

# Uniphar PLC Audit, Risk & Compliance Committee

## Terms of Reference

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The Board of Uniphar PLC (the “Board”) hereby constitutes and establishes an Audit, Risk and Compliance Committee with authority, responsibility, and specific duties as described below.

### **1.0 Membership**

The Audit, Risk and Compliance Committee shall be appointed by the Board and comprise a minimum of three independent non-executive directors, to the extent possible. Appointments to the committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.

The members shall rotate so that the Committee regularly includes new members.

The Committee Chairman shall be appointed by the Board. The Chairman of the Board shall not be a member of the Committee.

At least one member of the committee should have significant, recent and relevant financial experience.

The Committee shall 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.

The company secretary shall act as secretary of the Committee.

### **2.0 Authority**

It is recognised that the primary responsibility for the maintenance of sound financial control and reporting systems rests with the Chief Financial Officer and the Board. The objectives of the Audit, Risk and Compliance Committee are to provide assurances to the Board in relation to the quality of financial control, financial reporting and the associated organisational, procedural, legal and policy framework. The Committee will also provide a forum independent of management to address any issues of concern which may arise within its remit.

The Committee shall have regard to the Memorandum and Articles of Association of the Company and the Board Charter.

The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Audit, Risk and Compliance Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist it in performing its duties.

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The Committee shall report to the Board any failures of internal control or suspected infringements of laws, rules and regulations, and any suspected frauds or regulations which come to its attention.

### 3.0 Responsibility

The Audit, Risk and Compliance Committee is to serve as a focal point for communication between other directors, the external Auditors, the internal Auditors and Uniphar's management as their duties relate to financial and other reporting, internal controls, and the external and internal Audits (including other matters the Board deems necessary). The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the company's internal controls and as to the sufficiency of the external and internal Audits.

The Committees main roles and responsibilities include:

- Monitoring the integrity of the Group's financial statements and reviewing significant financial reporting issues and judgements contained therein;
- Reviewing the effectiveness of the Group's internal financial controls;
- Monitoring and reviewing the effectiveness of the Group's internal audit function;
- Making recommendations to the Board on the appointment and removal of the external auditors and approving their remuneration and terms of engagement; and
- Monitoring and reviewing the external auditors' independence, objectivity and effectiveness, taking into account professional and regulatory requirements.

### 4.0 Meetings

The Audit, Risk and Compliance Committee should meet at least four times per year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Additional meetings should be held as the work of the Committee demands or at the request of the External Auditor.

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 head of internal audit if they consider it necessary.

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 no later than three working days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.

Outside of the formal meeting programme, the committee chairman, and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the company's

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governance, including the board chairman, the chief executive, the finance director, the external audit lead partner and the head of internal audit

### **5.0 Attendance**

Only members of the Committee have the right to attend Committee meetings. The Chairman may request that members of the Board, management, the head of internal Audit and representatives of the external Auditors be present at meetings of the Audit, Risk and Compliance Committee.

At least once a year the Audit, Risk and Compliance Committee shall meet separately with the internal and external Auditors without management present.

### **6.0 Quorum**

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

Directors must be present in person.

Any member of a committee may participate in a meeting conducted wholly or partly by telephonic means whereby the persons participating in the meeting can hear each other speak (and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting).

### **7.0 Resolution**

No resolution passed at any meeting shall be deemed passed unless a simple majority of the committee present and voting at such meeting shall have voted in favor of such resolution. Where there is an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **8.0 Minutes**

Minutes of each meeting should reflect information presented, decisions taken and action items including the names of those present and in attendance. Minutes should reflect a record of attendance at the meeting. Minutes should also reflect the agenda.

Draft minutes of each Committee meeting are to be prepared and sent to the Committee Chairman within 7 calendar days of the meeting. The Chairman of the Committee shall report to the Board at the next Board meeting on the activities of the Committee and minutes shall be circulated to the Board thereafter, unless it would be inappropriate to do so in the opinion of the Committee Chairman.

Approval of minutes should be recorded and signed by the chairperson at the subsequent meeting.

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The secretary shall be responsible for the keeping of minutes of all meetings.

### 9.0 Specific Duties

The Audit, Risk and Compliance Committee should have oversight of the Group as a whole and carry out the duties below as appropriate:

#### 9.1 Assurance

9.1.1 The Committee shall on an annual basis review and advise the Board in relation to the formulation and implementation of the following policies, statements and systems:

- (a) A system to fairly and accurately record, account for the group's Profit & Loss and Balance Sheet to include focus on any changes in accounting policies and practices,
- (b) A system to ensure that all issues of legislative compliance and compliance with accounting standards are monitored.
- (c) A system to ensure that risks are monitored and managed.

9.1.2 The formulation and implementation of organisational structures, policies, procedures, roles and responsibilities necessary to support the maintenance of good financial controls and disciplines.

#### 9.2 Financial Reporting

9.2.1 Have familiarity, through the individual efforts of its members, with the financial reporting principles and practices applied by the company in preparing its financial statements.

9.2.2 Review and challenge:

- (a) the accounting policies and practices adopted by Uniphar PLC in the preparation of its consolidated financial statements and any changes thereto;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

9.2.3 Monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, formal announcements and any other formal statements relating to its financial performance, and review and report to the Board on

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significant financial reporting issues and judgments which those statements contain having regard to matters communicated to it by the auditor.

- 9.2.4 Review the content of the annual report and accounts prior to approval by the Board 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 and whether it informs the Board's statement in the annual report on these matters.
- 9.2.5 Review the draft representation letter prior to approval by the Board.
- 9.2.6 Where the Committee is not satisfied with any aspects of the proposed financial reporting by the Company, it shall report its views to the Board.

### **9.3 Internal Audit**

- 9.3.1 Monitor and review the effectiveness of the company's internal audit function.
- 9.3.2 Approve the appointment or termination of appointment of the head of Internal Audit or any contract with an internal audit service provider.
- 9.3.3 Review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the Company.
- 9.3.4 Review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out.
- 9.3.5 Ensure the internal auditor has direct access to the board chairman and to the committee chairman, providing independence from the executive and accountability to the committee
- 9.3.6 Ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 9.3.7 Receive and consider the reports of the internal audit department and the recommendation made for follow-up action.

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- 9.3.8 Receive and consider reports from management regarding progress in implementing agreed internal audit recommendations.
- 9.3.9 Monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system and the work of compliance, finance and the external auditor and ensure that adequate attention is paid to value for money auditing.
- 9.3.10 Carry out an annual assessment of the effectiveness of the internal audit function; and as part of this assessment:
- (a) meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
  - (b) review and assess the annual internal audit work plan;
  - (c) receive a report on the results of the internal auditor's work;
  - (d) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
  - (e) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
- 9.3.11 Consider whether an independent, third party review of processes is appropriate.

### **9.4 External Audit**

- 9.4.1 Prior to its commencement, review the scope of the external Audit, including the engagement letter. The Audit, Risk and Compliance Committee's Review should include an understanding from the external auditors of the factors considered by them in determining their Audit scope. The external Auditors' fee is to be negotiated with management, and annually advised to the Audit, Risk and Compliance Committee.
- 9.4.2 Make recommendations to the Board, to be put to the shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the company's external auditor.
- 9.4.3 Develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 9.4.4 Discuss with the external auditors any relevant recommendations arising from the audit.
- 9.4.5 Review the draft management letter including management's responses to the points raised.

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- 9.4.6 Review any representation letter(s) requested by the external auditor before they are signed by management;
- 9.4.7 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.4.8 Oversee the relationship with the external auditor. In this context the committee shall:
  - (a) approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
  - (b) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 9.4.9 Assess annually the external auditor's independence and objectivity taking into account relevant legislation, codes and good practice, and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 9.4.10 Satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 9.4.11 Assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 9.4.12 Seek to ensure coordination of the external audit with the activities of the internal audit function;
- 9.4.13 Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee;
- 9.4.14 Develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the committee and specifying 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;
- 9.4.15 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, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;

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- 9.4.16 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, having regard to the seniority, expertise and experience of the audit team.
- 9.4.17 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

### **9.5 Risk Management and Internal Control**

- 9.5.1 Review with the company's management, external auditors and internal auditors, the adequacy and effectiveness of the company's systems of internal control, financial reporting and risk management, including a periodic review of the Risk Register
- 9.5.2 Discuss with management the scope and quality of systems of internal control.
- 9.5.3 Review the findings of internal investigation into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations.
- 9.5.4 Review reports on the assessment of significant risks facing the company and framework of internal controls designed to mitigate such risks.
- 9.5.5 Review management's and the internal auditor's reports on the effectiveness of systems for internal control.
- 9.5.6 Receive and review quarterly reports detailing the status of risk and control issues that arise.
- 9.5.7 Review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.

### **9.6 Compliance, Whistleblowing and Fraud**

The Committee shall:

- 9.6.1 review the adequacy and security of the Company's Whistleblowing Policy;
- 9.6.2 review the Company's procedures for detecting fraud;
- 9.6.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.



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### 9.7 Reporting

- 9.7.1 Appraise the Board of significant developments in the course of performing all of the above duties.
- 9.7.2 The Audit, Risk and Compliance Committee should report to the Board on a regular basis. At least annually, the Committee should present a report to the Board which addresses the work and findings during the year.
- 9.7.3 The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is required.
- 9.7.4 Recommend to the Board any appropriate extensions or changes in the duties of the Audit, Risk and Compliance Committee.
- 9.7.4 The Committee shall compile a report on its activities to be included in the company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; 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 auditor; and all other information requirements set out in the Code.

### 9.8 Other Matters

The committee shall:

- 9.8.1 Promote the understanding of the Internal Audit function and status within the organisation.
- 9.8.2 Monitor on behalf of the Board, the implementation of various policies.
- 9.8.3 Monitor the implementation of the codes of conduct for staff.
- 9.8.5 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 9.8.6 Be provided with appropriate and timely training, both in the form of an induction programmer for the new members and on an ongoing basis for all members

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- 9.8.7 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.