
AUDIT AND RISK COMMITTEE: TERMS OF REFERENCE

Definitions

“Board”	the Board of Directors of Bakkavor Group plc
“Chair” or “Committee Chair”	Chair of the Audit and Risk Committee
“Code”	the 2018 UK Corporate Governance Code
“Committee”	the Audit and Risk Committee of the Company
“Company Chair”	Chair of the Board
“Company”	Bakkavor Group plc
“Group”	Company and its subsidiary undertakings
“Management Board”	the Management Board of the Company
“Senior Executives”	the direct reports of the Management Board
“Nomination Committee”	the Nomination Committee of the Company

1. Constitution and purpose

The Committee’s purpose is to assist the Board in meeting its responsibilities for overseeing the integrity of the Group’s financial reporting and internal financial controls; the effectiveness of the internal control and risk management systems; and monitoring the effectiveness and objectivity of internal and external auditors and maintaining an appropriate relationship with the external auditor of the Group.

2. Membership

- 2.1 The Committee shall comprise of at least three members, all of whom shall be independent Non-executive Directors. At least one member of the Committee shall have recent and relevant financial experience and relevant risk expertise. The Company Chair may not be a member of the Committee.
- 2.2 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Committee Chair and shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided the Director still meets the criteria for membership of the Committee.

Audit and Risk Committee Terms of Reference

- 2.3 Only members of the Committee have the right to attend Committee meetings. The Chair may, as the Committee sees fit, invite other attendees as appropriate or necessary. A representative of the external auditors, a representative of the internal audit function, the Head of Risk and the Chief Financial Officer shall be invited to attend meetings of the Committee on a regular basis.
- 2.4 The Board shall appoint the Committee Chair, who must be an independent Non-executive Director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present may elect one of their members to chair the meeting.

3. Secretary

The Company Secretary, or their nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to any issues.

4. Quorum

The quorum necessary for the transaction of business shall be at least two members.

5. Frequency of meetings

- 5.1 The Committee shall meet as often as it deems necessary, but in any case, the Committee shall meet at least three times per annum at appropriate intervals in the financial reporting and audit cycle and otherwise as required at such times and places determined by the Chair.
- 5.2 Outside of the formal meeting programme, the Chair, and where appropriate, the other Committee members, will maintain a dialogue with key individuals involved in the Company/Group's governance, including the Company Chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner, and representatives of the internal audit function.

6. Notice of meetings

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair or any of the Committee members.

Audit and Risk Committee Terms of Reference

6.2 Unless otherwise agreed, written notice of each meeting confirming the venue, time, date (together with the agenda of items to be discussed and supporting papers), shall be forwarded to each member of the Committee, and any other person required to attend no later than five working days before the date of the meeting (unless all members of the Committee agree to shorter notice).

7. Minutes of meetings

7.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee, Once approved, minutes should be circulated to all other members of the Board unless, in the opinion of the Chair, it would be inappropriate to do so.

8. Engagement with Shareholders

The Chair should attend the annual general meeting to answer shareholder questions in relation to the Committee's report to shareholders and matters within its area of responsibility, as directed by the Chair of the annual general meeting. In addition, the Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

9. Duties

The Committee shall carry out the duties below for the Group as a whole, as appropriate.

10. Financial reporting

10.1 The Committee shall monitor the integrity of the financial statements of the Company/Group, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance. The Committee shall review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the auditor.

10.2 In particular, the Committee shall review and challenge where necessary:

- (a) the application of significant accounting policies and any changes to them.
- (b) the methods used to account for significant or unusual transactions where different approaches are possible.
- (c) whether the Company/Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements.
- (d) the clarity and completeness of disclosure in the Company/Group's financial statements and the context in which statements are made.
- (e) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

10.3 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules or Disclosure Guidance and Transparency Rules sourcebook.

10.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

11. Narrative reporting in relation to Audit

Where requested by the Board, 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/Group's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the Code.

12. Narrative reporting in relation to Risk

The committee shall carry out the following duties to assist the Board in fulfilling its reporting responsibilities in the annual report:

12.1 Monitor and review the effectiveness of the Company/Group's risk management and internal control systems.

Audit and Risk Committee Terms of Reference

- 12.2 Review the Company/Group's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks.
- 12.3 Review and assess the Company/Group's risk appetite and associated stress testing.
- 12.4 Evaluate the Company/Group's principal risks, to be taken into account by the Board when assessing the Company/Group's prospects.
- 12.5 Review and approve the statement to be included in the annual report concerning internal controls and risk management.

13. Internal controls and risk management systems

The Committee shall:

- 13.1 Keep under review the adequacy and effectiveness of the Company/Group's internal financial control systems that identify, assess, manage, and monitor financial risks, and other internal control and risk management systems.
- 13.2 Review and approve the statements to be included in the annual report concerning internal controls, risk management, including the assessment of principal risks and emerging risks and the viability statement.
- 13.3 Advise the Board on the Company/Group's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company/Group is willing to take in order to achieve its long-term strategic objective.
- 13.4 Advise the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.
- 13.5 Oversee and seek reasonable assurance regarding the Company/Group's risk exposures, including key risks, current risk exposure and future risk strategy.

Audit and Risk Committee Terms of Reference

- 13.6 Oversee and seek reasonable assurance regarding the ability of the Company/Group's risk management and internal control systems to identify the risks facing the Company/Group and enable a robust assessment of principal risks.
- 13.7 Oversee the Company/Group's capability to identify and manage new and emerging risks.
- 13.8 Oversee the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary.
- 13.9 Oversee and seek reasonable assurance regarding the Company/Group's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
- 13.10 Oversee and challenge due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board, focusing in particular on risk aspects and implications for the risk appetite, tolerance and strategy of the Company/Group and taking independent external advice where appropriate and available.
- 13.11 Oversee the adequacy and effectiveness of the Company/Group's processes and procedures to manage risk and the internal control framework, including the design, implementation, and the effectiveness of those systems.
- 13.12 Oversee the appropriateness of the Company/Group's values, culture, and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Company/Group.

14. Internal Audit

The Committee shall:

- 14.1 Review and approve the appointment or termination of appointment of the head of the internal audit function.
- 14.2 Review and approve the role and mandate of the internal audit function, monitor, and review the effectiveness of its work (by confirming that it is satisfied that the quality, experience, and

Audit and Risk Committee Terms of Reference

- expertise of the function are appropriate for the business), and annually approve the internal audit charter ensuring it is appropriate for the current needs of the Company/Group.
- 14.3 Review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on the results of the internal auditor's work.
- 14.4 Ensure the internal audit function has unrestricted scope and the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between the different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 14.5 Ensure the internal auditor has direct access to the Chair and to the Company Chair, providing independence from the executive, and is accountable to the Committee.
- 14.6 Carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment:
- (a) meet with representatives from the internal audit function without the presence of management to discuss the effectiveness of function.
 - (b) review and assess the annual internal audit plan and review reports on the results of the work of the internal auditor.
 - (c) determine whether it is satisfied that the quality, experience, and expertise of internal audit is appropriate for the business.
 - (d) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.
- 14.7 Monitor and assess the role and effectiveness of the Company/Group's internal audit function in the overall context of the Company/Group's risk management system and the work of finance and the external auditor.

15. External Audit

The Committee shall:

Audit and Risk Committee Terms of Reference

- 15.1 Consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment, or removal of the Company/Group's external auditor.
- 15.2 Develop and oversee the selection procedure for the appointment of the audit firm in accordance with the applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- 15.3 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 15.4 Oversee the relationship with the external auditor. In this context the committee shall:
- (a) approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective high-quality audit to be conducted.
 - (b) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- 15.5 Assess annually the external auditor's independence and objectivity taking into account the relevant law, regulation, the Ethical Standard and other professional requirements, and the Company/Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.
- 15.6 Satisfy itself that there are no relationships between the auditor and the Company/Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- 15.7 Agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy.
- 15.8 Monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements, and the Ethical Standard, including the guidance on the rotation of audit partner and staff.

Audit and Risk Committee Terms of Reference

- 15.9 Monitor the level of fees paid by the Company/Group to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional, and regulatory requirements, guidance, and the Ethical Standard.
- 15.10 Assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.
- 15.11 Seek to ensure coordination of the external audit with the activities of the internal audit function.
- 15.12 Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.
- 15.13 Develop and recommend to the Board the Company/Group's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
- (a) threat to the independence and objectivity of the external auditor and any safeguards in place.
 - (b) the nature of the non-audit services.
 - (c) whether the external audit firm is the most suitable supplier of the non-audit service.
 - (d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (e) the criteria governing compensation.
- 15.14 Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.

Audit and Risk Committee Terms of Reference

15.15 Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise, and experience of the audit team.

15.16 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- (a) a discussion of any major issues which arose during the audit.
- (b) the auditor's explanation of how the risks to audit quality were addressed.
- (c) key accounting and audit judgements.
- (d) the auditor's view of their interactions with senior management and other members of the finance team.
- (e) levels of errors identified during the audit.

15.17 Review any representation letter(s) requested by the external auditor before they are signed by management.

15.18 Review the management letter and management's response to the auditor's findings and recommendations.

15.19 Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of the key judgements by the auditor, and the auditor's response to questions from the committee.

16. Whistleblowing, fraud, bribery, and other compliance

The Committee shall:

16.1 Review the adequacy and security of the Company/Group's arrangements for its employees and contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

16.2 Review the Group's policies and procedures for preventing and detecting fraud.

Audit and Risk Committee Terms of Reference

16.3 Review the Company/Group's systems, and controls for preventing bribery and receive reports on non-compliance.

17. Reporting responsibilities

17.1 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. This report shall include:

- (a) the significant issues that it considered in relation to the financial statements and how these were addressed.
- (b) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans.
- (c) any other issues on which the board has requested the committee's opinion.

17.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

17.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the Committee, including:

- (a) the significant issues that the committee considered in relation to the financial statements and how these issues were addressed.
- (b) an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans.
- (c) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.
- (d) In compiling the reports referred to in 17.1 and 17.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

18. Other matters

The Committee shall:

Audit and Risk Committee Terms of Reference

- 18.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required on all Committee matters.
- 18.2 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.
- 18.3 Give due consideration to laws and regulations and the provisions of the Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- 18.4 Be responsible for co-ordination of the internal and external auditors.
- 18.5 Oversee any investigation of activities which are within its terms of reference.
- 18.6 Work and liaise as necessary with all other Board Committees, taking particular account of the impact of risk management and internal controls being delegated to different Committees.
- 18.7 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.

19. Authority

The Committee is authorised to:

- 19.1 Undertake any activity within its terms of reference.
- 19.2 To seek and to be provided with any necessary information from any Group employee or contactor that it requires to fulfil its duties.
- 19.3 Obtain independent legal, accounting, or other professional advice, at the Company/Group's expense, on any matter within its terms of reference which might be necessary for the fulfilment of its duties and to invite persons giving such advice to attend Committee meetings.
- 19.4 Call any Group employee or contractor to be questioned at a meeting of the Committee as and when required.

Audit and Risk Committee Terms of Reference

- 19.5 Have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.
- 19.6 Delegate any of its powers to one or more of its members, the Chairman, or the Secretary (whilst being mindful of the Committee's duties under these terms of reference).

These Terms of Reference were adopted by the Audit and Risk Committee on **23 February 2021**.