

References within this section to:

the 'Committee' means the Audit Committee of the Board of Britvic plc

the "Executive" means the Executive Team of Britvic plc

the 'Board' means the Board of Britvic plc.

## **1 Membership**

- 1.1** Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee. The Committee shall be made up of at least three members, all of whom shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The chairman of the board shall not be a member of the committee.
- 1.2** Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, Chief Executive Officer, Chief Financial Officer, other directors, and representatives from the finance and internal audit function and other areas of the business may be invited to attend all or part of any meeting as and when appropriate.
- 1.3** The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.4** The Board shall appoint the Committee 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.
- 1.5** The Company Secretary or their nominee shall act as the Secretary of the Committee.

## **2 Quorum**

- 2.1** 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.

## **3 Frequency of Meetings**

- 3.1** The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and at other times as the Chair of the Committee shall require.

- 3.2** Outside of the formal meeting programme, the Committee Chair and, when required, the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance including the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the External Audit Lead Partner and the Head of Internal Audit and Risk.

#### **4 Notice of Meetings**

- 4.1** Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the internal or external auditors if they consider it necessary.
- 4.2** Unless otherwise agreed, 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 and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

#### **5 Minutes of Meetings**

- 5.1** The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.
- 5.2** Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chair of the Board.

#### **6 Annual General Meeting**

The Chair of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's reports and activities.

#### **7 Duties**

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

##### **7.1 Financial Reporting**

**7.1.1** The Committee shall:

- (i) monitor the integrity of the financial and narrative statements of the company, including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues

and judgements which they contain, having regard to matters communicated to it by the external auditors;

- (ii) review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the Listing Rules;
- (iii) provide advice to the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

**7.1.2** The Committee shall review and challenge where necessary:

- (i) the application of, and any changes to, accounting policies both on a year on year basis and across the Group;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (iv) the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; and
- (v) all material information presented with the financial statements, such as the report on the Company's operations, business model and strategy, its financial performance and its corporate governance report requirements. (insofar as it relates to the audit and risk management).

**7.1.3** 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.

## **7.2 Internal Controls and Risk Management Systems**

The Committee shall:

- 7.2.1** on behalf of the Board, establish procedures to oversee the internal control framework and periodically review the effectiveness of the company's internal control and risk management systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- 7.2.2** provide advice to the Board on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate, and advise on whether

there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period; and

- 7.2.3 review and approve the statements to be included in the annual report concerning internal control and risk management.

### **7.3 Compliance, Whistleblowing and Fraud**

The Committee shall

- 7.3.1 on behalf of the Board, review the Company's arrangements for its employees, contractors, suppliers, customers and agents to raise concerns, in confidence and anonymously, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that the Company's arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 7.3.2 review the company's procedures for detecting fraud; and
- 7.3.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

### **7.4 Internal Audit**

The Committee shall:

- 7.4.1 monitor and review the scope, extent and effectiveness of the Group's internal audit function in the context of the Company's overall risk management system;
- 7.4.2 approve the appointment and removal of the head of the internal audit and risk function;
- 7.4.3 consider and approve the remit of the internal audit and risk function and ensure it has unrestricted scope, adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards and ensure the function has adequate standing and is free from management or other restrictions;
- 7.4.4 review and assess the annual internal audit plan to ensure that it is aligned with the key risks of the business and receive regular reports on the work carried out;
- 7.4.5 review promptly all significant reports addressed to the Committee from the internal auditor;
- 7.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 7.4.7 meet 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 audits carried out; and

- 7.4.8 ensure that the head of internal audit and risk has direct access to the Chair of the Board and to the Committee.

## **7.5 External Audit**

The Committee shall:

- 7.5.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor;
- 7.5.2 in the event that the auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 7.5.3 at least once every ten years, conduct a tender process for the audit services contract to enable the Committee to compare the quality and effectiveness of the services provided by the auditor with those of other audit firms and, in respect of such tender, develop and oversee the selection process, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- 7.5.4 oversee the relationship with the external auditor including (but not limited to):
- (i) approval of their remuneration, whether fees for audit or non-audit services, and ensure that the level of fees is appropriate to enable an adequate 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) assessing annually their independence and objectivity taking into account relevant UK professional, ethical and regulatory requirements, including any threats to the auditor's independence and the safeguards to mitigate these threats, including the provision of any non-audit services; satisfying itself that there are no relationships between the auditor and the Company outside the ordinary course of business (including the level of non-audit fees) that could adversely affect the auditor's independence and objectivity or the audit process;
  - (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);
  - (v) agreeing with the Board a policy on the employment of former employees of the Company'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 paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - (vii) assessing annually their qualifications, expertise and resources including the rotational procedures for the lead audit partner and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
  - (viii) seeking to ensure co-ordination with the activities of the internal audit function.
- 7.5.5** 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 their remit and any issues arising from the audit;
- 7.5.6** 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;
- 7.5.7** review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
- (i) a discussion of any major issues which arose during the audit,
  - (ii) the auditor's explanation of how the risks to audit quality were addressed,
  - (iii) key accounting and audit judgements,
  - (iv) the auditor's view of their interactions with senior management, and
  - (v) levels of errors identified during the audit;
- 7.5.8** review the effectiveness of the audit, which should include:
- (i) a review of whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken to address those risks;
  - (ii) considering the external auditor's robustness and perceptiveness in handling key accounting and audit judgements;
  - (iii) a review of any representation letter(s) requested by the external auditor before they are signed by management;
  - (iv) a review of the external auditor's report, including the management letter and management's response to the auditor's findings and recommendations;

- (v) obtaining feedback from key people on the conduct of the audit; and
- (vi) reporting to the Board on the effectiveness of the audit.

**7.5.9** develop and recommend to the Board, and implement, the Company's formal policy on the external auditor's provision of non-audit services, including the Committee's approval of non-audit services and 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 assessment of:

- (i) threats to the external auditor's independence and objectivity and any safeguards in place to eliminate or reduce threats;
- (ii) the nature of non-audit services;
- (iii) in light of the external audit firm's skills and experience, whether it is the most suitable supplier of the non-audit service;
- (iv) the fees for the non-audit services, both for individual services and in aggregate, relative to the audit fee, including special terms and conditions; and
- (v) the criteria governing compensation of the individuals performing the audit;

**7.5.10** keep the policy for the provision of non-audit services under review.

## **7.6 Reporting Responsibilities**

**7.6.1** The Committee Chair shall report verbally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

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

**7.6.3** The Committee shall produce a report to be included in the Company's annual report to include:

- (i) Committee membership and composition;
- (ii) Committee duties and activities during the year;
- (iii) the number of Committee meetings held and attendance over the course of the year;
- (iv) how the Committee's performance evaluation has been conducted;
- (v) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor;

- (vi) an explanation how it has assessed the independence and effectiveness of the external audit process and its approach taken to the appointment and reappointment of the external auditor, length of the current auditor's tenure, when a tender was last conducted, advance notice of any retendering plans (and reasons why completing the process in that proposed financial year is in the best interests of the Company's members) and any contractual provisions restricting the Committee's choice of auditor and the amount of fees paid to the auditor for any of its services;
- (vii) the Committee's policy for approval of non-audit services, how auditor objectivity and independence is safeguarded the audit fees for the statutory audit for audit related services and other non-audit services, including the ratio of audit to non-audit work, and for each significant engagement, or category of engagement, what the services are and why the Committee concluded that it was in the Company's best interests to purchase them from the external auditor;
- (viii) an explanation of how the Committee has addressed the effectiveness of the internal audit process;
- (ix) a description of the review of the effectiveness of the Company's risk management and internal control systems, covering financial, operational and compliance controls;
- (x) all other information requirements set out in the UK Corporate Governance Code; and
- (xi) any other issues on which the Board has requested the Committee's opinion.

## **7.7 Other Matters**

The Committee shall:

- 7.7.1 consider other duties determined by the Board from time to time;
- 7.7.2 work and liaise as necessary with all other Board committees, taking particular account of any delegation of the impact of risk management and internal controls to different committees;
- 7.7.3 seek engagement with shareholders on significant matters related to the Committee's areas of responsibility;
- 7.7.4 ensure it has access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required and unrestricted access to the Company's documents;



- 7.7.5 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;
- 7.7.6 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Prospectus and Disclosure, Guidance and Transparency Rules and any other applicable Rules as appropriate;
- 7.7.7 be responsible for co-ordination of the internal and external auditors;
- 7.7.8 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 7.7.9 at least once a year, review its own performance, 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.

## **8 Authority**

The Committee is authorised:

- 8.1 to seek any information it requires from any employee of the Company, including the Company Secretariat, in order to perform its duties;
- 8.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 8.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 8.4 to 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.