

**BONMARCHÉ HOLDINGS PLC**  
**(The Company)**

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

**1. Definitions**

In these terms of reference:

**"Board"** means the board of directors of the Company;

**"Committee"** means the audit committee of the Board; and

**"Group"** means the Company and its subsidiary undertakings from time to time.

**2. Introduction**

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities. In performing its duties, the Committee will maintain effective working relationships with the Board, the Company's management and the external auditors. To perform his or her role effectively, each member of the Committee must be familiar with these terms of reference as well as the Company's business operations and risks.

**3. Membership**

3.1 The Committee shall comprise at least two members. Membership shall include at least one member of the risk committee provided such a committee has been established. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the chairman of the Committee.

3.2 All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience.

3.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals (such as the chief executive officer, the finance director, other directors, the heads of risk, compliance and representatives from the finance function of the Company) may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

3.4 The external auditor of the Company shall be invited to attend meetings of the Committee on a regular basis.

3.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

3.6 The Board shall appoint the chairman of the Committee. In the absence of the chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

**4. Secretary**

The company secretary or his/her nominee shall act as the secretary of the Committee.

**5. 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.

## **6. Frequency of meetings**

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

## **7. Notice of meetings**

7.1 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 external auditor if they consider it necessary.

7.2 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, any other person required or invited to attend and all other non-executive directors 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.

## **8. Minutes of meetings**

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

8.2 The secretary of the Committee shall ascertain, at the beginning of each Committee meeting, the existence of any conflicts of interest and minute them accordingly.

8.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless a conflict of interest exists or it would otherwise be inappropriate to do so.

## **9. AGM**

The chairman of the Committee shall attend the annual general meeting to answer shareholder questions on the Committee's activities.

## **10. DUTIES**

The Committee shall carry out the duties below for the Group.

### **10.1 Financial reporting**

10.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and accounts, interim management statements, announcements of preliminary results and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain and having regard to matters communicated to it by the auditor.

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

10.1.2.1 the consistency of, and any changes to, significant accounting policies, both on a year-on-year basis and across the Group;

10.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

10.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

10.1.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

- 10.1.2.5 all material information presented with the financial statements, such as the Strategic Review and any corporate governance statement (insofar as it relates to the audit and risk management).

## **10.2 Narrative reporting**

Where requested by the Board, the Committee will 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 performance, business model and strategy.

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

The Committee shall:

- 10.3.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- 10.3.2 review and approve any statements to be included in the Company's annual report and accounts concerning internal controls and risk management.

## **10.4 Whistleblowing**

The Committee shall:

- 10.4.1 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The 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
- 10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

## **10.5 Internal audit**

The Committee shall:

- 10.5.1 assess, annually, the need for an internal audit function and make the appropriate recommendation to the Board; and
- 10.5.2 if an internal audit function is established:
  - 10.4.2.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management systems;
  - 10.5.2.2 approve the appointment and removal of the head of the internal audit function;
  - 10.4.2.3 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 the function has adequate standing and is free from management or other restrictions;
  - 10.4.2.4 review and assess the annual internal audit plan;

- 10.4.2.5 review reports addressed to the Committee from the internal auditor;
- 10.4.2.6 review and monitor the executive management's responsiveness to the findings and recommendations of the internal auditor; and
- 10.4.2.7 meet the head of internal audit at least once a year, without the executive management being present, to discuss the remit of the internal audit function and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the Board and to the Committee.

## **10.6 External audit**

The Committee shall:

- 10.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Company's external auditor. The Committee shall 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;
- 10.6.2 oversee the relationship with the external auditor, including (but not limited to):
  - 10.6.2.1 recommendations on 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;
  - 10.6.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 10.6.2.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
  - 10.6.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - 10.6.2.5 agreeing with the Board a policy on the employment of former employees of the external auditor, then monitoring the implementation of this policy;
  - 10.6.2.6 monitoring the external 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;
  - 10.6.2.7 assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
  - 10.6.2.8 seeking to ensure co-ordination with the activities of any internal audit function; and
  - 10.6.2.9 considering the risk of the withdrawal of the Company's present auditor from the market;

- 10.6.3 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 the executive management being present, to discuss their remit and any issues arising from the audit;
- 10.6.4 review and approve the annual external 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;
- 10.6.5 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - 10.6.5.1 a discussion of any major issues which arose during the audit;
  - 10.6.5.2 any accounting and audit judgements;
  - 10.6.5.3 levels of errors identified during the audit; and
  - 10.6.5.4 the effectiveness of the audit;

The Committee shall also:

- 10.6.6 review any representation letter(s) requested by the external auditor before they are signed by the executive management;
- 10.6.7 review the executive management letter and executive management's response to the external auditor's findings and recommendations; and
- 10.6.8 develop and implement a policy on the supply of non-audit services by the external auditor, to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

## **11. Reporting responsibilities**

- 11.1 The chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities. This report shall include:
  - 11.1.1 the significant issues that it considered in relation to the financial statements and how these were addressed;
  - 11.1.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  - 11.1.3 any other issues on which the Board has requested the Committee's opinion.
- 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 needed.
- 11.3 The Committee shall produce an annual report to shareholders on its activities, which will form part of the Company's annual report and accounts.

## **12. Other matters**

- 12.1 The Committee shall:
  - 12.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

- 12.1.2 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;
- 12.1.3 give due consideration to laws and regulations, and the provisions of the UK Corporate Governance Code, as appropriate;
- 12.1.4 be responsible for co-ordination of the external auditors;
- 12.1.5 oversee any investigation of activities which are within its terms of reference;
- 12.1.6 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; and
- 12.1.7 ensure that these terms of reference are made available by placing them on the Company's website.

## **12.2 General duties**

In carrying out his or her specific duties set out above, each member of the Committee should also consider their general duties as a director of the Company, including:

- 12.2.1 His or her duty to act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to all relevant factors;
- 12.2.2 His or her duty to exercise independent judgment;
- 12.2.3 His or her duty to exercise reasonable care, diligence and skill;
- 12.2.4 His or her duty to avoid conflicts of interest; and
- 12.2.5 His or her duty to act in accordance with the Company's constitution and only exercise his or her powers for the purposes for which they were conferred.

## **13. Authority**

The Committee is authorised:

- 13.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 13.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 13.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 13.4 to have the right to publish in the Company's annual report details of any issue that cannot be resolved between the Committee and the Board.

Approved by the Board on 17 March 2016