

**McBRIDE plc**

**AUDIT COMMITTEE**

**CONSTITUTION AND TERMS OF REFERENCE**

**1. CONSTITUTION**

- 1.1 The Audit Committee (the “Committee”) is a committee of the board of directors (the “Board”) of McBride plc (the “Company”) established under Article 115 of the Articles of Association.

**2. TERMS OF REFERENCE TO BE MADE AVAILABLE**

- 2.1 The Committee shall make available these terms of reference upon written request and by including them on the website of McBride plc.

**3. MEMBERSHIP**

- 3.1 The chairman of the Committee (the “Chairman”) shall be appointed by the Board. The Committee shall be appointed by the Board on the recommendation of the Nomination Committee and shall comprise a chairman and at least two other members. All members of the Committee shall be independent non-executive directors of the Company. The Chairman of the Board shall not be a member of the Committee. At least one member of the Committee should have recent and relevant financial knowledge and the Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 3.2 The Committee members will normally serve for a period of not less than three years and for a maximum period of nine years taking into account the importance of refreshing the membership of the Committee and avoiding undue reliance on any particular individual. In the absence of the Chairman of the Committee, the remaining members present at a meeting shall elect one of their number to chair the meeting.

**4. ATTENDANCE AT MEETINGS**

- 4.1 The Company Secretary (or such person as nominated by the Committee) shall be appointed Secretary to the Committee to arrange meetings, take minutes and circulate documentation. This appointment will be reviewed annually by the Board but the Secretary will always be someone independent of the finance function. Draft minutes shall be circulated promptly to all Committee members. Once approved, minutes shall be circulated to other members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.
- 4.2 The Chairman of the Board, Chief Executive Officer and Chief Finance Officer (all of whom shall receive notice of all meetings of the Committee) may attend meetings by invitation, and any other executive may also attend by invitation of the Chairman when matters specific to their responsibility are discussed.
- 4.3 The internal and external auditors may also be invited to attend meetings of the Committee and shall, at least annually, attend a meeting of the Committee without the presence of executive members of the Board.

4.4 These arrangements shall be without prejudice to (a) the internal auditor's right of direct access to the Chairman of the Board and the Chairman of the Committee; or (b) the external auditors' right of direct access to the Chairman of the Board, the Chairman and the members of the Committee.

4.5 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

## **5. FREQUENCY OF MEETINGS**

5.1 There shall be a minimum of three meetings per annum including one meeting after the year end at which the external auditors will present the audited accounts and their management report. Meetings shall be called by the Secretary, giving reasonable notice, at the request of any member or at the request of the external auditors or the Head of Internal Audit (should they consider it necessary).

5.2 A quorum of the Committee will be two members and, wherever possible, any quorum will include a member with recent and relevant financial experience.

5.3 Notice of each meeting, confirming the venue, time and date, and an agenda of items to be discussed should be sent to all members of the Committee, any person required to attend and any other non-executive directors no later than five days before the date of the meeting.

5.4 Outside of the formal meeting programme, the Committee Chairman will maintain dialogue with key individuals involved in the company's governance including the Chairman, Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

## **6. REPORTING**

6.1 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretions vested in or exercisable by the Committee.

6.2 The Chairman shall report to the Board after each meeting and shall, once a year, report to the Board on issues arising from its work in the preceding financial year. At the beginning of each meeting the Secretary shall ascertain any conflicts of interest and minute them accordingly. Such minutes shall be circulated to all members of the Committee and, once agreed, to members of the Board unless it is inappropriate to do so, and to the external auditors when the Committee considers it necessary to do so.

6.3 The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the Company's annual report and accounts. The report shall include details of the names and qualifications of the members, the number of meetings in the period and the attendance by each member. The report shall also take account of Financial Reporting Council ("FRC") and other relevant regulations and guidelines.

6.4 Where disagreements between the Committee and the Board cannot be resolved, the Committee shall report the issue to the shareholders as part of the report on its activities in the Company's annual report and accounts.

6.5 If the Board does not accept the Committee's recommendation regarding the appointment, reappointment and removal of the external auditors, the Committee shall

include a statement in the annual report and accounts explaining its recommendation and reasons why the Board has taken a different stance.

- 6.6 The Chairman or, in his absence, an alternate shall attend the AGM and shall answer questions on the Committee's activities and their responsibilities.

## **7. AUTHORITY**

- 7.1 The Committee is authorised to investigate any activity within its terms of reference as defined in this charter. It has authority to request any information it requires from any employee and employees will be directed to co-operate with any request made by the Committee.
- 7.2 The Committee is authorised to obtain outside legal or other advice and to arrange attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 7.3 The Committee will also have the authority to review matters arising in subsidiary companies on behalf of McBride plc. This power will also relate to overseas subsidiaries.
- 7.4 The Chairman will report to the Board on its activities and findings following each meeting of the Committee. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **8. DUTIES**

The Committee shall monitor compliance with legal and regulatory requirements with the objective of ensuring that all disclosures made to shareholders are transparent, effective and meaningful.

The Committee shall take full account of the UK Corporate Governance Code (the "Code") and related guidance. Variations from the Code shall be prior approved by the Board. In fulfilling its duties, the Committee shall also take account of the provisions of the Companies Act 2006 including (but not limited to) the requirement for directors to exercise their duties in good faith and in ways most likely to promote the success of the Company for the benefit of its members as a whole. The Committee shall also have regard to the relevant regulations of the Competition and Markets Authority Statutory Audit Services Order 2014 in relation to audit contract tendering and audit firm rotation.

The duties of the Committee shall be:

### **8.1 External Audit**

- 8.1.1 To oversee the Company's relations with the external auditors.** To consider and make recommendations on the appointment, reappointment and removal of the external auditors. When reviewing the appointment or reappointment of the external auditors, the Committee must consider the reputation of the firm, their audit approach and techniques, industry knowledge, independence, continuity of staffing, quality control procedures, geographical coverage and the method of communicating results. To approve the terms of engagement and the remuneration to be paid to the external auditors in respect of audit services provided, ensuring that the fee is appropriate and an effective and high quality audit can be conducted for that fee. To investigate the issues leading to the resignation of an auditor and to decide on any consequential action. To disclose in the Company's annual report and accounts the Committee's

approach to auditor selection including (if applicable) any contractual obligation to appoint certain types of audit firm or restrictions on the Committee's choice of external auditors together with information on the appointment, reappointment or removal of the external auditors including information on, length of tenure of the current auditor, when a tender was last conducted and advance notice of any retendering plans.

- 8.1.2 The external audit contract should be put out to tender at least every ten years** with consideration given to external tendering at least every five years. In respect of such tender, the Committee shall oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the process.
- 8.1.3 To review and approve the annual audit plan and audit process**, 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.
- 8.1.4 To assess and keep under review the relationship with the external auditors** including the qualification, expertise and resources, effectiveness, independence and objectivity of the external auditors. To seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements and receive a report on their own internal quality procedures. To monitor the firm's compliance with applicable ethical guidance relating to the rotation of audit partners, the level of fees that the Company pays in proportion to the overall fee income of the firm, office and partner and other related regulatory requirements. To agree with the Board and monitor the Company's policy for the employment of former employees of the external auditors. To satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company (other than in the ordinary course of business). To consider any risks of the external auditors withdrawing from the market. To suggest factors to be considered in the event of engaging firms from more than one network to work on the audit.
- 8.1.5 To develop and recommend to the Board the Company's policy on the provision of non-audit services** by the external auditors and ensure that the provision of such services does not impair the external auditors' independence or objectivity. The policy should specify the types of non-audit work from which the external auditors are excluded and those for which they may be retained with and without consideration by the Committee; it should be reviewed at least once per year. The annual report should explain how the auditor is objective and independent when they also provide non-audit services.
- 8.1.6 To meet regularly with the external auditors.** Before each audit, the Committee should discuss and agree with the external auditors the nature and scope of the audit. This will include key dates in the timetable, together with the approach to important audit issues. The Committee should also consider the effect of any new or proposed changes in the accounting principles or regulatory requirements on the Group's financial position as well as any proposals which the external auditors have made vis à vis the Company's accounting policies. After each audit at the reporting stage, the Committee will review the findings of the audit with the external auditors.
- 8.1.7 To discuss problems and reservations arising from the interim and final audits, and any other matters the external auditors may wish to raise.** If considered appropriate by the external auditors, this part of the meeting should take place in the absence of management. The discussions will include the nature and resolution of any significant disagreements between the external auditors and management

together with resolution of any auditing adjustments or reclassifications made by the external auditors and their views on judgmental issues. The external auditors should also explain the reasons for any significant fluctuations between the financial years, any changes in the presentation of the accounts, as well as comment on internal controls, estimates used in the accounts and methods for auditing non-financial information.

- 8.1.8 To review the nature and results of the external audit.** To satisfy themselves as to the adequacy of the audit as well as the cost effectiveness, independence and objectivity of the external auditors, including discussing with the external auditors the scope and any matters arising from the audit. To enquire as to the Company's external auditors' views about whether management's choices of accounting policies are conservative, moderate or aggressive from the perspective of income, asset, and liability recognition, and whether those policies are common practices or minority practices. To ensure that the CFO and the Company's external auditors discuss with the Committee their qualitative judgements about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Company and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates.
- 8.1.9 To review the management letter and management response including the follow up of items carried forward from previous year.** The Committee should ensure that action plans are in place for the resolution of issues and should monitor the progress of this plan.
- 8.1.10 To review the disclosures made to the external auditors.** The Committee should seek to ensure that all relevant audit information has been made available to the external auditors to allow them to prepare their report, and to ensure that no false statements have been made by any director. To consider any representation letter requested by the external auditors before it is signed by management.

## **8.2 Financial Reporting**

- 8.2.1 To review and monitor the integrity of the interim and annual financial statements and report to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the auditor.** This review should focus on the consistency of and any changes to accounting policies and practices, those areas where judgement has been applied or where different approaches would have been possible, any significant adjustments resulting from the audit, compliance with accounting standards and compliance with Stock Exchange and legal requirements. In addition, the Committee must ensure it receives an explanation of any material changes in the year and satisfy themselves that the financial statements give a true and fair view of the profit, assets, liabilities, financial position of the Group. The Committee will also consider whether the Company has followed appropriate accounting standards and made appropriate accounting judgements taking into account the views of the external auditors. To enquire as to the Company's external auditors' views about how the Company's choice of accounting policies and disclosure practices may affect shareholders' and the public's view and attitudes about the Company. The Committee must ensure adequate disclosure of commitments and contingent liabilities.
- 8.2.2 To review and challenge where necessary, the methods used to account for significant or unusual transactions where different approaches are possible.**

- 8.2.3 To review the going concern statement.** This review should consider the assumptions used and identify, and take specific account of, any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date the financial statements are approved. The Committee will incorporate in its annual report a true and fair view of the Company's exposure to uncertainty and liquidity risk.
- 8.2.4 To review all material information presented with the annual financial statements,** such as the Strategic Report and the Corporate Governance Report.
- 8.2.5 To prepare and approve the Audit Committee Report** and to report to shareholders on its activities, and to consider disclosing significant issues addressed by the Committee. (Information need not be disclosed which the Committee considers would be prejudicial to the interests of the Company.).
- 8.2.6 To review and monitor the integrity of any other financial statements and formal announcements relating to the Company's financial performance.** Wherever practicable (without being inconsistent with any requirement for prompt reporting under the Listing Rules) the Committee should review such statements before release.
- 8.2.7 To review any related party transactions** and consider the adequacy of disclosure of those transactions in the annual report and accounts.
- 8.2.8 To review the Company's finance manual and Board statement on internal control.**
- 8.2.9 To perform a review of the content of the annual report and financial statements independently from both the executive directors and the external auditors,** advising the Board on whether, taken as a whole, it is a fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- 8.2.10 To assess the viability of the business.** Where requested by the Board, the Committee should provide advice on how, when taking into account the Company's position and principal risks, the prospects of the Company have been assessed, (including taking any qualifications or assumptions that have been made) over what specified period and why that period is regarded as appropriate

### **8.3 Internal Controls and Risk Management Systems**

- 8.3.1 To monitor the Company's internal controls and risk management systems.** Monitor and challenge the adequacy of the Company's procedures in respect of internal controls and business risk identification and risk management processes. Check the adequacy of actions taken to remedy weaknesses and incidents. Conduct, at least annually, a review of the effectiveness of the Company's internal control systems and report accordingly to shareholders.
- 8.3.2 To review any statements prepared by the Board** on internal control systems and risk management prior to the Board endorsing such statement.
- 8.3.3 To ensure there is regular reporting by management** on their monitoring of internal controls.

**8.3.4 To ensure that the annual report and accounts includes a section relating to principal risks and uncertainties.**

**8.3.5 To review the procedures for whistleblowing and fraud detection.** To review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting or other serious matters and ensure these arrangements allow for proportionate and independent investigation and follow up action. To review the Company's procedures for detecting fraud.

**8.3.6 To consider the ethics and policies** for ensuring that the Company complies with the Company's policies for preventing or detecting fraud and its code of corporate conduct/business with relevant regulatory and legal requirements.

#### **8.4 Internal Audit**

**8.4.1 To review the Company's systems and controls** for the prevention of bribery and corruption, and receive reports on any matters of non-compliance.

**8.4.2 To consider the need for an internal audit function** where no such function exists and to make a recommendation to the Board of whether such a function should be established. The reasons for the absence of such a function should be explained in the relevant section of the annual report.

**8.4.3 To monitor and review the effectiveness of the internal audit programme** in the context of the overall risk management system. Where there is an internal audit function to ensure that internal audit is operating efficiently and effectively within the organisation. To review and assess the internal audit plan and review reports from the auditors, their recommendations and management responsiveness.

**8.4.4 To review the scope, results and extent of the internal audit function** and to satisfy themselves of its adequacy, particularly in terms of resources, reporting lines, independence, objectivity and standing work programme and actions upon its recommendations. To approve the appointment or termination of appointment of the head of internal audit and to meet with the head of internal audit at least once a year without the presence of management.

**8.4.5 To review and concur in the appointment, replacement or dismissal of internal auditors.**

**8.4.6 To consider whether an independent, third party review of internal audit effectiveness and processes is appropriate.**

**8.4.7 To ensure co-ordination between the internal audit function and the Company's external auditors** and ensure that there is a right of direct access to the Chairman of the Board and to the Committee.

#### **8.5 General**

**8.5.1 To oversee the year-end planning process** including scope, planned levels of materiality and proposed resources.

**8.5.2 To ensure appropriate follow up actions are pursued.** To review internal and external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management. To review reports on any major defalcations, frauds and

thefts from the Company and management's response (in the absence of management where necessary).

- 8.5.3 To review the Treasury Policy** of the Company including, but not limited to, the Company's management of interest rates and currency risks arising from its operations and sources of finance and the Company's transactional currency exposure arising from its commercial activities overseas.
- 8.5.4 To review the adequacy and availability of the Company's banking facilities** and report to the Board thereon.
- 8.5.5 To consider and monitor the impact of taxation changes/opportunities.**
- 8.5.6 To review annually the Committee's terms of reference**, its performance and effectiveness and recommend any necessary changes to the Board.
- 8.5.7 To institute special projects or other investigations** on any matter within the Committee's terms of reference as it sees fit, following consultation with the Chairman/Chief Executive. Additionally, to consider from time to time whether any special remit shall be referred to the Company's external auditors or to any other external body. To consider the findings of any other internal investigations.
- 8.5.8 To keep under review legislative and regulatory compliance activities**, including the development of appropriate procedures, periodically monitoring the adequacy of compliance arrangements within the Company. To give due consideration to laws and regulations, the Code and the requirements of the FCA Listing Rules and any other applicable rules, as appropriate.
- 8.5.9 To have access to sufficient resources** in order to carry out its duties, including access to the Company Secretary for assistance as required. To be provided with appropriate training in terms of induction and any relevant professional development on an ongoing basis.
- 8.5.10 To communicate effectively to shareholders the extent of its activities.**
- 8.5.11 To be offered the provision of appropriate and timely training**, both for new members and on an ongoing basis including ensuring all members are kept appraised of market practice and regulatory and governance development
- 8.5.12 To work and liaise as necessary with all other Board Committees.**

(Note: The Board itself has the overall responsibility for reviewing the effectiveness of internal controls. In doing so, the Board is required to exercise the standard of care applicable to directors in the exercise of their duties. The Board is also required to give explicit confirmation in the annual report and accounts where any action has been taken, or is being taken, to remedy significant failings or weaknesses identified in its review of the internal control system. Accordingly, the Committee shall report to the Board on this area in sufficient detail and with sufficient regularity as to enable the Board to fulfil its duties and to provide assurance to the Board that the controls have been adequate throughout the year and to support the end of year statement of the Board within the annual report and accounts.)

**The Board authorises the Committee:**

To investigate any activity within its terms of reference and seek any information it requires from any employee (all employees being directed to co-operate with any such request by the

Committee) and to call any employee to be questioned at a meeting of the Committee as and when required; and to obtain outside legal or independent professional advice at the cost of the Company and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary.

To appoint sub-committees to undertake specific tasks and/or investigations within the Committee's terms of reference such sub-committee having the same powers as the Committee other than the power to appoint a sub-committee. The sub-committee shall be entitled to co-opt members of the management of the Company and/or professional advisers and/or consultants onto the sub-committee if it is considered that such co-opted member(s) will enable the sub-committee to complete its task and/or investigation more competently, thoroughly and expeditiously.

These terms of reference were adopted by the Board at a meeting held on Thursday 28 July 2005 and subsequently reviewed or updated at meetings of the Board as follows:

Tuesday 23 May 2006	Reviewed
Thursday 24 May 2007	Updated
Wednesday 21 May 2008 and Wednesday 29 July 2008	Reviewed
Wednesday 20 May 2009	Updated
Thursday 27 May 2010	Updated
Thursday 9 June 2011	Updated
Thursday 14 June 2012	Updated
Thursday 13 June 2013	Updated
Wednesday 18 June 2014	Updated
Tuesday 9 June 2015	Updated
Monday 20 June 2016	Updated
Tuesday 27 June 2017	Updated
Tuesday 26 June 2018	Updated
Thursday 4 <sup>th</sup> July 2019	Reviewed

**CHAIRMAN**