the Group's Tax Strategy and Governance Framework. To receive a report on the Group Tax Department's work on a periodic basis.

9.6.4 To consider other topics as defined by the Board.

## **10. Reporting Responsibilities**

10.1 The Chairman of the Committee shall report formally to the Board after each meeting on the business discussed and how it has discharged its duties under section 9 above, including:

- (a) the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the external auditor;
- (c) its review of the arrangements by which staff are able to raise concerns in confidence and how reports on matters arising from its operation have been addressed; and
- (d) any other issues on which the Board has requested the Committee's opinion.

10.2 The Committee shall produce a report, to be included in the Company's report and accounts, describing its work and processes and how it has discharged its duties under section 9 above.

10.3 These Terms of Reference shall be made available on request and published on the Company's website.

## **11. General**

The Committee shall:

11.1 have access to sufficient resources in order to carry out its duties, including access to the Company's head office departments for assistance, as required;

11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;

- 11.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 11.4 be responsible for co-ordination of activities between the internal audit function and the external auditor;
- 11.5 oversee any investigation of activities which are within its Terms of Reference; and
- 11.6 arrange for periodic reviews of its own performance and, at least annually, review its 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.

## **12. Authority**

The Committee is authorised by the Board to:

- 12.1 investigate any activity within its Terms of Reference;
- 12.2 seek any information it requires from any employee and all employees are hereby directed to co- operate with any request made by the Committee; and
- 12.3 obtain, at the Company's expense, outside legal or other professional advice on any matters within its Terms of Reference.

Approved by the Board: 13 December 2022