

**FARO TECHNOLOGIES, INC.**  
**Audit Committee Charter**  
**(As amended on July 25, 2012)**

This Audit Committee Charter (“Charter”) is intended to assist the Audit Committee (“Committee”) of the Board of Directors (“Board”) of FARO Technologies, Inc. (“Company”) in carrying out its duties and responsibilities. This Charter is in addition to, and is not intended to change or interpret, any federal or state law or regulation, the rules of the Securities and Exchange Commission (“SEC”), the listing standards of the NASDAQ Stock Market (“Nasdaq”), the Florida Business Corporation Act, or the Company’s Articles of Incorporation or Bylaws. This Charter is not intended to, and does not, create any legal or fiduciary duties or responsibilities or form the basis for a breach of fiduciary duty or potential liability. This Charter is subject to modification and interpretation by the Board.

**A. General Role.**

The Audit Committee will assist the Board in fulfilling its financial and other oversight responsibilities. The Committee’s primary purpose is to provide oversight and monitoring regarding the Company’s financial statements and other financial information, accounting and financial reporting process, the system of internal control, the audit process, and the Company’s process for monitoring compliance with laws and regulations. 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 and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors.

**B. Members.**

The Committee shall consist of two or more directors, all of whom shall meet the independence and other requirements of the SEC, Nasdaq, Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Sarbanes-Oxley Act of 2002, other applicable laws, rules and regulations and the Company’s Bylaws, except as otherwise determined by the Board in accordance with the requirements of the SEC, Nasdaq, the Exchange Act, the Sarbanes-Oxley Act of 2002, other applicable laws, rules and regulations and the Company’s Bylaws. Additionally, all members of the Committee must comply with all financial literacy requirements of Nasdaq, and at least one member of the Committee shall qualify as an “audit committee financial expert” as defined by the SEC. Members of the Committee shall be appointed by the Board, upon the recommendation of the Governance and Nominating Committee. Committee members may be removed in accordance with the Company’s Bylaws. Unless appointed by the Board, the Committee shall elect a Chairperson by majority vote.

**C. Meetings.**

The Committee shall meet following the end of each fiscal quarter prior to the release of quarterly or annual earnings to review the Company’s financial results for the preceding fiscal

quarter or year, as the case may be. In addition, special meetings shall be held as circumstances require, in accordance with the Company's Bylaws. The Committee shall periodically meet in executive session and, as appropriate, separately with the Company's external auditors or internal audit department. The Committee may invite to its meetings such other directors, members of Company management and such other persons or advisors as the Committee or its Chairman deems necessary or appropriate in order to carry out the Committee's duties and responsibilities. The Committee shall keep minutes of its meetings as it shall deem appropriate. The Chairperson will chair all regular sessions of the Committee and, in consultation with the Company's management, set the agenda for Committee meetings; provided that in the Chairperson's absence, the Chairperson's responsibilities may be undertaken by another member of the Committee. The Committee, through its Chairperson, shall regularly report its activities to the Board so that the Board is kept fully informed of the Committee's activities on a current basis. Minutes of each Committee meeting shall also be distributed to the Board as and when appropriate.

**D. Responsibilities.**

The Committee's responsibilities shall include the following:

***1. Internal Control and Financial Reporting***

- Oversee the integrity of the Company's financial reporting process
- Discuss with management its efforts to communicate the importance of internal control
- Discuss annually with management and the external auditors the extent to which the external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown
- Oversee the process of documentation, assessment and testing of internal controls performed pursuant to Section 404 of the Sarbanes Oxley Act of 2002 by management, internal audit and the external auditors
- Discuss with management whether internal control recommendations made by the external auditors have been implemented by management and, in connection with the Company's next financial statement audit, discuss with the external auditors whether the recommendations were implemented to the satisfaction of the external auditors. Review with the external auditors, internal audit department and management the adequacy and effectiveness of the Company's internal controls and procedures for financial reporting, including the report of the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies or material weaknesses in the design or operation of internal controls and any fraud involving management or other employees who have a significant role in the Company's internal controls
- Review with the external auditors, internal audit department and management any material changes or improvements to the Company's internal controls and procedures for financial reporting and disclosure controls and procedures

## **2. *Financial Statements and other Financial Information***

### **General**

- Periodically review with the external auditors, internal audit department and management significant accounting and reporting issues, including recent professional and regulatory pronouncements
- At least annually, discuss with management and the external auditors significant risks and exposures and the plans to minimize such risks; request that management and the external auditors provide updates to the Committee as appropriate
- Review and discuss with the external auditors, internal audit department and management the quality and appropriateness of the Company's accounting principles and underlying estimates as applied to its financial reporting, as well as any material changes to the Company's accounting principles or any changes suggested by the external auditors that are not adopted

### **Annual Financial Statements**

- Review and discuss with management and the external auditors the annual audited financial statements to be included in the Company's annual report on Form 10-K and, based on the foregoing review and discussion, recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K
- Review and discuss with management and the external auditors the other material financial content, including management's discussion and analysis ("MD&A"), included in the Company's annual report on Form 10-K before its release

### **Interim Financial Statements**

- Consult with management and the external auditors, as appropriate, regarding matters related to the preparation of quarterly financial information
- Review and discuss with management the interim financial statements and other material financial content, including MD&A, included in the Company's Form 10-Q and approve such disclosure prior to its release

### **Other Financial Information**

- Review and discuss with management any other material financial information, including the quarterly and annual earnings press releases, financial information or earnings guidance provided to analysts, lenders or ratings agencies; provided that the Committee may discuss with management the general information to be disclosed in lieu of reviewing each such disclosure and/or responsibility for such review may be delegated to one or more members of the Committee
- Review and discuss with management, internal audit or the external auditors, as appropriate, any material internal reports regarding financial information prepared by management, the internal auditors or the external auditors

## **3. *Compliance with Laws and Regulations***

- Periodically obtain updates from management, legal counsel, and the tax director regarding compliance with applicable laws and regulations

- Periodically receive updates from management regarding the findings of any examinations by regulatory agencies that may have a material impact on the financial statements, such as the SEC

#### **4. *External Audit***

- Appoint, retain and, as appropriate, terminate the Company's external auditors, in the Committee's sole discretion; the external auditors shall report and be accountable to the Committee
- At least annually, review the results of the shareholder vote, if any, from the last annual meeting regarding the ratification of the external auditors
- Approve, in its sole discretion, the compensation to be paid to the external auditors
- Oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting
- Pre-approve (which pre-approval may be pursuant to pre-approval policies and procedures established by the Committee) all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its external auditors, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act; provided that the Committee may delegate authority to grant pre-approvals of audit and permitted non-audit services to one or more of its members, provided that decisions of such member or members to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting
- Meet with the external auditors prior to the audit and review the external auditors' proposed audit scope, staffing and approach
- Ensure the receipt of formal written reports from the external auditors regarding the auditors' independence and delineating all relationships between the auditors and the Company, consistent with Public Accounting Oversight Board Rule 3526, and discuss such reports with the auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors; it is the responsibility of the Committee to take such action as may be necessary to ensure the independence of the external auditors
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit, as required by law
- Set clear policies for the hiring by the Company of employees or former employees of the external auditors who participated in any capacity in the audit of the Company
- Discuss with the external auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit
- Review and discuss reports from the external auditors on:
  - All critical accounting policies and practices to be used
  - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors

- Other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences

**5. *Other Responsibilities***

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters
- Review and approve all related-party transactions, as required by the Company's Statement of Policy and Procedures with Respect to Related Person Transactions
- Prepare, with the assistance of counsel if appropriate, the report required by the rules and regulations of the SEC to be included in the Company's annual proxy statement
- From time to time, if the Committee determines it to be necessary or appropriate, conduct such reviews, investigations and surveys as the Committee may consider necessary or appropriate in the exercise of its duties and responsibilities
- Perform such other duties as the Board may from time to time delegate to the Committee

**E. Unrestricted Committee Communications; Resources.**

The Committee shall have unrestricted lines of communication with the Company's chief executive officer, chief financial officer, independent auditors, and outside legal counsel at all times. The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined in the sole discretion of the Committee, for payment of compensation to the external auditors for the purpose of rendering or issuing an audit report or performing related services and to any advisors retained by the Committee. The Company shall also provide appropriate funding, as determined by the Committee, for ordinary administrative expenses incurred by the Committee in carrying out its duties.

**F. Subcommittees.**

The Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), but only to the extent permitted by this Charter.

**G. Annual Review of Charter.**

The Committee shall, at least annually and at such times as it deems appropriate, review and reassess the adequacy of this Charter with an emphasis on compliance with any new SEC or Nasdaq rules and considering other developments and, if determined necessary or appropriate, make recommendations to the Board. During this review process, the Committee may seek the input of the Company's outside legal counsel and/or other experts or advisors with regard to the adequacy of this Charter and the necessity or desirability of any amendments.