

**A.G. BARR p.l.c. (the "Company")**

**AUDIT COMMITTEE - TERMS OF REFERENCE**

**1. Membership**

- 1.1. Members of the Audit Committee (the "**Committee**") shall be appointed by the board of directors of the Company (the "**Board**"), on the recommendation of the Nomination Committee, in consultation with the Committee chair. The Board shall appoint the Committee chair.
- 1.2. The Committee shall comprise a chair and at least two other members. All members of the Committee should be independent non-executive directors. At least one member of the Committee will have recent and relevant financial experience. The Committee as a whole will have competence relevant to the sector in which the Company operates. The chair of the Board shall not be eligible for appointment to the Committee.
- 1.3. Appointments to the Committee shall be for a period of up to three years, which may be extended by additional three-year periods.
- 1.4. The Company secretary or their nominee shall be the secretary to the Committee.

**2. Meetings**

- 2.1. The Committee shall meet at least three times a year and otherwise as required.
- 2.2. No one other than members of the Committee is entitled to attend meetings of the Committee. The internal auditors, external auditors and the finance director shall be invited to attend meetings on a regular basis. Other individuals may be invited to attend meetings as and when appropriate.
- 2.3. Meetings of the Committee may be called by the Secretary of the Committee at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.
- 2.4. Unless otherwise agreed, notice of each meeting confirming the date, venue and time, together with an agenda of items and supporting papers, shall be provided to Committee members, and to other attendees as appropriate, at least three working days before the meeting.
- 2.5. The quorum necessary for the transaction of business shall be two members. In the absence of the Committee chair, the remaining members shall elect one of themselves to chair the meeting. 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.
- 2.6. Members may participate in a meeting by means of a conference telephone, video conferencing facility or other appropriate communicating equipment.
- 2.7. The Committee shall meet with the external and internal auditors at least annually without any executive management being present.

- 2.8. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee and shall keep appropriate records, including those relating to the existence of any conflicts of interest. Minutes of Committee meetings shall be circulated, once agreed with the Committee chair, to all members of the Committee. Provided there is no conflict of interest, any other director may obtain copies of the minutes upon request to the Secretary.

### **3. Annual General Meeting**

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

### **4. Duties**

The Committee shall carry out the duties below for the Company and the group as a whole (the "**Group**"), as appropriate.

#### **4.1. Financial Reporting**

4.1.1. The Committee shall monitor and satisfy itself on the integrity of the financial statements of the Group, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance, and shall review, and report to the Board on, significant financial reporting issues and judgements which they contain (having regard to matters communicated to it by the auditors). The Committee shall, wherever practicable, also review summary financial statements and any financial information contained in certain other documents, such as announcements of a price sensitive nature, provided that such review is not inconsistent with any requirement for prompt reporting under the Listing Rules.

4.1.2. If the Board requests, the Committee should 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 performance, business model and strategy.

4.1.3. The Committee shall review and challenge where necessary:

- i. the consistency of, and any changes to, significant accounting policies on a year on year basis;
- ii. the methods used to account for significant or unusual transactions where the accounting treatment is open to different approaches;
- iii. whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor;
- iv. the clarity and completeness of disclosures in the Group's financial statements and whether the disclosures are set properly in context, including the use of alternative performance measures; and

- v. all material related information presented with the financial statements, including the operating and financial review, statements on wider stakeholder engagement as set out in section 172 of the Companies Act 2006, and the corporate governance statements relating to the audit and risk management.

#### **4.2. Internal controls and risk management systems**

The Committee shall:

- 4.2.1. monitor the Group's internal financial controls and internal control and risk management systems;
- 4.2.2. annually review the effectiveness of the Group's internal financial controls and the Group's internal control and risk management systems;
- 4.2.3. review and approve the statements included in the Group's Annual Report in relation to internal control and the management of risk, including a description of the Group's principal risks, the procedures in place to identify emerging risks, and an explanation of how these are being managed or mitigated;
- 4.2.4. annually review and approve the viability statement included in the Group's Annual Report;
- 4.2.5. annually review and approve the Company's Treasury and Commodity Committee's terms of reference;
- 4.2.6. annually review the Company's Statement of Delegated Authorities and recommend to the Board for approval; and
- 4.2.7. annually review the Group's tax risk management policy.

#### **4.3. Compliance and fraud**

The Committee shall:

- 4.3.1. annually review and approve the Group's systems and controls for the prevention of bribery and receive annual reports thereon;
- 4.3.2. annually review and approve the Group's anti-facilitation of tax evasion policy; and
- 4.3.3. annually review and approve the Group's procedures for detecting fraud.

#### **4.4. Internal audit**

The Committee shall:

- 4.4.1. monitor and review the independence and effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;

- 4.4.2. approve the appointment and removal of the internal audit service provider;
- 4.4.3. review and approve the annual internal audit plan;
- 4.4.4. review all reports addressed to the Committee from the internal auditor;
- 4.4.5. review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 4.4.6. ensure that the head of internal audit has direct access to the Committee and to the chair of the Board.

#### 4.5. **External audit**

The Committee shall:

- 4.5.1. Conduct the tender process and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Group's external auditor. The Committee shall oversee the selection process for new auditors and, if an auditor resigns, the Committee should investigate the issues giving rise to such resignation and consider whether any action is required;
- 4.5.2. Oversee the relationship with the external auditor including (but not limited to):
  - i. approval of its remuneration related to both audit or non audit services and determination whether the level of fees is appropriate to enable an adequate audit to be conducted;
  - ii. approval of its terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - iii. reviewing and monitoring its independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - iv. satisfying itself that there are no relationships (such as family, employment, financial or business) between the auditor and the Group (other than in the ordinary course of business);
  - v. agreeing with the Board a policy on the employment of former employees of the Group's auditor, then monitoring the implementation of this policy;
  - vi. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees that the Group pays in proportion to the overall fee income of the firm, or relevant part of it, and other related regulatory requirements; and

- vii. assessing annually their qualifications, expertise and resources and the effectiveness of the audit process, which shall include obtaining a report from the auditor on its own internal quality control procedures, taking into consideration relevant UK professional and regulatory requirements;
- 4.5.3. Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - 4.5.4. Review the findings of the external auditor, including (without limitation):
    - i. discussing any major issues which arose during the audit;
    - ii. reviewing key accounting and audit judgements; and
    - iii. reviewing levels of errors identified during the audit;
  - 4.5.5. Review any representation letter(s) requested by the external auditor before they are signed by management;
  - 4.5.6. Review the management letter and management's response to the auditor's findings and recommendations;
  - 4.5.7. Develop and implement a policy on the supply of non audit services by the external auditor, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required;
  - 4.5.8. Ensure that the head of external audit has direct access to the Committee and to the chair of the Board; and
  - 4.5.9. Review and report to the Board on the effectiveness of the external audit process.

#### **4.6. Reporting responsibilities**

- 4.6.1. The Committee chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 4.6.2. The Committee shall make whatever recommendations to the Board it deems appropriate in respect of any matter which it has identified as requiring action or improvement.

#### **4.7. Other matters**

- 4.7.1. The Committee shall:
  - i. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
  - ii. be provided with appropriate and timely training, including an induction programme for new members and training on an ongoing basis for all members;

- iii. give due consideration to applicable laws, regulations, rules and codes, including the UK Corporate Governance Code and the UK Listing Authority's Listing, Prospectus, Disclosure and Transparency Rules;
- iv. be responsible for co-ordination of the internal and external auditors;
- v. oversee any investigation of activities which are within its terms of reference and act as final decision maker on any conflicts of decision; and
- vi. at least once a year, review its own performance and terms of reference and recommend any necessary changes to the Board.

#### **4.8. Authority**

##### 4.8.1. The Committee is authorised:

- i. to seek any information it requires from any employee of the Company in order to perform its duties;
- ii. to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- iii. to call any employee to be questioned at a meeting of the Committee as and when required; and
- iv. to have the right to publish in the Group's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

*Approved by the Audit Committee on 16 January 2019*