

**THE TORO COMPANY**  
**AUDIT COMMITTEE CHARTER**

**Policy Statement**

The Audit Committee (the "Committee") shall provide assistance to the Board of Directors of The Toro Company (the "Company") in oversight of the quality and integrity of the Company's financial reports, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, the performance of the Company's internal audit function, and accounting and reporting processes. In addition, the Committee shall cause the preparation of the report required by the Securities and Exchange Commission's proxy rules to be included in the Company's annual proxy statement and shall have the further duties and responsibilities set forth in this Charter. In achieving these purposes it is the Committee's responsibility to foster free and open means of communication between the Company's directors, independent public accountants, internal auditor, and management.

**I. *Organization***

At the first meeting of each newly elected Board of Directors the members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee. The Committee shall be comprised of a minimum of three directors, with one member designated as Chair. The Committee shall consist entirely of members who meet the independence and experience requirements of the New York Stock Exchange and any other regulations applicable to the Company from time to time, including regulations limiting Committee member compensation. Each Committee member shall be financially literate, as interpreted in the business judgment of the Board, or shall become financially literate within a reasonable period of time after appointment. The Chair shall have accounting or related financial management expertise and shall be a "financial expert", as interpreted in the business judgment of the Board, in accordance with such regulations as may be applicable to the Company from time to time. No member of the Committee shall serve on more than two audit committees of publicly traded companies other than the Company at the same time such member serves on this Committee, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on this Committee.

**II. *Meetings***

The Committee may meet as often as may be necessary or appropriate, and at such times and places as it shall determine, provided that the Committee shall meet at least three times a year. The Committee shall record the actions taken at such meetings, and shall report to the Board with respect thereto. A majority of the members of the Committee shall constitute a quorum. In the absence of the Chairman, the members may appoint another member to preside. As part of its goal to encourage open communication, the Committee shall meet at least annually with

the Company's management, internal auditor(s) and the independent public accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

### **III. *Resources***

The Committee shall have the authority to retain and compensate special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Audit Committee may also meet with the Company's investment bankers or financial analysts who follow the Company. The Company shall provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board of Directors, for payment of compensation to the registered public accounting firm (as provided in the Sarbanes-Oxley Act of 2002) employed by the Company for the purpose of rendering or issuing an audit report, and to any advisors employed by the Audit Committee.

### **IV. *Principal Duties and Responsibilities***

The Audit Committee, in its capacity as a committee of the Board of Directors, shall be directly responsible for the appointment, compensation and oversight of accounting and financial processes and the work of any registered public accounting firm (as provided in the Sarbanes-Oxley Act of 2002) employed by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and each such registered accounting firm shall report directly to the Committee.

The Audit Committee shall:

- A. Review and evaluate at least annually the qualifications, independence and performance of the independent public accountants and select, engage, retain, compensate and, where appropriate, replace the outside auditor. Review the experience and qualifications of the client service, lead audit, and lead tax partners. At least annually, obtain and review a report by the independent auditor describing: (i) the firm's internal quality-control procedures and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, relating to one or more audits carried out by the firm and any steps taken to deal with any such issues. If appropriate, review availability of other independent public accounting firms, and select a firm to audit the financial statements of the Company for the next fiscal year. The Committee shall periodically and at least annually obtain a formal written statement from such firm delineating all relationships between the firm and the Company confirming independence, and evaluating the impact of any disclosed relationships or services on the independence and objectivity of such firm; and shall take, or recommend that the Board of Directors take,

appropriate action in response to the outside auditors' report to satisfy itself of the outside auditors' independence.

- B. Review, and approve in advance the scope, magnitude, and budgets of all examinations of the Company's financial statements by the independent auditor.
- C. Review and approve in advance, the retention of the independent auditor for all types of audit and non-audit services to be performed by the independent public accountants, and approve the fees for such services, other than de minimus non-audit services allowed by relevant law. Periodically pre-approve the retention of the independent auditor for any additional non-audit services.
- D. Either before or after a regular Committee meeting, meet as needed, but no less than once a year, with the independent public accountants without other representatives of the Company present to discuss internal controls and the accuracy and completeness of the Company's financial statements.
- E. Review the Company's general policies and procedures with respect to accounting and financial matters and internal controls, including this Charter, and update as conditions dictate. Recommend any proposed changes to this Charter to the Board for approval.
- F. Review the annual audit plans of the Company's internal audit group and its capability to perform its duties (including its organization, staffing and independence).
- G. Review significant comments and recommendations of the internal audit group and management's responses thereto.
- H. Review as needed, the Company's Code of Business Conduct, and the Code of Ethics for CEO and Senior Financial Officers and any changes thereto; and the policies and procedures established for the receipt, retention and treatment of complaints from employees on accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Obtain reports from management with respect to compliance with the Code of Business Conduct including reports of any inquiries relating to the accounting records or any complaints received regarding accounting, internal accounting controls or auditing matters. In addition, obtain reports from management, the Company's internal audit group and the independent auditor that the Company's subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Conduct, including disclosures of insider and affiliated party transactions.
- I. Receive analyses and comments regarding AICPA, FASB, SEC, and other accounting pronouncements which might affect the Company.

- J. Review results of audit with the independent public accountants and management for the following areas:
- 1) Difficulties encountered in performing the audit.
  - 2) Material errors or irregularities, or possible material illegal acts.
  - 3) The annual audited financial statements including significant issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Company's financial statements.
  - 4) Disagreements with management on financial accounting and reporting matters and auditing procedures which, if not satisfactorily resolved, would have caused a modification of the independent public accountant's opinion on the Company's financial statements.
  - 5) Management's responses to the foregoing.
  - 6) Opinions, if any, obtained by management from other independent public accountants on:
    - (a) the application of generally accepted accounting principles that would affect the Company's financial statements, or
    - (b) the type of opinion that may be rendered on the Company's financial statements, together with the conclusions reached by management and by the Company's independent public accountant with respect to the matters covered by such opinions.
  - 7) Accounting and disclosure considerations associated with material contingencies as defined in FASB Statement No. 5, together with the nature and reasonableness of the underlying assumptions and estimates of management.
  - 8) Accounting and disclosure decisions with respect to transactions that are unusual in nature, and have a material effect on the financial statements.
  - 9) Situations involving the adoption of, or change in an accounting principle where the application of alternative generally accepted accounting principles, including alternative methods of applying an accounting principle, would have had a material effect on the financial statements.
  - 10) The effect of regulatory and accounting initiatives.

- K. Recommend to the Board whether the audited financial statements should be included in the Annual Report on Form 10-K.
- L. Review with management and the independent auditor the results of the independent auditors' reviews of the quarterly financial statements.
- M. Review with management and the independent auditor any correspondence with regulators or governmental agencies and any significant employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
- N. Obtain or perform an annual evaluation of the Committee's performance and review at least annually, and, if appropriate, propose changes to the Audit Committee Charter.
- O. Review any proposal of the Company to hire any partner or former partner of an independent auditor who was engaged on the Company's account. The Audit Committee will also review any other hirings of other personnel by the Company from an independent auditor's firm.
- P. Discuss the Company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations"
- Q. Review and discuss the type and presentation of information to be included in earnings press releases, as well as review any financial information and earnings guidance provided to analysts and rating agencies. This may be done generally and does not require the Committee to discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
- R. Discuss the policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- S. Notify the Board of Directors of any major problems or deficiencies discovered in respect to any of the above duties. Report regularly to the Board, including, to the extent the Committee deems appropriate, 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 internal and independent auditor and the performance of the internal audit function.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting

principles. This is the responsibility of management and the independent auditor, which is ultimately accountable to the Board of Directors and the Audit Committee. Nor is it the duty of the Audit Committee to assure compliance with the laws and regulations and the Company's Code of Conduct.