

## **FRANCHISE BRANDS PLC (the Company)**

### **AUDIT COMMITTEE - TERMS OF REFERENCE**

The audit committee of the Company (the **Audit Committee**) has been established as a board committee in accordance with the Company's articles of association by resolution of the board of directors (the **Board**) passed on 15 July 2016.

#### **1. PURPOSE**

The purposes for which the Audit Committee is established are to ensure that:

- 1.1 the Board maintains sound policies and procedures to satisfy itself on the integrity of financial and narrative statements and other public reporting and that these present a fair, balanced and understandable assessment of the Company's position and prospects;
- 1.2 the Board maintains sound procedures to identify and manage risk, to oversee the internal control framework and systems, and to determine the nature and extent of the significant risks it is able to bear and willing to take (risk tolerance and risk appetite) in executing the Company's purpose and strategy and in delivering its strategic objectives in the short- and long-term;
- 1.3 the Board maintains sound procedures to enable it to assess whether the Company's enterprise-wide internal controls are sufficiently robust to support the effective management of identified risks and whether there are appropriate assurance activities in place;
- 1.4 the Board maintains an appropriate relationship with the Company's external auditor who is, and is seen to be, sufficiently independent of management and able to deliver an effective and objective external audit; and
- 1.5 the Board keeps under review whether there is a need for an internal audit function or, where there is such a function, its remit, independence, objectivity and independence.

#### **2. MEMBERSHIP**

- 2.1 The members of the Audit Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the chair of the Audit Committee.
- 2.2 The Audit Committee shall have at least two members, the majority of whom shall be independent non-executive directors. The members of the Audit Committee will, between them, have not only recent and relevant financial experience but also business experience, knowledge of financial markets, an understanding of management practices including risk management activities, both generally and in the Company's business sectors, and knowledge of any relevant legal or regulatory requirements.
- 2.3 Appointments to the Audit Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years each provided the member continues to meet the criteria for membership.
- 2.4 The chair of the Audit Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. The chair of the Board may not be the chair of the Audit Committee. In the absence of the chair of the Audit Committee, the remaining members present at a meeting of the Audit Committee shall elect one of their number to chair that meeting.
- 2.5 If a member is unable to act for any reason the chair of the Audit Committee may appoint another non-executive director as an additional member provided always that the majority of members of the committee shall be independent as described in paragraph 2.2 above.

3. **SECRETARY**

The secretary of the Audit Committee shall be the secretary of the Company or such other person as the Audit Committee may appoint.

4. **QUORUM**

The quorum for all meetings of the Audit Committee shall be two members. A duly convened meeting of the Audit 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 Audit Committee.

5. **MEETINGS**

5.1 The Audit Committee shall meet at least twice each year at appropriate times in the reporting and audit cycle and otherwise as required.

5.2 Meetings of the Audit Committee shall be convened by the secretary of the Audit Committee at the request of its chair. In addition, any of the following may ask the secretary of the Audit Committee to convene a meeting if they consider that a meeting is necessary or appropriate:

5.2.1 the chair of the Board;

5.2.2 the chief executive officer of the Company;

5.2.3 the chief financial officer of the Company; and

5.2.4 the external or internal auditors of the Company.

5.3 In addition, the external and internal auditors and the chief financial officer of the Company shall have access to the chair of the Audit Committee or any other member of the Audit Committee as required in relation to any matter falling within the remit of the Audit Committee.

5.4 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed, shall be forwarded to each member of the Audit Committee, any other person required to attend and all other non-executive directors of the Company, no later than five working days before the date of the meeting. Any supporting papers shall be sent to members of the Audit Committee and to other attendees, as appropriate, at the same time. Papers may be sent in electronic form.

6. **VIRTUAL COMMITTEE MEETINGS**

6.1 Subject to the Company's articles of association in force from time to time, a meeting of the Audit Committee may be held by telephone or electronic means with some or all of the members of the Audit Committee being in different places, provided that each member of the Audit Committee may participate in the business of the meeting whether directly, by telephone or by any other electronic means which enables the member:

6.1.1 to hear each of the other participating members of the Audit Committee, and any other person invited to attend the meeting in accordance with paragraph 7, addressing the meeting; and

6.1.2 if the member so wishes, to address simultaneously all of the other participating members of the Audit Committee and any other person invited to attend the meeting in accordance with paragraph 7.

6.2 A quorum is deemed to be present if those members of the Audit Committee required to form a quorum as set out in paragraph 4 above may participate in the manner specified in paragraph 6.1 above in the business of the meeting.

6.3 An Audit Committee meeting held in the manner specified in paragraph 6.1 above is deemed to take place at the place where the largest group of participating members of the Audit Committee is assembled or, if no such group is readily identifiable, at the place from where the chair of the Audit Committee participates.

## **7. ATTENDANCE AT MEETINGS**

7.1 Only members of the Audit Committee have the right to attend meetings of the Audit Committee. However, the Audit Committee may invite any person it thinks appropriate to attend its meetings.

7.2 The chief financial officer and the external auditor should normally be invited to attend meetings of the Audit Committee.

7.3 At least once a year the Audit Committee shall meet with the external auditor without the chief financial officer or any other executive director present.

## **8. VOTING AT MEETINGS**

8.1 Each member of the Audit Committee, present and voting in person at a meeting, shall have one vote which may be cast on each matter considered at that meeting.

8.2 A member shall not be permitted to vote on any matter considered at a meeting in relation to which that member is considered by the Audit Committee to have a direct or indirect personal interest.

8.3 Except where he or she is prevented from voting in accordance with paragraph 8.2, the chair of the Audit Committee shall have a casting vote

## **9. AUTHORITY**

The Audit Committee is authorised by the Board to:

9.1 investigate any activity within its terms of reference;

9.2 seek any information it requires from any employee or director of the Company who shall be directed to co-operate with any request made by the Company;

9.3 have unrestricted access to the Company's external auditor;

9.4 obtain outside legal or other independent professional advice at the Company's expense when the Audit Committee reasonably believes it is necessary to do so;

9.5 instruct external professional advisers to attend any meeting at the Company's expense if the Audit Committee considers this necessary or appropriate; and

9.6 have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Audit Committee and the Board.

## **10. FUNCTION, DUTIES AND TERMS OF REFERENCE**

### **10.1 Financial reporting**

10.1.1 The Audit Committee shall monitor the integrity of the financial statements of the Company, including its interim results announcement, preliminary results announcement and the annual report and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

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

- (a) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company and its group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards, adopted appropriate policies consistent with those standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) the clarity of disclosure in the Company'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, the financial review and the corporate governance statement (insofar as the latter relates to matters within the remit of the Audit Committee).

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

## 10.2 **Narrative reporting**

At the request of the Board, the Audit Committee shall review the content of the annual report and accounts and advise the Board whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

## 10.3 **Internal controls and risk management systems**

The Audit Committee shall

10.3.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and other material internal controls and systems for the identification, assessment and management of risk; and

10.3.2 review and approve the statements to be included in the annual report concerning internal controls, risk management and other matters within the remit of the Audit Committee.

## 10.4 **Compliance, whistleblowing and fraud**

The Audit Committee shall

10.4.1 review the adequacy and security of the Company's arrangements for its workforce and, where judged appropriate, external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

10.4.2 review the Company's procedures for detecting fraud and receive reports on any instances of fraud identified; and

10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on any instances of non-compliance.

## 10.5 **External audit**

The Audit Committee shall:

- 10.5.1 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 and removal of the Company's external auditor. The Audit Committee shall oversee the selection process for a new auditor and, if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- 10.5.2 ensure that at least once every ten years the audit services contract is put out to tender to enable the Audit 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 such access as is necessary to information and individuals during the duration of the tendering process;
- 10.5.3 oversee the relationship with the external auditor including (but not limited to):
- (a) approving their remuneration, whether the fees are for audit or non-audit services with the aim that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - (b) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (c) assessing annually their independence and objectivity taking into account relevant United Kingdom professional and regulatory requirements and the relationship with the auditor as a whole, including the nature of and fees for any non-audit services;
  - (d) 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 normal and ordinary course of business) that could adversely affect the auditor's independence and objectivity;
  - (e) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
  - (f) monitoring the auditor's processes for maintaining its independence and objectivity and the firm's compliance with relevant ethical and professional guidance, including in relation to the rotation of audit partner and other key members of the audit team, monitoring the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - (g) assessing annually the independence and objectivity of the external auditor, the qualifications, expertise and resources of key members of the audit team and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures; and
  - (h) seeking to ensure co-ordination with the activities of any internal audit function;
- 10.5.4 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Audit Committee;
- 10.5.5 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-

audit services by the Audit Committee and specifying the types of non-audit services and levels of fees that can be approved in that manner;

- 10.5.6 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 Audit Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 10.5.7 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;
- 10.5.8 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) key accounting and audit judgements;
  - (c) levels of errors identified during the audit;
  - (d) the auditor's view of their interactions with senior management;
  - (e) the auditor's explanation of how any risks to audit quality were addressed; and
  - (f) the effectiveness of the audit;
- 10.5.9 review any representation letter(s) requested by the external auditor before they are signed by management; and
- 10.5.10 review the management letter and management's response to the auditor's findings and recommendations.

## 10.6 **Internal audit**

The Audit Committee shall:

- 10.6.1 review at least once annually whether it would be appropriate for the Company to create an internal audit function, in the overall context of the Company's risk management system and the existing work of management, the finance function and the external auditor.

## 10.7 **Miscellaneous**

The Audit Committee shall also consider such other matters as may be requested by the Board from time to time.

## 11. **OTHER MATTERS**

The Audit Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties;
- 11.2 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;
- 11.3 give due consideration to laws and regulations, the provisions of the QCA Corporate Governance Code, the AIM Rules for Companies, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (in so far as they apply to the Company) and any other applicable rules as appropriate;
- 11.4 be responsible for oversight of the co-ordination of internal and external auditors;

- 11.5 oversee any investigation of activities which are within its terms of reference;
- 11.6 review and approve any correspondence with the Financial Reporting Council in relation to the Company's accounting or reporting or in relation to audit quality; and
- 11.7 arrange for periodic reviews of its own performance and, at least biennially, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend to the Board any changes it considers necessary.

## 12. **REPORTING LINES**

- 12.1 The chair of the Audit Committee shall report to the Board on its proceedings after each meeting on all matters within its remit and how it discharged its responsibilities.
- 12.2 The Audit Committee shall make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3 The Audit Committee should report annually on the Board's behalf to the Company's shareholders. Its report should include such information as is required to meet the recommendations of the QCA Governance Code.
- 12.4 The chair of the Audit Committee should attend the Company's annual general meeting to answer any questions about the work of the Audit Committee.

## 13. **MINUTES**

- 13.1 The secretary of the Audit Committee shall prepare minutes of the proceedings and resolutions of all meetings, including the names of those present and in attendance.
- 13.2 Drafts of such minutes shall be circulated promptly to the chair of the Audit Committee for review and, once approved by them, the minutes shall be submitted to all members of the Board (unless to do so would be inappropriate).

These terms of reference were approved by the board of Franchise Brands plc on 30 January 2024