



**The Weir Group PLC**

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# The Weir Group PLC

## Terms of Reference for the Audit Committee

Effective 1 January 2025

## Constitution

1. The Committee is a sub-committee of the Board appointed in accordance with the Company's Articles of Association.
2. The Terms of Reference for the Committee are defined by the Board and may be amended by the Board at any time.

## Membership

3. The Committee shall be appointed by the Board. All members of the Committee shall be independent Non-Executive Directors of the Company. The Chair of the Board may not be a member of the Audit Committee. The Committee shall consist of not less than three members. At least one member of the Committee should have recent and relevant financial experience. The Committee as a whole should have competence relevant to the sectors in which the Group operates.
4. The Chair of the Committee shall be appointed by the Board from amongst the independent Non-Executive Directors. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.
5. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, with the second extension only after rigorous review.

## Secretary

6. The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## Quorum

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

## Attendance at Meetings

8. The Chief Financial Officer, Group Financial Controller, Head of Internal Audit & Chief Compliance Officer and representatives of the external auditor may attend meetings at the invitation of the Committee. Other representatives of the finance function (e.g. Divisional Finance Directors) may be invited to attend to meetings at the request of the Chair of the Committee.
9. The Chair of the Board, Chief Executive Officer and other Board members may attend by invitation of the Committee.
10. There should be at least one meeting a year, or part thereof, where the external auditor attends without Executive Directors and Senior Management present.
11. There should be at least one meeting a year, or part thereof, where the Head of Internal Audit attends without Executive Directors and Senior Management present.

## Frequency of Meetings

12. Meetings shall be held not less than four times a year, to coincide with key dates in the Company's financial reporting cycle.

13. The external auditor may request a meeting of the Committee normally through the Chair of the Committee if they consider that one is necessary to consider urgent issues.

## Authority

14. The Committee is authorised by the Board to:

- (i) investigate any activity within its Terms of Reference;
- (ii) seek any information that it requires from any employee of the Company and all employees are directed to co-operate with any request made by the Committee;
- (iii) obtain outside legal or independent professional advice and such advisors may attend meetings as necessary.

## Duties

15. The duties of the Committee shall be:

- (i) in relation to the appointment of the external auditor:
  - a. to consider and make recommendations on a transparent, non-discriminatory basis to the Board, to be put to shareholders for approval at the AGM, on the appointment, reappointment and removal of the external auditor;
  - b. to consider when the external audit contract should be put out to tender, taking into account the requirements of applicable law and regulation;
  - c. when putting the external audit contract out to tender, to develop and oversee the tendering process and as part of that process to:
    - (1) ensure that the tender process is conducted far enough in advance of appointment for the appointed firm to exit relationships that may cause a conflict of interest;
    - (2) ensure that all tendering firms have such access as is necessary to information and individuals during the process and that all tenders, including non-‘Big Four’ firms, are given fair and objective consideration;
    - (3) ensure that all members of the Committee are involved throughout the tender process, not just attending the audit firms’ final presentations;
    - (4) consider running a price-blind tender;
    - (5) consider public reports, including those published by the Financial Reporting Council (“FRC”), to assess the quality of each firm;
    - (6) if an eligible audit firm is unwilling to tender for an audit, discuss with the firm the reasons for its unwillingness to tender; and
    - (7) submit two possible audit firm options for the engagement to the Board, together with a justified preference for one of them (or where the Committee is not able to submit two viable options, explain why there is only one viable recommendation);
  - d. if the external auditor resigns, to investigate the issues surrounding the resignation and consider whether any action is required; and
  - e. manage the Company’s relationships with audit firms to ensure the Company has a sufficient number of potential auditors that are independent, or capable of becoming so, to allow for adequate competition and choice in future tenders;
- (ii) review and monitor the independence and objectivity of the external auditor;
- (iii) to the extent permissible by law and regulations, negotiate and agree the external audit fee, to pre-approve non-audit services provided by the external auditor in accordance with the Board’s Non-Audit Services Policy and to ensure that the

provision of non-audit services does not impair the external auditor's independence or objectivity;

- (iv) to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- (v) to review the external auditor's representation letter;
- (vi) to assess annually the qualifications, expertise and resources of the external auditor and the outcome and effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's response to questions from the Committee – in the course of its assessment of effectiveness, the Committee should:
  - a. obtain an explanation from the external auditor of the risks to audit quality identified by the auditor and the steps taken to address these risks;
  - b. discuss with the external auditor the key audit firm and network level controls the auditor relied upon to address the risks to audit quality identified and the findings from internal and external inspections of the external auditor's audit and the audit firm, including the FRC's annual report on the auditor, and how any issues identified are being addressed;
  - c. review whether the auditor has met the agreed audit plan and any commitments made during the tender process, including whether the volume and type of resource (in terms of seniority and where relevant specialism) envisaged in the audit plan has been deployed, and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditor to address those risks;
  - d. obtain feedback about the conduct of the audit from key people involved, including consideration of the external auditor's reliance on internal audit, and obtain evidence of the effectiveness of the external audit and the external auditor from those impacted; and
  - e. review and monitor the content of the auditor's management letter, and other communications with the Committee, 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 that they have not been acted upon;
- (vii) to review the internal audit programme and ensure that the internal audit function is adequately resourced, effective and has appropriate standing within the Company;
- (viii) to consider management's response to audit recommendations made either through the internal audit function or external auditor;
- (ix) to consider and if appropriate ratify the appointment or dismissal of the Head of Internal Audit;
- (x) to keep under review the effectiveness of the internal controls and systems for reporting non-financial data, and the related assurance activity, where appropriate;
- (xi) to keep under review the effectiveness of the Company's systems for internal financial control, financial reporting and risk management;
- (xii) to review, and challenge where necessary, the actions and significant financial reporting judgements of management, in relation to the half year and annual financial statements (and where appropriate interim management statements or other formal financial announcements) before submission to the Board, paying particular attention to:

- a. critical accounting policies and practices, and any changes in them
  - b. decisions requiring a major element of judgement
  - c. the extent to which the financial statements are affected by any unusual transactions in the period and how they are disclosed
  - d. the clarity of disclosures
  - e. the findings of the external auditor (reviewing those findings with the external auditor where necessary), including (without limitation):
    - (1) any major issues that arose during the course of the audit or review and how they have been resolved;
    - (2) the auditor's explanation of the risks to audit quality that they identified and how these were addressed;
    - (3) key accounting and audit judgements;
    - (4) the auditor's view of their interactions with senior management;
    - (5) the levels of any errors identified during the audit (obtaining explanations from management) and the extent to which these remain unadjusted in the financial statements; and
    - (6) the effectiveness of the audit;
  - f. the appropriateness of adoption of the going concern basis of accounting and the existence of any material uncertainties which might impact the company's ability to continue to do so, over a period of at least twelve months from the date of approval of the financial statements, and its disclosure in the annual report and accounts
  - g. the appropriateness of the financial modelling, stress testing and related assumptions underpinning the long-term viability statement
  - h. how the impact of climate change is considered and reflected in the financial statements and related assessments such as viability modelling
  - i. compliance with financial reporting standards and relevant financial and governance reporting requirements
  - j. compliance with stock exchange and other legal requirements for financial reporting
  - k. reviewing the Company's statement on internal control systems prior to endorsement by the Board;
- (xiii) to, where requested by the Board, provide advice on whether the annual report and financial statements, 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;
- (xivi) to receive reports from management on any circumstances regarding significant fraud, misappropriation of assets or unethical behaviour which could lead to significant financial loss and to review the Company's procedures for detecting fraud;
- (xv) to provide input to the Board on the Company's approach to ethics compliance (overall compliance being a matter reserved for the Board);
- (xvi) to review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance and to oversee the internal audit Code of Conduct compliance programme, including Anti-Bribery & Corruption;
- (xvii) to produce a report on the work of the Committee for inclusion in the annual report in line with the requirements of applicable law and regulation and associated guidance (including, without limitation, the requirements set out in the UK Corporate Governance Code, the FRC Guidance on Audit Committees, the FRC Audit Committees and the External Audit: Minimum Standard, and the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order); and

(xviii) to consider other topics, as defined by the Board.

## Reporting Procedures

16. Draft minutes of Committee meetings shall be agreed with the Committee Chair and circulated to all other members of the Committee for review in the board pack for the following Committee meeting. Once approved, the Secretary shall make the minutes available to all other members of the Board unless in the opinion of the Committee Chair it would be inappropriate to do so.
17. The Chair of the Committee shall, as a minimum, attend the Board meeting at which the accounts are approved.
18. The Committee shall conduct an annual review of 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.
19. The duties and results of the Committee's activities during the year shall be disclosed in the annual financial statements.
20. The Chair of the Committee shall report formally to the Board on the proceedings of each meeting on relevant matters within its duties and responsibilities.
21. The Chair of the Committee shall attend the AGM and shall answer questions, through the Chair of the Board, on the Audit Committee's report and their responsibilities. In addition, the Chair of the Audit Committee should seek engagement with shareholders on significant matters related to the Audit Committee's areas of responsibility.

## Other Matters

22. The Committee shall:
  - (i) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary, or his or her nominee, for assistance as required;
  - (ii) 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;
  - (iii) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, UK MAR, the UK Prospectus Regulation, the requirements of the Listing Rules, the Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules, the provisions of the FRC's Guidance on Audit Committees and the Competition and Markets Authority Audit Order;
  - (iv) have no executive responsibilities with regard to its supervisory role, findings and its recommendations and it shall be the responsibility of Executive Directors to take appropriate actions.

Effective 1 January 2025