

**GRACO INC.  
AUDIT COMMITTEE CHARTER**

**Adopted February 18, 2022**

1. **Membership** - The Audit Committee (the “Committee”) shall have at least three members, all of whom shall be “independent” directors who are “financially literate” and at least one of whom shall be an “audit committee financial expert,” all as defined in Section 6 below. The members shall be appointed by the Board of Directors upon recommendation of the Governance Committee. Members shall serve until resignation or removal by the Board of Directors. The Committee shall have a chairperson named by the Board upon recommendation of the Governance Committee.
2. **Meetings** - The Committee will typically hold four in-person meetings and four telephonic meetings during each calendar year, but may hold such different number of meetings, as the Committee shall deem appropriate.
3. **Purpose** - The Committee shall assist the Board in its oversight of the integrity of the Company’s financial statements; the Company’s compliance with legal and regulatory requirements; the qualification and independence of the independent auditor; and the performance of the internal audit function and independent auditors.
4. **Duties and Responsibilities** -
  - a. In its oversight of the integrity of the Company’s financial statements, the Committee will:
    - i. meet to review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the disclosures in the MD&A;
    - ii. discuss earnings press releases, as well as financial information and earnings guidance;
    - iii. review with the independent auditor any audit problems or difficulties and management’s response;
    - iv. review all significant changes in critical accounting policies and practices used and their impact on the Company;
    - v. review with the independent auditor critical audit matters that were identified in the audit and will be discussed in the independent auditor attestation report;
    - vi. review with management and the independent auditor the Company’s internal controls report, and the independent auditor’s report on internal control over financial reporting, prior to the filing of the Company’s Form 10-K; and
    - vii. require the independent auditor to provide the Committee with a report identifying and discussing the following elements whenever the independent auditor performs any audit for the Company:

- (a) all critical accounting policies and practices to be used;
  - (b) all alternative treatments of financial information within GAAP that have been discussed with management of the Company, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and
  - (c) other material written communications between the independent auditor and management.
- b. In its oversight of the Company's compliance with legal and regulatory requirements, the Committee will:
- i. discuss policies with respect to risk assessment and risk management;
  - ii. following input from the Management Organization and Compensation Committee, review and discuss with management its risk assessment of the Company's compensation programs and policies;
  - iii. periodically meet separately with management, with internal auditors and with independent auditors;
  - iv. meet with management at least quarterly to review management's disclosure of fraud and/or deficiencies, if any, in the design or operations of the Company's internal controls; and
  - v. establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including allowing for the submission of confidential anonymous complaints.
- c. In its oversight of the qualification and independence of the independent auditor and the performance of the independent auditor, the Committee will:
- i. be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor, who shall report directly to the Committee;
  - ii. at least annually, obtain and review a report by the independent auditor describing:
    - (a) the independent auditor's internal quality-control procedures;
    - (b) any material issues raised by the most recent quality-control review, or peer review of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five (5) years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and
    - (c) all relationships between the independent auditor and the Company.

- iii. periodically evaluate the lead partner of the independent auditor, taking into account the opinions of management and the internal auditors, and consider whether there should be a regular rotation of the independent audit firm itself;
  - iv. set clear hiring policies for employees or former employees of independent auditors;
  - v. preapprove all audit and permitted non-audit services provided to the Company by the independent auditor, which authority may be delegated by the Committee to one or more of its designated members, and review the disclosure in the 10-Q and the 10-K of the approval by the Committee, or its delegate, of any non-audit service performed by the independent auditor; and
  - vi. resolve any disagreements between management and the independent auditor regarding financial reporting.
- d. In its oversight of the internal audit function of the Company, the Committee will:
- i. establish that the head of the internal audit function is ultimately accountable to the Committee and the Board;
  - ii. approve all proposed personnel actions (except compensation) pertaining to the head of the internal audit function; and
  - iii. review the composition, responsibilities, authority, plans, activities and significant comments and recommendations of the internal audit function, and management's responses thereto.
- e. The Committee will prepare and approve the report required by Securities and Exchange Commission ("SEC") rules to be included in the Company's proxy statement, which report shall state whether the Committee:
- i. has reviewed and discussed the audited financial statements with management;
  - ii. has discussed with the independent auditor matters required to be communicated to audit committees by the Public Company Accounting Oversight Board ("PCAOB"), SEC and New York Stock Exchange ("NYSE") standards and rules;
  - iii. has received the disclosures and the letter from the independent auditors regarding the independence of the auditor as required by applicable requirements of PCAOB and has discussed with the independent auditors the auditor's independence; and
  - iv. has recommended to the Board (based on the review and discussions in 4.a. through 4.c. above) that the audited financial statements be included in the Company's 10-K.
- f. The Committee will review and approve the information required by SEC rules to be disclosed in the Company's proxy statement, which shall state:
- i. the amount of audit fees and all other non-audit fees paid to the independent auditor during the preceding fiscal year;

- ii. whether the Committee considered if the non-audit services the Company received from its independent auditor were compatible with maintaining the independence of the auditor; and
  - iii. if the hours expended on the audit by persons other than the independent auditor's full time permanent employees is over 50%, the percentage of hours expended by personnel leased or otherwise acquired from another entity.
- g. The Committee shall have the following general duties and responsibilities:
- i. regularly report to the Board, including any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditors, or the performance of the internal audit function;
  - ii. review and reassess the adequacy of the Committee's Charter and recommend appropriate modifications to the Board for approval on an annual basis;
  - iii. perform annually an evaluation of the Committee's performance;
  - iv. oversee the Company's cybersecurity risks and strategy, with management providing regular reports to the Committee on cybersecurity risks facing the Company and the systems management has in place to identify, mitigate and manage those risks; and
  - v. review:
    - (a) the status of the Company's tax returns and tax audits worldwide;
    - (b) the status of all material threatened or pending actions, investigations, proceedings or litigation involving the Company;
    - (c) the results of annual internal audit of officers' expense reports and summary of officer perquisites; and
    - (d) Company policies and practices designed to prevent unethical or illegal activities.
- h. The Committee shall have the authority to obtain the advice and assistance of outside legal, accounting or other advisors, as appropriate.

**5. Funding** - The Company shall provide the appropriate funding, as determined by the Committee, for payment of the independent auditor for audit activities, compensation of outside advisors, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

**6. Definitions** - As used in this charter, the listed terms shall have the following definitions:

- a. An "independent" director shall be a director who is independent as required and defined by the listing standards of the NYSE, and:
  - i. has not accepted any consulting, advisory, or other compensatory fee from the Company, other than fees for service as a member of the Board or the Committee; and

- iii. is not an affiliated person of the Company or any of its subsidiaries, other than in his or her capacity as a member of the Committee, the Board or any other board committee.
  
- b. “Financially literate” means that the director, in the good faith business judgment of the Board, is able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. The Board may reasonably infer this ability by the employment positions held by the director at other companies.
  
- c. “Audit committee financial expert” shall be as defined in applicable SEC regulations.