

AUDIT COMMITTEE: TERMS OF REFERENCE

Definitions

“Board”	the Board of Directors of Bakkavor Group plc
“Chairman”	Chairman of the Committee
“Code”	the UK Corporate Governance Code
“Committee”	the Audit Committee of the Company
“Company Chairman”	Chairman of the Board
“Company”	Bakkavor Group plc
“Group”	Company and its subsidiary undertakings
“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 must have at least three members. All members of the committee must be independent non-executive directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman. At least one member of the Committee shall have recent and relevant financial experience and competence in accounting and/or audit.
- 2.2 The chairman of the Board should not be a member of the Committee. If the Board decides that a member of the Committee is no longer independent, that member will cease to be a member of the Committee. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.3 Only members of the Committee have the right to attend Committee meetings. The Chairman may, as the Committee sees fit, invite other attendees as appropriate or necessary. A representative of the external auditors and the Chief Financial Officer shall be invited to attend meetings of the Committee on a regular basis.
- 2.4 Appointments to the Committee are for a period of up to three years, extendable for two further three-year periods, provided the director still meets the criteria for membership of the Committee.

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- 2.5 The Board appoints the chairman of the Committee, who must be an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present may elect one of their number to chair the meeting.

3 Secretary

- 3.1 The Company Secretary, or a nominee, shall act as the secretary of the Committee and should ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to any issues to be raised.
- 3.2 The secretary must ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

4 Quorum

- 4.1 The quorum necessary for a meeting shall be two members. In the absence of the Chairman or an appointed deputy, the remaining members shall elect one of themselves to chair the meeting.
- 4.2 A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5 Frequency of meetings

- 5.1 The Committee must 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 Committee Chairman.
- 5.2 The Committee must approve the annual calendar of its meetings. Additional meetings may be called by the Committee Chairman. The Committee may hold meetings by telephone or using any other method of electronic communication, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the Chairman.
- 5.3 Meetings of the Committee are called by the secretary of the Committee at the request of any of its members or at the request of the external or internal auditor.
- 5.4 Outside of the formal meeting programme, the Chairman, and where appropriate, the other Committee members, will maintain a dialogue with key individuals involved in the Company/Group's governance, including the Company Chairman, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the Head of Internal Audit.

6 Notice of meetings

- 6.1 Unless otherwise agreed, written notice of each meeting confirming the venue, time, date and dial-in details (if required), together with the agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the Committee, all non-executive directors and any other person required to attend.
- 6.2 The notice, agenda and supporting papers shall be forwarded to members and other attendees as appropriate as soon as possible and in any event no later than five working days before the date of the meeting (unless all members of the Committee agree to shorter notice).

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7 Minutes of meetings

- 7.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be agreed with the Chairman and then circulated promptly to all members of the Committee, unless it would be inappropriate to do so in the opinion of the Chairman.

8 Annual General Meeting

The Chairman 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 Chairman of the annual general meeting.

9 Duties

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

9.1 Financial reporting

- 9.1.1 The Committee shall monitor the integrity of the financial statements of the Company/Group (including its annual, half-yearly reports, any interim management statements and any preliminary results announcements) and any other formal announcement relating to its financial performance. The Committee shall review and report to the Board on significant financial reporting issues and judgements made in connection with the preparation of the financial statements (having regard to matters communicated to it by the auditor), interim reports, preliminary announcements and related formal statements.
- 9.1.2 The Committee shall review related information presented with the financial statements, including the strategic report and corporate governance statements relating to the audit management.
- 9.1.3 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 followed appropriate accounting policies and standards 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 reports and the context in which statements are made; and
 - (e) all material information presented with the financial statements, including the strategic report and the corporate governance statements (insofar as it relates to the audit management) and the internal control and risk management statement.
- 9.1.3 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

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regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

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

9.1.5 The Committee shall review the annual financial statements of any pension scheme relating to the Company or the Group.

9.1.6 The Committee shall assess the effectiveness of the Group's financial reporting procedures.

9.1.7 If practicable, the Committee shall review other statements containing financial information that require Board approval.

9.2 Narrative reporting

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/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.

9.3 Internal controls and risk management systems

The Committee shall:

9.3.1 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; and

9.3.2 review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement.

9.4 Internal Audit

The Committee shall:

9.4.1 review and approve the appointment or termination of appointment of the head of the internal audit function;

9.4.2 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 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;

9.4.3 review and approve the annual internal audit plan to ensure it is aligned to the key risk of the business and receive regular reports on the results of the internal auditor's work;

9.4.4 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

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audit is equipped to perform in accordance with appropriate professional standards for internal auditors;

- 9.4.5 ensure the internal auditor has direct access to the Chairman and to the Company Chairman, providing independence from the executive, and is accountable to the Committee;
- 9.4.6 carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment:
 - a) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - b) review and monitor management's responsiveness to the internal auditor's findings and recommendations; and
- 9.4.7 monitor and assess the role and effectiveness of the Company/Group's internal audit function and to meet the head of internal audit at least once a year, without management present, to discuss the effectiveness of the Company/Group's internal audit function, its remit and any issues resulting from audits, the overall risk management system and the work of finance and the external auditor.

9.5 External Audit

The Committee shall:

- 9.5.1 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;
- 9.5.2 develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 9.5.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.5.4 have primary responsibility for appointing the external auditor; including negotiating the fee and scope of the audit, initiating a tender process, approving their remuneration, including both fees for audit and non-audit services, and ensure the level of fees is appropriate to enable an effective and high-quality audit to be conducted, and approve the terms of engagement, including any engagement letter issued at the start of each audit and the scope of each audit and making formal recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- 9.5.5 oversee the relationship with the external auditor, including but not limited to:
 - (a) reviewing and agreeing the engagement letter issued by the external auditor at the start of each audit and the scope of the external audit, arranging additional work as appropriate;
 - (b) influencing the appointment of the individual identified by the external auditor as being primarily responsible for the conduct of the audit;

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- (c) monitoring and assessing the external auditor's independence and objectivity, and the effectiveness of the audit process, taking into account relevant legal, ethical, professional and regulatory requirements and all Group relationships with the external auditor and its network firms as a whole;
 - (d) discussing with the external auditor threats to independence and how those threats are mitigated;
 - (e) monitoring the external auditor's compliance with ethical standards, the level of fees the Group pays to the external auditor in proportion to the overall fee income of the external audit firm (or relevant part of it), and related regulatory requirements;
 - (f) developing, recommending to the Board and keeping under review a policy on the provision of non-audit services by the external auditor, taking into account ethical standards and legal requirements;
 - (g) set and maintain a policy specifying the types of non-audit services for which the use of the external auditor is pre-approved;
 - (h) approving non-audit services provided by the external auditor, with the aim preserving the external auditor's independence and objectivity;
 - (i) setting and maintaining a policy on the Committee's assessment of the auditor's independence and the effect of non-audit services on audited financial statements and;
 - (j) obtaining and reviewing annually external auditor information about its policies and procedures for maintaining independence and monitoring compliance with relevant requirements, including in relation to rotation of audit partners and staff;
 - (k) agreeing with the Board a policy on the employment of former employees of the external auditor, taking account of relevant ethical standards and legal requirements, monitoring the application of this policy, including the Committee's own safeguards relating to independence, and considering whether there has been any impairment or appearance of impairment of the external auditor's independence and objectivity;
 - (l) seeking to ensure co-ordination between the external auditor and the internal audit function; and
 - (m) evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communications with the Committee.
- 9.5.6 be responsible for and oversee the selection procedures for an external auditor and initiate and supervise any competitive tender process undertaken by the Company for the provision of external audit services and consider and make recommendations to the Board on the appointment, re-appointment, resignation or removal of the external auditor;
- 9.5.7 ensure that at least every ten years the audit services contract is put out to tender and in respect of such a tender oversee the selection process and ensure that all tendering firms have appropriate access to information and individuals during the tendering process.
- 9.5.8 assess annually the external auditor's independence and objectivity taking into account relevant UK 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

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- auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 9.5.9 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;
- 9.5.10 investigate the issues leading to any resignation of an external auditor and decide whether any action is required.
- 9.5.11 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;
- 9.5.12 monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 9.5.13 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
- 9.5.14 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;
- 9.5.15 seek to ensure coordination of the external audit with the activities of the internal audit function;
- 9.5.16 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;
- 9.5.17 to ensure that appropriate plans are in place for the annual audit at the start of each annual audit cycle, in particular considering whether the auditor's work plan is consistent with the scope of the audit engagement, having regard to materiality, resources and the seniority, expertise and experience of the audit team;
- 9.5.18 to review audit representation letters before signature, considering in particular any representation on a non-standard matter;
- 9.5.19 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) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - b) the nature of the non-audit services;

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- 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;
- 9.5.20 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;
- 9.5.21 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;
- 9.5.22 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 both resolved and unresolved;
 - 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; and
 - e) levels of errors identified during the audit;
- 9.5.23 review any representation letter(s) requested by the external auditor before they are signed by management;
- 9.5.24 review the management letter and management's responsiveness to the auditor's findings and recommendations;
- 9.5.25 review the effectiveness of the audit process, including but not limited to:
- (a) an assessment of how risks to audit quality are identified and addressed;
 - (b) the quality of the audit;
 - (c) the handling of key judgements by the auditor;
 - (d) the external auditor's compliance with the audit plan; and
 - (e) the external auditor's management letter and its other communications with the Committee the auditor's response to questions from the Committee.

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10 Whistleblowing, fraud, bribery and other compliance

10.1 The Committee shall:

- 10.1.1 review the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible improprieties in financial reporting or other matters, with the aim of ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action; and
- 10.1.2 review the Group's policies and procedures for preventing and detecting fraud, its systems and controls for preventing bribery, its code of corporate conduct/business ethics and its policies for ensuring that the Group complies with relevant regulatory and legal requirements, receive reports and consider appropriate action.

11 Reporting responsibilities

- 11.1 The Chairman shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and shall also report formally to the Board on how it has discharged its responsibilities. The report shall include the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.1) and how these were addressed, its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the external auditor (required under paragraph 9.5.10), and any other issues on which the Board has requested the Committee's opinion, identifying any matters in respect of which it considers that improvement is needed, whether the subject of a specific request by the Board or not, and make recommendations as to the steps to be taken.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate, on any area within its remit, where action or improvement is desirable.
- 11.3 The Committee shall compile a report to shareholders on its activities to be included in the Company/Group's annual report. The report should include:
 - 11.3.1 a summary of the role and work of the Committee;
 - 11.3.2 an explanation of how the Committee composition requirements have been met, identifying the names and qualifications of its members;
 - 11.3.3 state the number of committee meetings that have been held in the relevant period;
 - 11.3.4 explain how the Committee's performance evaluation has been conducted;
 - 11.3.5 an explanation of how the Committee has addressed the effectiveness of the external audit process;
 - 11.3.6 the significant issues that the Committee considered, including (1) in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and (2) the nature and extent of any interaction with the Financial Reporting Council's Corporate Reporting Review team;
 - 11.3.7 an explanation of the approach taken to the appointment or reappointment of the external auditor;

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- 11.3.8 state the length of tenure of the current external auditor, the current audit partner name and for how long that person has acted as audit partner and when a tender was last conducted;
 - 11.3.9 give advance notice of any plans to retender the external audit;
 - 11.3.10 if the external auditor provides non-audit services, explain (1) the Committee's policy for approval of non-audit services and how auditor objectivity and independence are safeguarded; (2) the audit fees for the statutory audit of the Company's consolidated financial statements paid to the external audit firm and its network firms for audit-related services and non-audit services, including the ratio of audit to non-audit fees; and (3) for each significant engagement or category of engagements, what service is provided and why the Committee decided that it was in the Company's interests to buy them from the external auditor;
 - 11.3.11 explain how the Committee assessed the effectiveness and quality of the internal audit;
 - 11.3.12 provide the information that the report is required to contain in relation to a financial year in which there has been no competitive tender process for the appointment of the external auditor;
 - 11.3.13 make any statement of compliance required by law or regulations; and
 - 11.3.14 all other information requirements set out in the Code.
- 11.4 In compiling the reports referred to in 10.1 and 10.3, 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.

12 Other matters

The Committee shall:

- 12.1 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;
- 12.2 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;
- 12.3 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;
- 12.4 be responsible for co-ordination of the internal and external auditors;
- 12.5 oversee any investigation of activities which are within its terms of reference;
- 12.6 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; and

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- 12.7 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.

13 Authority

The Committee is authorised to:

- 13.1 undertake any activity within its terms of reference;
- 13.2 to seek and to be provided with any necessary information from any Group employee or contactor that it requires to fulfil its duties;
- 13.3 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;
- 13.4 call any Group employee or contractor to be questioned at a meeting of the Committee as and when required;
- 13.5 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; and
- 13.6 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).