



Terms of Reference:

Audit Committee

Adopted December 2019

## **1. Purpose**

- 1.1. The Board of Directors of John Menzies plc has established a committee known as the Audit Committee.
- 1.2. The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the Company and the Group by reviewing and monitoring:
  - 1.2.1. the integrity of the financial and narrative statements and other financial information provided to shareholders;
  - 1.2.2. the Company's system of internal controls and risk management;
  - 1.2.3. the internal and external audit process and the auditor; and
  - 1.2.4. the processes for compliance with laws, regulations and ethical codes of practice.

## **2. Membership**

- 2.1. Members of the Committee shall be appointed by the Board in consultation with the Chair of the Committee. Unless otherwise determined by the Board, the Committee shall consist of a minimum of three (3) members.
- 2.2. The Chair of the Committee shall be appointed by the Board and shall be an independent Non-Executive Director. In the absence of the Chair of the Committee, the members present at any Committee meeting shall elect one of their number to chair the meeting.
- 2.3. Members of the Committee shall be independent Non-Executive Directors, at least one of whom shall have recent and relevant financial experience. In the absence of the Chair of the Committee, the members present at any Committee meeting shall elect one of their number to chair the Meeting.
- 2.4. The Chair of the Board shall not be a member of the Committee.
- 2.5. Appointments to the Committee shall be for an initial period of three (3) years, following which membership may be extended for a further three (3) year term. In the absence of exceptional circumstances, Committee appointments shall be for a maximum of three three (3) year terms.

## **3. Secretary**

- 3.1. The Group Company Secretary (or such other person as is nominated by them from time to time) shall act as Secretary to the Committee. The Secretary shall ensure that, in advance of any Committee meeting, the Committee members receive such information and papers to allow them to ably discharge their duties and enable full and proper consideration of the issues tabled.
- 3.2. The Secretary will make available a suitable induction process for new members of the Committee as well as ongoing training where appropriate and agreed with the Committee.

## **4. Meetings and Attendance**

- 4.1. The Committee shall meet at least three (3) times a year at appropriate times in the reporting and audit cycle or as otherwise required or determined by the Board.
- 4.2. The quorum necessary for the transaction of Committee business shall be two (2). A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the duties and responsibilities exercisable by the Committee.
- 4.3. Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of the internal or external auditors and/or the Board.
- 4.4. Unless otherwise agreed by the members of the Committee, notice of a Committee meeting shall be forwarded to each Committee member no later than five (5) working days before the date of a meeting, such notice confirming the venue (if appropriate), date and time of the meeting, together with an agenda of

the items to be discussed. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

- 4.5. Only members of the Committee have the right to attend Committee meetings, although other individuals may be invited to all or part of any Committee meeting as and when deemed appropriate.

## **5. Minutes of Meetings**

- 5.1. The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 5.2. The Secretary shall circulate the minutes of Committee meetings promptly to all members of the Committee and, once agreed, to all members of the Board.

## **6. Duties and Responsibilities**

The Committee shall carry out the duties and discharge the responsibilities below for both the Company and the Group, as appropriate, as a whole and are as follows:

### **6.1. Financial reporting**

The Committee shall:

- 6.1.1. monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results announcements and any other statement requiring Board approval relating to its financial performance prior to its issue, reviewing significant financial reporting issues and judgements which they contain; and
- 6.1.2. review and challenge where necessary:
- i. the appropriateness of the Group's significant accounting policies, the consistency of their application and any changes to them prior to implementation;
  - 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; and
  - iv. the clarity and completeness of disclosures in statements made in the Company's financial reports particularly in relation to material information presented with the financial statements, such as in the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management) or in any trading statement, and whether they are set properly in context of the Group's affairs.

### **6.2. Internal Controls and Risk Management Systems**

The Committee shall:

- 6.2.1. keep under review the effectiveness of the Company's internal controls and risk management systems;
- 6.2.2. review and approve the statements to be included in the Annual Report and Accounts concerning internal controls and risk management;
- 6.2.3. ensure a robust assessment of the emerging and principal risks facing the Company is undertaken (including those risks that would threaten the Company's business model, future performance, solvency or liquidity and reputation) and that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks;

- 6.2.4. evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk; and
- 6.2.5. consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.

### 6.3. Internal Audit

The Committee shall:

- 6.3.1. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management systems;
- 6.3.2. to approve the appointment or dismissal of the head of the Company's internal audit function, or of the organisation to which this function may be outsourced (note – the term "internal audit function" covers either method of providing this function);
- 6.3.3. to consider and approve the remit of the internal audit 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. The Committee shall also ensure this function has adequate standing and is free from management or other restrictions;
- 6.3.4. to review and assess the annual internal audit plan and all reports on the Company from the internal audit function;
- 6.3.5. to review and monitor management's responsiveness to the findings and recommendations of the internal audit function;
- 6.3.6. to meet the head of the Company's internal audit function at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of the internal audit function shall be given the right of direct access to the Chair of the Board and of the Committee; and
- 6.3.7. if the Company does not have an internal audit function, to consider annually whether there should be one and make recommendation to the Board accordingly. The absence of such a function, how internal assurance is achieved, and how this affects the work of external audit should be explained in the Company's Annual Report and Accounts.

### 6.4. External Audit

The Committee shall:

- 6.4.1. consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 6.4.2. conduct the external audit contract tender process at least once every ten years and oversee the tender process and selection of the external auditor in accordance with all relevant UK professional and regulatory requirements;
- 6.4.3. 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 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, objectivity and effectiveness taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- iv. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
- v. approving the employment of any graded employee who has been employed on the audit of any part of the Group by the external auditor within the previous 24 months;
- 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; and
- vii. assessing annually their qualifications, expertise and resources which shall include a report from the external auditor on their own internal quality procedures.

The Committee may place significant reliance on reports submitted by the external auditors in considering these items.

- 6.4.4. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 6.4.5. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 6.4.6. review the effectiveness and the findings of the audit with the external auditor. This shall include but not be limited to a review of:
  - i. any major issues which arose during the audit;
  - ii. any accounting and audit judgements; and
  - iii. levels of errors identified during the audit.
- 6.4.7. As part of the review detailed in 6.4.5 and 6.4.6 above, the Committee also shall:
  - i. consider the robustness and perceptiveness of the external auditor in their handling of the above, and obtain feedback on the audit from key management involved;
  - ii. review any letters of representation requested by the external auditor before they are signed by the required authorised signatory;
  - iii. review the management letter so far as it relates to material items, and management's response to it; and
  - iv. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any guidance issued under the applicable UK Corporate Governance Code, the Financial Conduct Authority's Listing Rules and any other relevant statutory, regulatory or governance codes to ensure that the provision of such services does not impair the external auditors' independence or objectivity.

## **7. Reporting Responsibilities**

- 7.1 Following each Committee meeting, the Chair of the Committee shall provide a formal update to the Board on its proceedings and all matter falling within the scope of its duties and responsibilities.

- 7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.3 A formal report on the Committee's activities and how the Committee has discharged its responsibilities shall be included in the Company's Annual Report and Accounts. This shall include a fair, balanced and understandable review of the Company's financial reporting, internal controls and risk management and the internal and external audit which is required to be disclosed under the Companies Act 2006 (including regulations made thereunder), the applicable UK Corporate Governance Code, the Financial Conduct Authority's Listing Rules and any other relevant statutory, regulatory or governance codes.
- 7.4 The Chair of the Committee shall be required to attend the Company's annual general meeting to answer any shareholders' questions on the Committee's activities.
- 7.5 The Committee's Terms of Reference will be made available on the Company's website.

## **8. Other Matters**

The Committee shall:

- 8.1 have access to sufficient resources in order to ably perform its duties and discharge its responsibilities, including access to the Group Company Secretary for assistance as required;
- 8.2 oversee any investigation of activities that falls within the scope of its Terms of Reference; and
- 8.3 at least annually, 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.

## **9 Authority**

The Committee shall be authorised to:

- 9.1 seek any information it requires from any Group employee in order to ably perform its duties and discharge its responsibilities;
- 9.2 obtain, at the Company's expense, outside legal or other professional advice on any matter that falls within the scope of its Terms of Reference; and
- 9.3 call any Group employee to attend any Committee meeting as and when required.