

**MCBRIDE THE COMPANY**  
**THE AUDIT & RISK COMMITTEE**

**TERMS OF REFERENCE**

**(as adopted by the Board of Directors of McBride plc on 8<sup>th</sup> July 2022 and amended on 11<sup>th</sup> July 2023)**

**1 Membership**

- 1.1 Membership of the Audit & Risk Committee (**Committee**) shall be appointed by the Board of Directors of the Company (**Board**) on the recommendation of the Nomination Committee in consultation with the Committee Chair.
- 1.2 The Committee shall be made up of at least three members. All members of the Committee shall be independent non-executive Directors of the Company and, where possible, one shall also be a member of the Remuneration Committee.
- 1.3 The Chair of the Board shall not be a member of the Committee.
- 1.4 At least one of the members of the Committee shall have recent and relevant financial experience and shall, preferably, hold a professional qualification from one of the professional accountancy bodies. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.5 Only members of the Committee have the right to attend Committee meetings. However, other Directors and other individuals (including representatives of external advisers) may be invited to attend all or part of any meeting as and when appropriate in the opinion of the Committee's Chair or the majority of its members.
- 1.6 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.7 Membership of the Committee shall be periodically refreshed. Appointments shall be for a period of up to three years (subject to the election and re-election provisions in the Company's constitution and in the UK Corporate Governance Code), which may be extended by no more than two further periods of up to three years each (subject to the other terms in this document).
- 1.8 The Board shall appoint the Committee Chair. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair a meeting of the Committee.

**2 Secretary**

The Company Secretary, or any other person selected for the task by the Committee, shall act as the Secretary of the Committee.

### **3 Quorum**

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

### **4 Frequency of meetings**

4.1 The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

4.2 Outside of the formal meeting programme, the Committee Chair, and, to a lesser extent, the other Committee members, shall maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, Chief Executive Officer, Chief Financial Officer, external audit lead partner and the head of internal audit.

### **5 Notice of meetings**

5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or the head of the internal audit if such person considers it necessary.

5.2 Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of 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, no later than five business days before the date of the meeting.

5.3 The Secretary shall ensure that each member of the Committee (and any other attendee as appropriate) receives information and papers in a timely manner to enable proper consideration to be given to issues. Such information and papers can be sent in electronic form and shall be sent no later than five business days before the date of the meeting.

### **6 Minutes of meetings**

6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be agreed with the Committee Chair within five business days of the meeting and then circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, other than where, in the opinion of the Committee Chair, it would be inappropriate to do so.

### **7 Engagement with shareholders**

The Committee Chair shall attend the annual general meeting to answer shareholder questions on the Committee's activities. The Committee Chair may make a statement at the annual general meeting on the activities and achievements of the Committee during the year.

## **8 Role**

The objective of an Audit Committee is the provision of oversight and effective governance over:

- (a) the appropriateness of the financial reporting by the Company, including the adequacy of related disclosures;
- (b) the Company's internal financial controls and internal control and risk management systems;
- (c) the Company's compliance activities; and
- (d) the effectiveness of both the internal audit function and the external auditor.

## **9 Duties**

The Committee should carry out the duties detailed below for the Company, major subsidiary undertakings and the group as a whole, as appropriate. In carrying out these duties, the members of the Committee must comply with their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the relevant company for the benefit of its members as a whole, whilst having regard to the interests of employees, stakeholders and other matters as required by section 172.

### **9.1 Financial reporting**

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement or statement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgments which they contain, having regard to matters communicated to it by the external auditor.
- (b) The Committee shall review and challenge where necessary:
  - (i) the application of, and any changes to, significant accounting policies;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
  - (iv) the Directors' assessment and statement as to whether, taking account of the Company's position and principal risks, they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period covered by that statement;

- (v) the Directors' assessment and statement as to whether they consider it appropriate to adopt the going concern basis of accounting in preparing financial statements and the identification of material uncertainties to the Company's ability to continue to do so;
  - (vi) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
  - (vii) all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit, internal controls and risk management).
- (c) The Committee shall also review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practical and consistent with any prompt reporting requirements under any law or regulation including (without limitation) the UK Listing Authority's Listing Rules and the Disclosure Guidance and Transparency Rules sourcebook.
  - (d) The Committee shall report its views to the Board if it is not satisfied with any aspect of the proposed financial reporting by the Company.
  - (e) The Committee shall, if requested by the Board, also 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, performance, business model and strategy so as to inform the Board's statement in the annual report and accounts on these matters as recommended by the UK Corporate Governance Code.

## 9.2 Internal controls and risk management systems

The Committee shall carry out the following duties:

- (a) review the Company's overall risk profile, tolerance and strategy, including the nature and extent of significant risks that the Company is willing to take in achieving its strategic objectives;
- (b) oversee and review the adequacy, effectiveness, design and implementation of the Company's system of internal financial controls, internal quality controls and risk management systems that can identify the risks facing the Company;
- (c) carry out, as required by the Board, a robust assessment of principal risks, including those that might impact on the business model, performance, liquidity and solvency;
- (d) oversee and advise the Board on the current risk exposures of the Company and future risk strategy in line with the Board's stated risk appetite;
- (e) review the Company's capacity and procedures to identify, assess and manage new and emerging risk types;

- (f) monitor and encourage the embedding and maintenance throughout the Company's group of a supportive culture and reward system in relation to the management of risk;
- (g) consider and approve the remit of the Company's risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- (h) ensure that the Company's risk management function has adequate independence and is free from management and other restrictions;
- (i) advise on the extent to which risk is being properly considered by the Remuneration Committee and the Board in setting the overall remuneration policy for the Company's group and the remuneration of the Executive Directors and other senior executives and provide input on risk considerations when the Remuneration Committee is considering targets and performance objectives incorporated into executive remuneration;
- (j) monitor on an ongoing basis all internal financial controls and internal quality control and risk management systems and, at least annually, carry out a review of the scope, adequacy and effectiveness of those systems;
- (k) receive reports from the Company's management and the external and internal auditor on the effectiveness and integrity of those systems;
- (l) review and monitor the nature and implementation of the internal control and internal financial control and risk management mitigation activities;
- (m) review whether the principles of any guidance published by the Financial Reporting Council (or any successor body) for Directors on internal control and related financial and business reporting are being embedded within the Company's group;
- (n) review the timeliness of, and reports on, the effectiveness of corrective action taken by the Company's management;
- (o) review and approve the statements to be included in the annual report concerning internal controls and risk management, prior to consideration by the Board; and
- (p) work and liaise with all other committees of the Board as necessary, including monitoring their performance and actions to ensure full coverage of risk issues is achieved.

### 9.3 **Compliance, whistleblowing and fraud**

The Committee shall:

- (a) review routinely the adequacy and security of the Company's arrangements for its workforce to raise concerns, in confidence, about any matter and review reports arising from the operation of such arrangements;

- (b) ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (c) review the Company's procedures for detecting, responding and preventing fraud; and
- (d) review the Company's systems and controls for the prevention of bribery and receive reports on any alleged or suspected non-compliance.

#### 9.4 Internal audit

The Committee shall:

- (a) approve the appointment or termination of appointment of the head of internal audit;
- (b) review, and approve, the remit of the internal audit function and ensure it has adequate standing, unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (c) ensure the internal auditor has direct access to the Chair of the Board, where necessary, and to the Chair of the Committee, providing independence from the executive and accountability to the Committee;
- (d) ensure that there is open communication between the different functions and that internal audit evaluates the effectiveness of these functions as part of its internal audit plan;
- (e) review and assess the annual internal audit work plan, ensuring that it is aligned to the key risks in the business;
- (f) receive a report on the results of the internal auditor's work on a periodic basis;
- (g) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (h) meet with the head of internal audit at least once a year, without management being present, to discuss the internal audit remit and any issues arising from the internal audits carried out; and
- (i) monitor, and review, the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and the work of compliance, finance and the external auditor and, as part of that assessment:
  - (i) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
  - (ii) consider whether an independent, third party review of the internal audit effectiveness and processes is appropriate.

## 9.5 External Audit

The Committee shall:

- (a) consider and make recommendations (which shall include any information required by law) to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor.
- (b) The Committee shall initiate and supervise any competitive external audit tender process and oversee the selection process for a new auditor and, if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- (c) ensure that the external audit services contract is put out to tender in accordance with applicable regulatory and legislative requirements, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms, and in respect of such tender oversee the selection process and ensure that all tendering firms have the necessary access to information and individuals throughout the tendering process;
- (d) oversee the relationship with the external auditor including (but not limited to):
  - (i) negotiating and agreeing the external auditor's remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - (ii) negotiating and agreeing the external auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the relationship with the auditor as a whole, including the appropriateness of the provision of any non-audit services;
  - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (v) agreeing 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 monitoring the implementation of this policy;
  - (vi) monitoring the auditor's processes for maintaining its independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including guidance on the rotation of the audit engagement partner and staff;

- (vii) monitoring the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assessing these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
  - (viii) assessing annually the external auditor's qualifications, expertise and resources and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
  - (ix) seeking to ensure co-ordination of the external audit with the activities of the internal audit function; and
  - (x) evaluating the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee;
- (e) 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, without management being present, to discuss the external auditor's remit and any issues arising from the audit;
  - (f) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
  - (g) review the findings of the audit with the external auditor. This shall include but not be limited to:
    - (i) a discussion of any major issues which arose during the audit;
    - (ii) the external auditor's explanation of how the risks to audit quality were addressed;
    - (iii) key accounting and audit judgements;
    - (iv) the external auditor's view of their interactions with senior management;
    - (v) levels of errors identified during the audit; and
    - (vi) any findings and conclusions by the Financial Reporting Council (or any successor body) where the Company's audit has been the subject of a review;
  - (h) review any representation letter(s) requested by the external auditor before they are signed by management;
  - (i) review the management letter and management's response to the auditor's findings and recommendations;
  - (j) review the effectiveness of the external audit process, including an assessment of



the quality of the audit, the handling of key judgments by the external auditor, and the auditor's response to questions from the Committee; and

- (k) develop and implement policy on the supply of non-audit services by the external auditor, including the approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved and an assessment of whether non-audit services have a direct or material effect on the audited financial statements. This policy should include consideration of:
  - (i) any threats to the independence and objectivity of the external auditor, taking into account the Ethical Standard, legal and regulatory requirements and any safeguards in place;
  - (ii) the nature of any non-audit services;
  - (iii) whether the external audit firm is the most suitable supplier of the non-audit services;
  - (iv) the level of fees to be incurred for non-audit services, both individually and in aggregate, relative to the level of audit fee; and
  - (v) the criteria governing compensation.

## 9.6 Reporting responsibilities

- (a) The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including how it has discharged its responsibilities. Following the external audit, the Committee shall inform the Board of the outcome of the statutory audit, explaining how the audit contributed to the integrity of financial reporting and the role the Committee played in that process.
- (b) The Committee shall make whatever recommendations or proposals to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall produce a report to be included in the Company's annual report and accounts, describing the Committee's work and how it has discharged its responsibilities. Such report shall include:
  - (i) a summary of the role of the Committee;
  - (ii) the names and qualifications of all Committee members during the period, together with an explanation of how the Committee composition requirements have been addressed;
  - (iii) the number of Committee meetings;
  - (iv) the significant issues that the Committee has considered, including:

- (A) issues in relation to the financial statements and how those issues were addressed, having regard to matters communicated to it by the external auditor. The Committee will need to exercise judgement in deciding which of the issues it considers 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;
  - (B) the nature and extent of any interaction with the Corporate Reporting Review Team of the Financial Reporting Council (or any successor body); and
  - (C) where the Company's audit has been reviewed by the Audit Quality Review Team of the Financial Reporting Council (or any successor body), any findings and actions proposed to be taken in response;
- (v) 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, and information on the length of tenure of the current audit firm, when a tender was last conducted, and advance notice of any retendering plans (as required or appropriate) and any contractual obligations that have acted to restrict the Committee's choice of external auditor;
  - (vi) a statement from the Committee (where the Board does not accept the Committee's recommendation on the external auditor appointment, re-appointment or removal) explaining its recommendation and the reasons why the Board has taken a different position;
  - (vii) if the external auditor provides non-audit services, the Committee's policy for approval of non-audit services, details of how auditor objectivity and independence is safeguarded, details of the fees paid to the external auditor for audit and non-audit services and the ratio of audit to non-audit work, and an explanation of the non-audit services provided and why the Committee concluded that it was in the interests of the Company to purchase them from the external auditor;
  - (viii) an explanation (where there is no internal audit function) for the absence of such function, how internal assurance is achieved and how this affects the work of the external auditor;
  - (ix) any statement required by the Competition & Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 where such Order applies to the Company; and
  - (x) any other issues on which the Board has requested the Committee's opinion.

## 9.7 Other

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary 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 on-going basis for all members;
- (c) give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- (d) be responsible for co-ordination of the internal and external auditor;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) work and liaise as necessary with all other Board Committees; and
- (g) 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 for approval.

## 10 Authority

The Committee is authorised to:

- (a) seek any information it requires from any employee of the Company in order to perform its duties;
- (b) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- (c) call any employee to be questioned at a meeting of the Committee as and when required; and
- (d) have the right to publish as part of the report on its activities in the Company's annual report details of any issues that cannot be resolved between it and the Board.