

SUPERDRY PLC

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**AUDIT COMMITTEE  
TERMS OF REFERENCE**

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**Approved by the Board on 23 March 2018**

**SUPERDRY PLC (Company No. 07063562)**

**(the "Company")**

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

**A. PURPOSE**

**Primary Functions**

1. The Audit Committee (the "**Committee**") is an operating Committee of the Board of Directors (the "**Board**") charged with oversight of financial reporting and disclosure and is responsible for:
  - i. overseeing the financial reporting and disclosure process;
  - ii. monitoring choice of accounting policies and principles;
  - iii. overseeing hiring, performance and independence of external auditors;
  - iv. overseeing regulatory compliance, ethics and whistleblowing;
  - v. monitoring the internal control process;
  - vi. overseeing the performance of the internal audit function; and
  - vii. discussing risk management policies and practices with management.

**Reporting**

2. The Committee chairman ("**Chairman**") will report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and will also formally report to the Board on how it has discharged its responsibilities. This report will include:
  - i. the significant issues that it considered in relation to the financial statements and how these were addressed;
  - ii. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  - iii. any other issues on which the Board has requested the Committee's opinion.
3. The Committee will compile a report on its activities to be included in the Company's annual report and accounts (the "**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 UK Corporate Governance Code (the "**Code**").
4. The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
5. In compiling the reports referred to in A2 and A3 above, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters which have informed the Board's assessment of whether the Company is a going concern. Such reports to shareholders need not repeat information disclosed elsewhere in the Annual Report but could provide cross-references to that information.

## **B. THE COMMITTEE**

### **Membership**

1. Membership of the Committee will be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman. The Committee will be made up of at least three (3) members.
2. All members of the Committee will be independent non-executive directors at least one of whom will have recent and relevant financial expertise and, within the Committee, an individual(s) will have retail and consumer brand expertise.
3. The chairman of the Board will not be a member of the Committee.
4. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, other directors, the Group General Counsel, other Heads of Department and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
5. The external auditors will be invited to attend meetings of the Committee on a regular basis.
6. Appointments to the Committee will be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
7. The Board will appoint the Chairman who will be an independent non-executive director. In the absence of the Chairman, the remaining members present will elect one of themselves to chair the meeting.

### **Secretary**

8. The Company Secretary, or their nominee, will act as the secretary of the Committee (the "**Secretary**") and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **Quorum**

9. The quorum necessary for the transaction of business will be two (2) members. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **Role of Members**

10. Committee members will utilise their personal skills, knowledge and judgement to perform the responsibilities set out below.

### **Responsibilities**

11. The Committee should carry out the duties below for the Company and its subsidiaries (the "**Group**"), as appropriate.

#### *Annual General Meeting:*

- i. The Chairman (or, in his absence, an alternative member of the Committee) will attend the Annual General Meeting prepared to respond to any shareholder questions on matters pertaining to the Committee's role, responsibilities and activities.

#### *Financial Reporting:*

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

Committee will also 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.

- iii. The Committee will 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 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 and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - d. the clarity and completeness 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, such as Strategic Report and the Corporate Governance Statement relating to the audit and to risk management).

*Internal Controls and Risk Management Systems:*

- iv. The Committee will:
  - a. keep under review the effectiveness of the Company's internal control and risk management systems; and
  - b. review and approve the statements to be included in the Annual Report concerning internal controls, risk management and, where requested by the Board, the viability statement.

*Treasury and Taxation:*

- v. The Committee will:
  - a. review annually the Company's treasury policy and receive and review reports from the Treasury Committee on a bi-annual basis ; and
  - b. review annually the Company's tax policy.

*Compliance, Whistleblowing and Fraud:*

- vi. The Committee will:
  - a. review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
  - b. review the Company's procedures for detecting fraud.

*Bribery Act:*

- vii. The Committee will approve a policy to cover the Bribery Act.

*Internal Audit:*

- viii. The Committee will:
  - a. approve the appointment or termination of appointment of the Head of Internal Audit;
  - b. monitor and review the effectiveness of the Company's Internal Audit function in the context of the Company's overall risk management system;

- c. review and approve the annual internal audit plan and receive and review promptly all reports on the work carried out;
- d. review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- e. 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. In addition, the Head of Internal Audit will be given the right of direct access to the chairman of the Board and to the Committee; and
- f. check the independence of the Internal Audit function.

*External Audit:*

- ix. The Committee will:
  - a. 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. If an auditor resigns, the Committee will investigate the issues leading to this and decide whether any action is required;
  - b. ensure that at least once every ten (10) years the audit services contract is put out to tender to enable the 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;
  - c. oversee the relationship with the external auditor including (but not limited to):
    - approving the remuneration to be paid to the external auditor in respect of audit services provided, whilst ensuring that an effective, high quality audit can be conducted for such a fee;
    - approving their terms of engagement, including the engagement letter issued at the start of each audit and the scope of the audit;
    - assessing annually their independence and objectivity taking into account relevant UK law, regulation and the Financial Reporting Council's 2016 Ethical Standard ("**Ethical Standard**") and other professional requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
    - 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) which could adversely affect the external auditor's independence and objectivity;
    - agreeing with the Board a policy on the employment of former employees of the Company's auditor taking into account the Ethical Standard and legal requirements, then monitoring the implementation of this policy;
    - monitoring the external auditor's compliance with the Ethical Standard and other professional guidance on the rotation of the audit partner and key [personnel], the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
    - assessing on an annual basis, monitoring on an ongoing basis and reporting to the Board on the qualifications, expertise, resources, independence (with specific regard to the Ethical Standard and other professional guidance), objectivity and effectiveness of the external auditor, which shall include a report from the external auditor on their own internal quality control procedures and consideration of the audit firms' annual transparency reports;

- seeking to ensure co-ordination with the activities of the Internal Audit function; and
  - considering the risk of the withdrawal of the Company's present auditor from the market.
- d. 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 will meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- e. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- f. review the findings of the audit with the external auditor. This will include but not be limited to, the following:
- a discussion of any major issues which arose during the audit;
  - the auditor's explanation of how risks to audit quality were addressed;
  - any accounting and audit judgements;
  - the auditor's view of their interactions with senior management; and
  - levels of errors identified during the audit.
- g. review any representation letter(s) requested by the external auditor before they are signed by management;
- h. review the management letter and management's response to the auditor's findings and recommendations;
- i. 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;
- j. developing and recommending to the Board a policy for the engagement of the external auditor for any non-audit services to avoid any threat to auditor objectivity and independence, specifically taking account of the provisions of the Ethical Standard and other legal requirements on the matter, and keeping the policy under review;
- k. the policy shall include the approval of non-audit services by the Committee and specifying the types of non-audit service for which use of the external auditor is pre-approved (ensuring that such services are limited to those which are, in the Committee's view, clearly trivial), and assessment of whether non-audit services have a direct and material effect on the audited financial statements. The policy shall include consideration of the following matters:
- threats to the independence and objectivity of the external auditor and any safeguards in place;
  - the nature of non-audit services;
  - whether the external audit firm is the most suitable supplier of the non-audit service;
  - the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - the criteria governing compensation;;
- l. approving fees for non-audit services.

## **C. MEETINGS**

### **Meeting Frequency and Schedule**

1. The Committee will meet at least four (4) times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.
2. Outside of the formal meeting programme, the Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of the internal audit function.

### **Notice of Meetings**

3. Meetings of the Committee will be called by the Secretary of the Committee at the request of any of its members, or at the request of external or internal auditors if they consider it necessary.
4. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five (5) working days before the date of the meeting. Supporting papers will be sent to Committee members and to other attendees as appropriate, at the same time.

### **Minutes**

5. The Secretary will minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
6. The Secretary will ascertain, at the beginning of each meeting, the existence of any conflicts of interest not previously noted and minute them accordingly.
7. Minutes of Committee meetings will be agreed with the Chairman and then circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

## **D. OTHER**

1. The Committee will:
  - i. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
  - ii. 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;
  - iii. give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate;
  - iv. be responsible for co-ordination of the internal and external auditors;
  - v. oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort;
  - vi. work and liaise as necessary with all other Board Committees; and
  - vii. 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.

## **E. AUTHORITY**

1. The Committee is authorised to:
  - i. investigate any activity or state of affairs within its terms of reference;
  - ii. seek any information it requires from any employees or officers and to call any member of staff to be questioned at a meeting of the Committee as and when required; and
  - iii. to obtain, at the Company's expense, expert advice from the Company's auditors, professional advisers or otherwise, and to take independent professional advice and to require the attendance of outsiders with relevant experience and expertise if it considers it necessary.