

**ASSOCIATED BRITISH FOODS plc (the *Company*)**

**AUDIT COMMITTEE – TERMS OF REFERENCE**

**adopted by the Board on 3 November 2021**

**1. BACKGROUND**

- 1.1 The Board of Directors of the Company (the ***Board***) has resolved to establish an Audit Committee (the ***Committee***). These terms of reference replace any previous terms of reference for any audit committee of the Board.
- 1.2 The Committee assists the Board by reviewing and monitoring the policies and procedures ensuring the independence and effectiveness of the internal and external audit functions, the integrity of the financial and narrative statements, the internal control framework of the Company and its subsidiaries' (collectively, the ***Group***) and the extent of principal risks the Company is willing to take to action its long term strategic objectives.

**2. DUTIES OF THE COMMITTEE**

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

**Financial Reporting**

- 2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, final results' announcements and any other formal announcements relating to its financial performance and shall review and report to the Board on the significant financial reporting issues and judgements which they contain, having regard to matters communicated by the auditor.
- 2.2 The Committee shall inform the Board of the outcome of the Group's external audit and explain how the external audit contributed to the integrity of financial reporting and the role of the Committee in that process.
- 2.3 In relation to 2.1, in particular the Committee shall review and challenge where necessary:
  - (a) the consistency of, and any changes to, accounting and treasury policies on a year on year basis, across the Group;
  - (b) the methods used to account for significant or unusual transactions where different approaches are possible;

- (c) whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (d) the clarity and completeness of disclosure in the Company's financial reports and whether such disclosures are properly set in context;
  - (e) all material information presented with the financial statements, including the strategic report, the corporate governance statement (insofar as it relates to the audit and risk management) and the statement in relation to internal control and management of risk; and
  - (f) significant adjustments resulting from the audit; and
  - (g) compliance with accounting standards.
- 2.4 Whenever practicable and consistent with any reporting obligation under any law or regulation, to review any other statements containing financial information for which Board approval is required prior to such statement being circulated to the Board.
- 2.5 The Committee shall assess the effectiveness of the Company's financial reporting procedures and report its views to the Board if it is not satisfied with any aspect of them and, if required, submit recommendations or proposals to ensure their integrity.

### **Narrative reporting**

- 2.6 Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- 2.7 Where requested by the Board, the Committee shall assist the Board in relation to the Board's robust assessment of the principal and emerging risks facing the Company and the prospects of the Company for the purposes of the disclosures required in the annual report and accounts.
- 2.8 To review and approve statements to be included in the annual report concerning the going concern statement and the viability statement.

### **Internal Financial Controls**

- 2.9 The Committee shall review the effectiveness of the Group's internal financial controls and internal control and risk management systems (including the systems to identify, manage and monitor financial risks).
- (a) The Committee shall review and approve the statements to be made in the

annual report concerning the assessment of principal and emerging risks and internal controls and risk management, and in particular shall review:

- (i) the policies and overall process for assessing established systems of internal control and risk management;
- (ii) regular assurance reports from management, internal audit, external audit and others on matters related to internal control and risk management and the conclusions of any testing carried out by the internal or external auditors;
- (iii) the timeliness of, and reports on, the effectiveness of corrective action taken by management; and
- (iv) the level of assurance the Committee receives on risk management and internal control systems, including internal financial controls, and whether this is enough to help the Board in satisfying itself that they are operating effectively.

2.10 As the Board takes ultimate responsibility for disclosure of the Group's internal control and risk management systems in the annual report, to the extent that the Committee carries out work on behalf of the Board, the results of such work shall be reported to the Board for its consideration.

### **Whistleblowing and fraud**

2.11 The Committee shall:

- (a) review and report to the Board on the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible improprieties in financial reporting, financial and management accounting, or any other matters. The objective shall be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action;
- (b) review the Group's policies, procedures and controls for preventing and detecting fraud, preventing bribery, identifying money laundering and ensuring compliance with relevant legal and regulatory requirements; and
- (c) receive and review reports on compliance with anti-bribery procedures from the Director of Legal Services and consider appropriate action.

### **Internal Audit**

2.12 The Committee shall:

- (a) monitor and review the effectiveness of the Group's internal audit function

in the context of the Group's overall risk management system;

- (b) review and approve the role and mandate of the internal audit function and approve annually the internal audit charter ensuring it is appropriate for the Company's needs;
- (c) approve the appointment and removal of the head of the internal audit function and ensure that the head of the internal audit is accountable to the Committee, has direct access to the Committee and the Chairman of the Board, is independent of the executive and is able to exercise independent judgement;
- (d) consider and approve the remit of the internal audit function, ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant standards for internal auditors, ensure there is open communication between the different risk functions and that the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its internal audit plan, and in accordance with the relevant professional standards, and that the function has adequate standing and is free from management or other restrictions;
- (e) review and assess the annual internal audit plan;
- (f) review reports addressed to the Committee on the Group from the internal auditors;
- (g) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (h) consider the impact on the effectiveness of the Group's overall arrangements for internal control and on investor perceptions in the event that the current practice of not using the Group's external auditor to undertake aspects of the internal audit function was to change; and
- (i) to undertake an annual assessment of the effectiveness of the internal audit function, including:
  - meeting the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audit reviews carried out;
  - reviewing and assessing the annual internal audit plan;
  - receiving a report on the results of the internal audit function's work;
  - monitoring and assessing the role and effectiveness of the internal audit function in the overall context of the Group's risk management system; and
  - consider whether an independent, third party review of internal audit function's effectiveness and processes is appropriate.

## External Audit

2.13 The Committee shall:

- (a) consider and make recommendations to the Board in relation to the appointment, re-appointment, resignation or removal of the Group's external auditors;
- (b) to consider when the external audit contract should be put out to tender, adhering to any legal and regulatory requirements for tendering or rotation of the audit services contract;
- (c) in the event of a tendering or rotation of the audit services contract, agree the tender process, terms and timetable, compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals for the duration of the tendering process;
- (d) in the event of an external auditor resigning, investigate the issues leading to this and decide whether any action is required;
- (e) oversee the relationship with the external auditor, including (but not limited to):
  - (i) negotiation and agreement of their remuneration, whether fees for audit or non-audit services, such that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit;
  - (iii) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Group (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity, taking into account the relevant Ethical Standards for Auditors;
  - (iv) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, taking account of relevant Ethical Standards for Auditors, and monitoring the application of this policy;
  - (v) monitoring the auditor's process for maintaining independence, its compliance with UK law, regulation and other relevant ethical and professional guidance, including in relation to the rotation of audit partners;

(vi) monitoring the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and other related regulatory requirements and Ethical Standards for Auditors;

(vii) reviewing and monitoring annually, and reporting to the Board on:

- the qualifications, expertise and resources of the external auditor, and the outcome and effectiveness of the audit process, (which shall include obtaining a report on the external auditor's own internal quality control procedures) and the Committee shall include in its assessment a recommendation on whether to propose to shareholders that the external auditor should be re-appointed; and
- the independence and objectivity of the external auditor taking into account relevant UK law, regulation, professional requirements (including the relevant Ethical Standards for Auditors) and the relationship between the Group and the external auditor (and its network firms) as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, and including the provision of any non-audit services;

(viii) seeking to ensure co-ordination with the activities of the internal audit function;

(ix) evaluating the risks to the quality and effectiveness of the financial reporting process, including considering whether to include the risk of the withdrawal of the Company's present external auditor from the market in that evaluation;

(f) report to the Board each year whether it considers that the audit contract should be put out to tender and (whether or not there is any change in its view from the previous year) the reasons for its view as to such timing, taking into account all relevant regulatory requirements in relation to the timing of the next tender and disclosures in relation to that timing where there has been no tender after five years;

- (g) if the Board does not accept the Committee's recommendation on the appointment, reappointment or removal of the external auditors, include in the annual report, and in any papers recommending appointment or reappointment, a statement from the Committee explaining its recommendation and setting out the reasons why the Board has taken a different position;
- (h) meet regularly with the finance director and the external auditor, including in the case of the external auditor once at the planning stage before the audit and once after the audit at the reporting stage and at least once a year without management being present, to discuss their remit and any issues arising from the audit;
- (i) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (j) review the findings of the audit with the external auditor, including but not limited to:
- a discussion of any significant issues which arose during the audit, and how they have been resolved;
  - the auditor's explanation of how the risks to audit quality were addressed;
  - the auditor's view of their interactions with senior management;
  - any accounting and audit judgements;
  - the level of errors identified during the audit;
  - the basis for the going concern assumption;
  - compliance with relevant financial reporting standards and relevant financial and governance reporting requirements;
  - the effectiveness of the audit;
- (k) discuss any difficulties, reservations or other matters arising from the external auditor's audits (in the absence of management where necessary);
- (l) review any representation letter(s) requested by the external auditor before they are signed by management and give particular consideration to matters where representation has been requested that relate to non-standard issues;
- (m) review the content of the external auditor's management letter and monitor management's responsiveness to the external auditor's findings and recommendations;
- (n) assess the effectiveness of the audit process and to that end:
- review the auditor's explanation of the risks to the audit quality that were identified and how they were addressed;

- review whether the external auditor has met the agreed audit plan and understand the reasons for any changes;
  - consider the robustness and perceptiveness of the external auditors in their handling of key accounting and audit judgements identified;
  - obtain feedback about the conduct of the audit from key employees engaged in the process;
- (o) develop, approve and implement a policy on the supply of non-audit services by the external auditor to the extent permitted by applicable law and regulation and taking into account the relevant ethical guidance for auditors on the matter. The policy shall include consideration of the following matters:
- prior approval of non-audit services by the Committee;
  - the types of non-audit service for which the use of the external auditor is pre-approved (including setting materiality thresholds);
  - how the Committee will assess whether non-audit services have a direct or material impact on the audited financial statements of the Company.

The Committee shall keep the policy under review to ensure that the provision of such services does not impair the external auditor's independence or objectivity and report to the Board on its implementation and shall be responsible for approving any non-audit services provided by the external auditor to the extent not pre-approved in the policy ;

- (p) in relation to the provision of non-audit services by the external auditor, consider in particular:
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit services;
  - whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the external audit resulting from the provision of such services by the external auditor;
  - the nature and extent of the non-audit services;
  - the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee ensuring that the fee does not exceed any limit contained in applicable law or regulation, and taking into account the relevant ethical guidance for auditors on the matter; and
  - the criteria which govern the compensation of the individuals performing the audit;
- (q) seek information from the external auditor, on an annual basis, about its policies and procedures for maintaining independence and monitoring compliance with relevant requirements, including regarding the rotation of audit partners and staff; and



- (r) approve the choice of, and ensure the rotation of the lead audit partner and audit review partner as required by law and regulation.

## **Other**

- 2.14 The Committee shall review other disclosures and documents as determined by the Board.

## **3. COMPOSITION**

- 3.1 Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chair of the Committee. The Committee shall be made up of at least three members. All members of the Committee shall be independent non-executive directors. The Chairman of the Board shall not be a member of the Committee. Any member who is determined by the Board no longer to be independent shall cease to be a member of the Committee.
- 3.2 At least one member of the Committee shall have been determined by the Board to have recent and relevant financial experience and competence in accounting or auditing (or both). The foregoing requirements may be satisfied by the same member or by different members of the Committee. The Committee as a whole must have competence relevant to the sector in which the Group operates.
- 3.3 Only members of the Committee have the right to attend Committee meetings. However other individuals may be invited to attend all or part of any meeting. There should be at least one meeting, or part of a meeting, each year which the external auditor and representatives from the internal audit function attend without management present to discuss matters relating to its remit and any issues arising from the audit.
- 3.4 Appointments to the Committee shall be for a period of up to three years, extendable for no more than two further three-year periods, provided the director still meets the criteria for membership of the Committee.
- 3.5 The Board shall appoint one member of the Committee to act as its chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

- 3.6 The Board shall regularly review the membership of the Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals.

#### **4. QUORUM**

- 4.1 The quorum necessary for the transaction of business shall be two members, comprising at least one member with recent and relevant financial experience.
- 4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **5. MEETING ADMINISTRATION**

- 5.1 The Committee shall meet as often as it deems necessary but in any case at least three times per year, at appropriate times in the financial reporting and audit cycle, at such times and places as determined by the Committee Chair, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its Chair. The Committee shall approve the annual calendar of its meetings.
- 5.2 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the provisions of the Company's Articles of Association regarding the meetings and proceedings of directors.
- 5.3 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair or any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.4 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date and dial-in details (if required), together with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, where practicable no later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate.

#### **6. SECRETARY**

- 6.1 The company secretary or such person as the company secretary nominates shall act as the secretary of the Committee.
- 6.2 The secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 6.3 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interests and minute them accordingly. The secretary shall

minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

- 6.4 The secretary shall keep a record of:
- (a) the membership, and the dates of any changes to the membership, of the Committee;
  - (b) any non-audit services provided by the external auditor to enable the Company to make the necessary statement in the annual report on safeguarding the auditor's objectivity and independence; and
  - (c) any other person who, or firm which, provides advice or services to the Committee or materially assists the Committee and the nature of any other services provided by that person to the Company during the year.
- 6.5 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes shall be circulated to all other members of the Board, unless it would be inappropriate to do so.

## **7. SELF EVALUATION**

The Committee shall, at least once a year, review its own performance, composition and terms of reference and recommend any changes it considers necessary to the Board for approval.

## **8. REPORTING RESPONSIBILITIES**

- 8.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.
- 8.2 The Committee shall make such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is desirable.
- 8.3 The Committee shall compile a report on its activities to be included in the Company's annual report to shareholders. The report shall include (among other things):
- (a) a summary of the role and work of the Committee including the number of Committee meetings;
  - (b) the significant issues that it considered in relation to the financial statements, and how these issues were addressed;
  - (c) an explanation of how it has assessed the independence, objectivity and effectiveness of the external audit process and the approach taken to the

appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted, and any contractual obligations that restrict the Committee's choice of external auditor and advance notice of any retendering plans;

- (d) if the external auditor provides non-audit services, an explanation is provided to the shareholders in the annual report on how the external auditor's objectivity and independence is safeguarded, setting out the Committee's policy on the provision of non-audit services and disclosing the details set out in the FRC Guidance on Audit Committee in relation to each significant engagement;
- (e) all statements and information required by the Competition and Markets Authority Audit Order 2014 (the **CMA Order**) and any other applicable laws and regulations; and
- (f) any other issues on which the Board has requested the Committee's opinion.

8.4 In compiling the reports referred to in paragraphs 8.1 and 8.3, the Committee shall exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but shall include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

8.5 The Committee Chair shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's area of responsibility.

8.6 The Committee terms of reference shall be made available on the Company's website in accordance with the UK Corporate Governance Code.

## **9. OTHER MATTERS**

9.1 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- (b) 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;
- (c) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the Companies Act 2006 and associated regulations, the requirements of the UK Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules, the provisions

of the FRC's Guidance on Audit Committees, the CMA Order, the EU Audit Regulation (537/2014) as implemented into English law by virtue of the European Union (Withdrawal) Act 2018 and any other applicable rules, as appropriate;

- (d) ensure that it is in a position to justify all of its actions and proposed courses of action; and
- (e) oversee any investigation of activities which are within its terms of reference.

9.2 In exercising its powers, the Committee shall take into account the duties of directors under Chapter 2 of Part 10 of the Companies Act 2006 including, in particular, section 172 of the 2006 Act, which requires a director to act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Group's employees;
- (c) the need to foster the Group's business relationships with suppliers, customers and others;
- (d) the impact of the Group's operations on the community and the environment;
- (e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the Company.

9.3 The Committee shall promptly provide the Board with such information as may be necessary or desirable in the opinion of the Board to enable the Board to monitor its conduct in order that each member of the Board may fulfil his duties and responsibilities as a director.

## **10. AUTHORITY**

10.1 The Committee is authorised by the Board, at the Company's expense but within any budgetary restraints imposed by the Board, to:

- (a) undertake any activity and investigate any matter within its terms of reference;
- (b) seek any information that it requires from any director, Group employee or contractor in order to perform its duties and all directors and employees are directed to cooperate with any requests made by the Committee;

- (c) obtain outside legal or other professional advice on any matter within its terms of reference and to invite those persons to attend meetings of the Committee;
- (d) call any director, Group employee or contractor or any third party with relevant experience and expertise to attend and, if relevant, be questioned at a meeting of the Committee, as and when required;
- (e) publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board; and
- (f) delegate any of its powers to one or more of its members or the secretary.

10.2 These terms of reference may be amended from time to time by the Board.