



## **FINSBURY FOOD GROUP PLC**

### **AUDIT COMMITTEE TERMS OF REFERENCE**

The board of directors (the "Board") of Finsbury Food Group Plc (the "Company") has resolved to establish a committee of the Board to be known as the Audit Committee (the "Committee").

#### **1. Membership**

- 1.1. Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least two members. The Committee comprises Bob Beveridge (as Chairman) and Ray Duignan.
- 1.2. The chairman of the Committee (the "Chairman") shall be appointed by the Board and should have served on an audit committee of a UK-listed company (which may include the Company) for at least 12 months prior to his appointment. The other members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee, in consultation with the Chairman, and shall comprise a chairman and at least one other member. All members of the Committee shall be independent non-executive directors of the Company. The Chairman of the Company shall not be a member of the Committee. At least one member of the Committee should have recent and relevant financial knowledge (and preferably hold a professional qualification from a professional accountancy body).
- 1.3. A quorum of the Committee will be two members and, wherever possible, any quorum will include a member with recent and relevant financial experience. If the Chairman is not present at any meeting, the Committee members present shall nominate one of their number to chair that meeting.
- 1.4. Appointments to the committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 1.5. The Company Secretary 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.
- 1.6. The Chairman of the Company, other non-executive directors, Chief Executive and Group Finance Director (all of whom shall receive notice of all meetings of the Committee) may attend meetings by invitation, and any other executives may also attend by invitation of the Chairman when matters specific to their responsibility are discussed.
- 1.7. The 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.

## **2. Frequency of Meetings**

- 2.1. 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.
- 2.2. Meetings shall be called by the Secretary, giving reasonable notice, at the request of any member or at the request of the external auditors if they consider it necessary.
- 2.3. 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.
- 2.4. Outside the formal meetings the Chairman will maintain dialogue with key individuals involved in the Company's governance and the external auditor.

## **3. Minutes of Meetings**

- 3.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 3.2. Committee members shall declare, at the beginning of each meeting, the existence of any conflicts of interest and, if any such conflicts are noted, the Secretary shall minute them accordingly.
- 3.3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

## **4. Authority**

- 4.1. The Committee is authorised to investigate any activity within its terms of reference as defined in these terms. 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.
- 4.2. 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 (all at the expense of the Company).
- 4.3. The Chairman will report to the Board on its activities and findings after 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.

## **5. Annual General Meeting**

The Chairman of the Committee shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## **6. Duties**

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

### **6.1. Financial Reporting**

- 6.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall review and challenge where necessary the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company, the methods used to account for significant or unusual transactions where different approaches are possible, whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor. It will review all material information presented with the financial statements, such as the operating and financial review and the corporate governance report.
- 6.1.2. The Committee will consider the clarity of disclosure in the Company's financial reports and the context in which statements are made and satisfy themselves that the financial statements give a fair, balanced and understandable view of the Company's profit, assets, liabilities and financial position.
- 6.1.3. The Committee will review the going concern statement in the annual report and accounts ("Annual Report"), including the assumptions used, over a period of at least 12 months from the date at which the statement is expected to be made.
- 6.1.4. The Committee will review any related party transactions and consider the adequacy of disclosure of those transactions in the Annual Report.
- 6.1.5. The Committee will prepare and approve a report to shareholders on its activities for inclusion in the Company's Annual Report.

### **6.2. Internal Controls and Risk Management Systems**

- 6.2.1. The Committee will receive reports on and keep under review the effectiveness of the Company's internal controls and risk management processes, carry out an annual assessment of these processes and approve statements to be included in the Annual Report concerning internal controls and risk management. The Committee reviews shall cover financial, environment, business reputation and health and safety risks and the Committee shall review the group's key risks register at least once per year. 6.2.2 The Committee will review and approve group delegated authorities and limits.
- 6.2.3. The Committee will 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.

- 6.2.4. The Committee will approve procedures for detecting fraud and preventing bribery.
- 6.2.5. 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. 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.

### **6.3. External Audit**

- 6.3.1. The Committee will oversee the Company's relations with the external auditors and 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.
- 6.3.2. The Committee will 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 audit can be conducted for that fee.
- 6.3.3. The Committee will review and approve the annual audit plan and ensure that it is consistent with the scope of the engagement. It will review the findings of the audit with the external auditor and review the effectiveness of the audit, review any representation letter(s) requested by the external auditor before they are signed by management and review the management letter and management's response to the auditor's findings and recommendations.
- 6.3.4. The Committee will develop and implement 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 auditor's independence and objectivity will be assessed annually.

### **6.4 Internal Audit**

- 6.4.1. The Committee will 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.
- 6.4.2. Where there is an internal audit function the Committee will monitor and review the effectiveness of the internal audit programme in the context of the overall risk management system to ensure that internal audit is operating efficiently and effectively within the organisation, review and assess the internal audit plan and reports, recommendations and management responses.

## **7. Additional Responsibilities Delegated by the Board.**

The Committee will in addition carry out the following specific responsibilities delegated by the Board and, where necessary or appropriate, prepare recommendations to the Board:

- 7.1 Review foreign exchange, interest rate and commodity hedging policies and the use of financial derivatives, hedges and other complex financial instruments, including foreign exchange and interest rate hedging.
- 7.2 Review and approve overall levels of insurance for the Group, including Directors' and Officers' liability insurance and indemnification of directors.
- 7.3 Review and approve new bank facility agreements, borrowings or bonds.
- 7.4 Review Health & Safety policies, practices and risk management procedures, to confirm adequate policies and procedures are in place to ensure compliance with applicable health & safety legislation.

## **8. Other Matters**

The Committee shall:

- 8.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.2. 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;
- 8.3. give due consideration to laws and regulations, the provisions of the QCA Corporate Governance Code (or such other Corporate Governance Code as the Board may determine) and the requirements of the AIM Rules as appropriate;
- 8.4. oversee any investigation of activities which are within its terms of reference;
- 8.5. 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.

**These terms of reference were adopted by the Board.**