

AVEVA GROUP PLC AUDIT COMMITTEE TERMS OF REFERENCE

1. MEMBERSHIP

- 1.1 The committee shall comprise at least three members. Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chairman of the audit committee (and should include at least one member of the Remuneration Committee).
- 1.2 All members of the committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The chairman of the board shall not be a member of the committee.
- 1.3 Only members of the committee have the right to attend committee meetings. However, the external auditor, Internal Auditor, and Chief Financial Officer will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The board shall appoint the committee chairman. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. SECRETARY

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.

3. QUORUM

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

4. FREQUENCY OF MEETINGS

- 4.1 The committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the committee chairman, and, to a lesser extent, the other committee members, will maintain a dialogue with key individuals involved in the company's governance, including the board chairman, the Chief Executive, the Chief Financial Officer, Internal Auditor, and the external audit lead partner.

5. NOTICE OF MEETINGS

- 5.1 Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members or at the request of the external audit lead partner or head of internal audit if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, 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 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.
- 5.3 Shorter notice and/or late submission of supporting papers will be permitted at the discretion of the committee chairman.

5.4 Notices, agendas and supporting papers can be sent in electronic form instead of in hard copy where the recipient has agreed to receive documents electronically and where circumstances permit such delivery.

6. **MINUTES OF MEETINGS**

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

6.2 Draft minutes of committee meetings shall be agreed with the committee chairman and then circulated promptly to all members of the committee unless it would be inappropriate to do so in the opinion of the committee chairman.

6.3 Once approved, minutes shall be circulated to all other members of the board unless it would be inappropriate to do so in the opinion of the committee chairman.

7. **ANNUAL GENERAL MEETING**

The committee chairman should attend the annual general meeting to answer shareholder questions on the committee's activities.

8. **DUTIES**

The committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1 **Financial reporting**

(a) The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, any preliminary announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the board on significant financial reporting issues and judgements which they contain having regard to the matters communicated to it by the auditor.

(b) In particular, the committee shall review and challenge where necessary:

- (i) the application of, and any changes to, significant accounting policies;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
- (iv) the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; and
- (v) all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit and to risk management.

(c) The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to 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.

- (d) Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board.

8.2 **Narrative reporting**

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 position, performance, business model and strategy and whether it informs the board's statement in the annual report on these matters that is required by the Code.

8.3 **Internal controls and risk management systems**

The committee shall:

- (a) keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial risks and internal control and risk management systems;¹ and
- (b) review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement.

8.4 **Compliance, whistleblowing and fraud**

The committee shall:

- (a) review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing 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;
- (b) review the company's procedures for detecting fraud;
- (c) review the company's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- (d) review regularly the adequacy and effectiveness of the company's anti-money laundering systems and controls.

8.5 **Internal audit**

The committee shall:

- (a) consider, annually, whether there should be an internal audit function and make a recommendation to the board accordingly;
 - (b) review and approve the annual plan of assurance over the operation of internal controls and ensure that it is aligned to the key risks of the business, and receive regular reports on work carried out;
 - (c) ensure that reviews of internal controls have unrestricted scope, the necessary resources and access to information to enable them to be effective;
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- (d) ensure the relevant people leading reviews of internal controls have direct access to the board chairman and to the committee chairman, providing independence from the executive and accountability to the committee;
- (e) carry out an annual assessment of the effectiveness of the internal controls review processes; and
- (f) review the actions taken by management to implement the recommendations of reviews of internal controls.

8.6 **External Audit**

The committee shall:

- (a) consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor;
- (b) ensure that at least once every ten years the audit services 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, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- (c) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the relationship with the external auditor including (but not limited to):
 - (i) approving their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant UK law, regulation, ethical standards and other relevant professional requirements and the relationship with the auditor as a whole, any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
 - (iv) 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;
 - (v) agreeing with the board a policy on the employment of former employees of the company's auditor taking account of ethical standards and legal requirements, and monitoring the implementation of this policy;
 - (vi) monitoring the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation and ethical and professional guidance and standards, including the guidance on the rotation of audit partner and staff;
 - (vii) monitoring the level of fees paid by the company to the auditor compared to the overall fee income of the firm, office and partner and assessing these in

the context of relevant legal, professional, ethical and regulatory requirements, guidance and standards;

- (viii) assessing annually the qualifications, expertise and resources, and independence of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - (ix) seeking to ensure co-ordination with the activities of the internal audit function;
 - (x) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the auditor's communications with the company; and
- (e) developing and recommending to the board the company's formal policy on the provision of non-audit services by the 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: threats to the independence and objectivity of the external auditor and any safeguards in place; the nature of the non-audit services; whether the external audit firm is the most suitable supplier of the non-audit service; the fees for the non-audit services, both individually and in aggregate, relative to the audit fee and the criteria governing compensation; and the criteria governing compensation;
- (f) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (g) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- (h) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (i) discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iii) key accounting and audit judgements;
 - (iv) the auditor's view of their interactions with senior management; and
 - (v) levels of errors identified during the audit.

The committee shall also:

- (a) review any representation letter(s) requested by the external auditor before they are signed by management;
- (b) review the management letter and management's response to the auditor's findings and recommendations;
- (c) review the 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.

9. **REPORTING RESPONSIBILITIES**

- 9.1 The committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities. This report shall include:
- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 8.1(a)) and how these were addressed;
 - (b) its assessment of the effectiveness of the external audit process (required under paragraph 8.6(d)(viii)) and its recommendation on the appointment or reappointment of the external auditor; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The committee shall compile a report on its activities to be included in the company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the UK Corporate Governance Code.
- 9.4 In compiling the reports referred to in 9.1 and 9.3, the 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 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.

10. **OTHER MATTERS**

The committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- (b) 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;
- (c) give due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) 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
- (g) 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.

11. **AUTHORITY**

The committee is authorised to:

- (a) seek any information it requires from any employee of the company in order to perform its duties;
- (b) obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- (c) call any employee to be questioned at a meeting of the committee as and when required; and
- (d) 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.

12. **GENERAL**

- 12.1 The committee shall make these terms of reference available on the company's website, explaining its role and the authority delegated to it by the board.