

Halma plc
Terms of Reference – Audit Committee

Reference to “the Committee” shall mean the Audit Committee.

Reference to “the Board” shall mean the Board of Directors.

Reference to “the UK Corporate Governance Code” or “the Code” shall mean the 2018 UK Corporate Governance Code, and for financial years beginning on or after 1 January 2025, the 2024 UK Corporate Governance Code.

1. Role

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- 1.1. the integrity of the financial and narrative statements and other financial information provided to shareholders;
- 1.2. the Company’s system of internal control framework and risk management;
- 1.3. the internal and external audit process and auditors; and
- 1.4. the processes for compliance with laws, regulations and ethical codes of practice, the UK Corporate Governance Code, FRC guidance and the FRC Audit Committees and the External Audit: Minimum Standard (FRC Minimum Standard).

2. Membership

- 2.1. The Committee shall comprise at least three members and, where possible, one member of the Remuneration Committee. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee.
- 2.2. All members of the Committee shall be independent non-executive Directors as determined by the Board (in accordance with the principles of the UK Corporate Governance Code), at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. The Chair of the Board shall not be a member of the Committee.
- 2.3. Only members of the Committee have the right to attend and vote at Committee meetings. However, other individuals such as the Chair, Chief Executive, Chief Financial Officer, other Directors, the head of internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4. The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.5. The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 2.6. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent.

- 2.7. The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

3. Secretary

- 3.1. The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and provide all necessary support to the Committee, including minuting meetings and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the relevant issues.

4. Quorum

- 4.1. The quorum necessary for the transaction of business shall be two members present in person or by audio or video conference. 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. Frequency of Meetings

- 5.1. The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 5.2. Outside the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

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 Chief Financial Officer or the external or internal auditors 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, any other person required to attend and all other non-executive Directors, no later than five 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. The Chief Financial Officer is primarily responsible for the provision of information to the Committee.
- 6.3. Notices, agendas and supporting papers can be sent in electronic form.

7. Voting Arrangements

- 7.1. Subject to paragraphs 7.2 and 7.3, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 7.2. If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest on an item of business, that member shall not be permitted to vote on that item.

7.3. Except where he or she has a personal interest, the Committee Chair shall have a casting vote.

7.4. The Committee Chair may ask any attendee of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

8. Minutes of Meetings

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

8.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8.3. Minutes of Committee meetings shall be agreed with the Committee Chair and then circulated to all members of the Committee prior to the next Committee meeting, and once approved, to all members of the Board, unless it would be inappropriate to do so in the opinion of the Committee Chair.

8.4. A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

9. Annual General Meeting

9.1. The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities and areas of responsibility and/or, to deal with any questions relating to the resignation or dismissal of the external auditor.

10. Duties

The Committee should carry out the duties set out below for Halma plc, major subsidiary undertakings and the group as a whole, as appropriate.

10.1. Financial Reporting

10.1.1. The Committee shall review and challenge where necessary:

10.1.1.1. the application and appropriateness of significant accounting policies and any changes to them both on a year-on-year basis and across the Company, major subsidiary undertakings and the group as a whole, as appropriate;

10.1.1.2. the methods used to account for significant or unusual transactions (including any off- balance sheet arrangements) where different approaches are possible;

10.1.1.3. whether the Company has followed appropriate accounting policies and, where necessary, made appropriate estimates and judgments, taking into account the views of the external auditor;

- 10.1.1.4. the clarity and completeness of financial reporting and any changes to those disclosures, including the review of correspondence between the Company and the external auditor;
- 10.1.1.5. all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management);
- 10.1.1.6. significant adjustments resulting from the external audit; and
- 10.1.1.7. the assumption or 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 (including an assessment of the prospects of the Company looking forward over an appropriate and justified period).

The Committee shall

- 10.1.2. Monitor and discuss with management the integrity of the financial and narrative statements of the Company, including its annual and half year reports, trading updates, preliminary announcements of final results and any other formal announcement relating to its financial performance or containing financial information, and review and report to the Board on significant financial reporting issues and judgments which they contain, having regard to matters communicated to it by the external auditor. The Committee shall report its views to the Board if it is not satisfied with any aspect of the proposed financial reporting;
- 10.1.3. Monitor compliance with financial reporting standards and any recognised investment exchange and other financial and governance reporting requirement;
- 10.1.4. Review all material information presented with the financial statements, such as the strategic report and the corporate governance statements, insofar as it relates to audit and risk management;
- 10.1.5. Review first any other statements that contain financial information and requires Board approval, if carrying out a review before Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook; and
- 10.1.6. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board.

10.2 Narrative reporting

- 10.2.1 Where requested by the Board, the Committee should 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 performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters, as required under the UK Corporate Governance Code.

10.3 Internal Controls and Risk Management Systems

The Committee shall:

(a) Risk management

- 10.3.1 On behalf of the Board (which retains overall responsibility for risk management), review and monitor the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems and at least annually, carry out a review of their effectiveness;
- 10.3.2 Review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement;
- 10.3.3 On behalf of the Board, ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten the Company's business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify and manage emerging risks and provide advice on the management and mitigation of those risks; and
- 10.3.4 Oversee and advise the Board on the Company's current risk exposure and future risk strategy and annually consider how the remuneration of executives shape their view of risk.

(b) Internal controls

- 10.3.5 Review and monitor the Company's internal financial controls and internal control framework (covering all material controls, including financial, operational, reporting and compliance controls) and, at least annually, carry out a review of its effectiveness and approve the statement to be included in the annual report concerning internal controls.

(c) On-going viability

- 10.3.6 Provide advice 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.

(d) Management and internal and external audit reports

- 10.3.7 Review the assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal audit function, the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively; and

- 10.3.8 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.

(e) Disclosures

- 10.3.9 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
- 10.3.10 Consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such action is appropriate.

10.4 Compliance, Whistleblowing and Fraud

The Committee shall:

- 10.4.1. Review the adequacy and security of the Company's arrangements for its employees, contractors or workforce, to raise concerns in confidence and anonymously, about possible improprieties in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 10.4.2. Annually review the Company's procedures for detecting fraud; and
- 10.4.3. Review the Company's systems and controls for ethical behaviour and the prevention of bribery and receive reports on non-compliance.

10.5 Internal Audit

The Committee shall:

- 10.5.1 Approve the appointment or termination of appointment of the head of internal audit;
- 10.5.2 Approve the structure and composition of the internal audit function;
- 10.5.3 Review and approve the role and mandate of internal audit, monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 10.5.4 Annually approve the internal audit charter, ensuring that it is appropriate for the current needs of the Company;
- 10.5.5 Review and approve the annual internal audit plan, ensuring that it is aligned to the key risks of the business, and receive regular reports on work carried out;

- 10.5.6 Ensure that the internal audit function has unrestricted scope, the necessary resources and appropriate access to information to enable it to perform its mandate effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions and that there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan;
- 10.5.7 Ensure that the head of internal audit has direct access to the Chair of the Board and to the Committee, providing independence from management and accountability to the Committee;
- 10.5.8 Monitor, review and carry out an annual assessment of the effectiveness of the internal audit function, in the context of the Company's overall risk management system and the work of compliance, finance and the external auditor; ensuring that the internal audit plan is aligned to business's key risks and as part of this assessment:
 - 10.5.8.1 ensure that there is open communication between the different functions and that the internal audit function evaluates the effectiveness of risk, compliance and finance functions as part of its internal audit plan;
 - 10.5.8.2 ensure the Committee meets with the head of internal audit without management being present, to discuss the effectiveness of the internal audit function, at least once per year;
 - 10.5.8.3 review and assess the annual internal audit plan and be advised of the reasons for any change or delay in the plan and ensure co-ordination between the internal and external auditors;
 - 10.5.8.4 receive a report on the results of the internal audit work;
 - 10.5.8.5 determine whether it is satisfied that the quality, experience and expertise of the internal audit function is appropriate for the business;
 - 10.5.8.6 review and monitor management's responsiveness to the internal auditors' findings and recommendations and management's actions to support the effective working of the internal audit function; and
 - 10.5.8.7 consider whether an independent, third party review of internal audit effectiveness and processes is required or appropriate.

10.6 External Audit

The Committee shall, taking into account any applicable law and legislation, other professional requirements, the UK Corporate Governance Code, FRC Guidance, the FRC Minimum Standard and the Financial Reporting Standard's Revised Ethical Standard 2024 (Ethical Standard):

- 10.6.1 Consider and make recommendations to the Board, to be put to shareholders for approval at the Company's AGM, on the appointment, re-appointment and removal of the Company's external auditor;

- 10.6.2 Ensure that at least every ten years the audit service contract is put out to tender to enable the 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, conduct, develop and oversee the selection process in accordance with the UK Corporate Governance Code and the FRC Minimum Standard, ensuring that all tending firms have such access as is necessary to information and individuals during the tendering process; The maximum tenure an auditor should remain in place is 20 years;
- 10.6.3 If any external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 10.6.4 Oversee the relationship with the external auditor including (but not limited to):
 - 10.6.4.1 approving their remuneration, whether fees for audit or permitted non-audit services, and ensuring that the level of fees is appropriate to enable an effective, high quality, audit to be conducted;
 - 10.6.4.2 approving their terms of engagement, including any engagement letter issued at the start of each audit and reviewing with the external auditor the scope of the audit;
 - 10.6.4.3 assessing annually their independence and objectivity (taking into account relevant UK professional, regulatory requirements, the FRC Minimum Standard and the Ethical Standard) and the relationship with the auditor as a whole, including the provision of any permitted non-audit services;
 - 10.6.4.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - 10.6.4.5 monitoring the auditor's processes for maintaining independence and their compliance with relevant ethical and professional guidance, the FRC Minimum Standard and the Ethical Standard on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements, in particular that the independent review and signing partners should serve no more than five consecutive years in either role;
 - 10.6.4.6 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the external audit process, including an assessment of the quality of the external audit, the handling of key judgements by the auditor and the auditor's response to questions from the Committee and a report from the external auditor on their own internal quality procedures; and
 - 10.6.4.7 evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the Company's present auditor from the market.
- 10.6.5 Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss

the auditor's remit and any issues arising from the audit including (but not limited to) any major resolved or unresolved issues that arose during the audit, the auditor's explanation of how risks to audit quality were addressed, key accounting and audit judgements, the auditor's view of their interactions with senior management and levels of errors identified during the audit;

10.6.6 Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

10.6.7 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

10.6.7.1 a discussion of any major issues which arose during the audit;

10.6.7.2 the auditor's explanation of how the risks to audit quality were addressed;

10.6.7.3 key accounting and audit judgments;

10.6.7.4 the auditor's view of their interactions with senior management;

10.6.7.5 levels of errors identified during the audit; and

10.6.7.6 the effectiveness of the audit.

The Committee shall also:

10.6.8 Review any representation letter(s) requested by the external auditor before they are signed by management and consider whether based on its knowledge, the information provided is complete and appropriate;

10.6.9 Review the management letter and management's response to the auditor's findings and recommendations before it is considered by the Board;

10.6.10 Develop and recommend to the Board the Company's policy on the supply of non-audit services by the external auditor, including approval of non-audit services by the Committee and specifying the types of non-audit services to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:

10.6.10.1 threat to the independence and objectivity of the external auditor and any safeguards in place;

10.6.10.2 the nature of non-audit services;

10.6.10.3 whether the external audit firm is the most suitable supplier of the non-audit service;

10.6.10.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and

10.6.10.5 the criteria governing compensation;

10.6.11 agree the Company's policy for the employment of former employees of the external auditor, taking into account the Ethical Standard and paying particular attention to the policy regarding former employees of the audit firm who were part of the audit team and moved directly to the Company. The Committee should monitor application of the policy, including the number of former employees of the external auditor currently employed in senior positions in the Company, and consider whether in the light of this there has been any impairment, or appearance of impairment, of the auditor's independence and objectivity in respect of the audit;

10.6.12 Consider whether the external auditor is the most suitable supplier of permitted non-audit services; and

10.6.13 At the end of the audit cycle, assess the effectiveness of the audit process including:

10.6.13.1 review whether the auditor has met the agreed audit plan and whether the external auditor identified any risks to audit quality and, if so, how these were addressed;

10.6.13.2 understand reasons for changes to the audit plan;

10.6.13.3 consider the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions;

10.6.13.4 obtain feedback from key people on the conduct of the audit; and

10.6.13.5 review and monitor the content of the external auditor's management letter and reporting to the Board on the effectiveness of the audit process.

11 Reporting Responsibilities

11.1 The Committee Chair shall report formally 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:

11.1.1 Any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, half-yearly reports, preliminary announcements and related formal statements, the approach taken to the appointment or reappointment of the external auditor (including the length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plan) and the effectiveness of the external audit process, including:

11.1.1.1 a review of whether the auditor has met the agreed audit plan and an understanding of the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;

11.1.1.2 consideration of the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgments identified and in

responding to questions from the audit committee, and in their commentary where appropriate on the systems of internal control;

11.1.1.3 obtaining feedback about the conduct of the audit from key people involved, for example the Finance Director and the head of internal audit; and

11.1.1.4 reviewing and monitoring the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the Company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report, which should include: an explanation of how the Committee has addressed the effectiveness of the external audit process;

11.3.1 Details of the membership of the Committee, number of meetings held and attendance over the course of the year;

11.3.2 A summary of the role and work of the Committee;

11.3.3 How the Committee's performance evaluation has been conducted;

11.3.4 The significant issues that the Committee considered in relation to the final statements and how these issues were addressed, having regard to matters communicated to it by the external auditor, the nature and extent of any interaction with the Financial Reporting Council's Audit Quality Review team;

11.3.5 Confirmation that the Board has carried out a robust assessment of the principle and emerging risks facing the Company, a description of those risks or its principle risks, the procedures in place to identify emerging risks and an explanation as to how they are being managed and mitigated;

11.3.6 An explanation of its assessment of the independence and effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company, auditor objectivity and independence is safeguarded) and its approach taken to the appointment or reappointment of the external auditor, length of incumbent auditor's tenure, when a tender was last conducted, advance notice of any retendering plans (and reasons why completing the process in that proposed financial year is in the best interests of the Company's members) and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services;

11.3.7 The Committee's policy for approval of non-audit services, how auditor objectivity and independence is safeguarded, the audit fees for the statutory audit for audit related services and other non-audit services, including the ratio of audit to non-audit

work, and for each significant engagement, or category of engagements, what the services are and why the Committee concluded that it was in the Company's interests to purchase them from the external auditor;

11.3.8 An explanation of how the Committee has addressed the effectiveness of the internal audit process.

11.3.9 All other information requirements set out in the UK Corporate Governance Code and the FRC Minimum Standard, including details on the activities the Committee has undertaken to meet the requirements of the FRC Minimum Standard; and

11.3.10 Any other issues on which the Board has requested the Committee's opinion.

11.4 In compiling the report referred to in paragraph 11.3, exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the longer term viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report, but could provide cross-references to that information.

11.5 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.6 Where disagreements between the Committee and the Board cannot be resolved, report the issues to the shareholders as part of the report on the Committee's activities in the annual report referred to in paragraph 11.3.

11.7 Make available to shareholders these terms of reference by placing them on the Company's website.

12 Other Matters

The Committee shall:

12.1 Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;

12.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

12.3 Ensure that the Chief Financial Officer and, if applicable, the head of internal audit has the right of direct access to the Chair of the Committee;

12.4 Give due consideration to laws and regulations, in particular the directors duties contained in the Companies Act 2006, the provisions of the UK Corporate Governance Code and the FRC Minimum Standard and the requirements of the UK Listing Authority's Listing, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;

12.5 Be responsible for ensuring co-ordination of the activities of the internal audit function and the external auditors;

12.6 Oversee any investigation of activities which are within its terms of reference;

- 12.7 Work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- 12.8 Periodically review its own performance, and at least once a year, 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.

13 Authority

The Committee is authorised to:

- 13.1 Carry out all duties set out in these terms of reference;
- 13.2 Seek any information it requires from any employee of the Company in order to perform its duties;
- 13.3 Obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 13.4 Call any employee to be questioned at a meeting of the Committee as and when required; and
- 13.5 Have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.