

**M&C Saatchi Plc**  
(the "Company")

**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

In these Terms of Reference, the following terms shall have the following meanings:

The "**Board**" shall mean the Board of Directors of the Company; and

The "**Committee**" shall mean the Audit Committee of the Company.

**1. INTRODUCTION**

1.1 The Terms of Reference have been produced to identify and formalise the roles, tasks and responsibilities of the Committee for compliance with the UK Corporate Governance Code (the "**Code**") and in light of the Financial Reporting Council's Guidance on Board Effectiveness 2018 and Guidance on Audit Committees 2016 to assist the Committee in achieving best practice in corporate governance for the Company and its subsidiaries (the "**Group**").

**2. MEMBERSHIP**

2.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. At least one member shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The Board chair shall not be a member of the Committee.

2.2 Appointments to the Committee are made by the Board on the recommendation of the nomination committee in consultation with the chair of the Committee and shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.

2.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer, head of internal audit and external auditor will be invited to attend meetings of the Committee on a regular basis and other individuals such as the Board chair, the Chief Executive Officer, the other directors and representatives from the finance function of the Company may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.4 The Board shall appoint the Committee chair who shall be an independent non-executive director. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

**3. SECRETARY**

3.1 The Company Secretary, or their nominee, shall act as the secretary of the Committee ("**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.

**4. QUORUM**

4.1 The quorum necessary for the transaction of business shall be two members present in person or by audio or video conference. 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.

## **5. FREQUENCY OF MEETINGS**

- 5.1 The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 5.2 Outside of the formal meeting programme, the Committee chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Board chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

## **6. NOTICE OF MEETINGS AND PROCEEDINGS AT MEETINGS**

- 6.1 Meetings of the Committee shall be called by the Secretary at the request of the Committee chair or any of its members, or at the request of the internal or external auditors if they consider it necessary.
- 6.2 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 and any other person required to attend no later than five working days before the date of the meeting but Committee papers may be forwarded at shorter notice with the approval of the Committee chair. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.
- 6.3 Meetings of the Committee may be conducted when the members are physically present or in the form of either video or audio conferences.
- 6.4 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or in the form of either video or audio conference).

## **7. MINUTES OF MEETINGS**

- 7.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the company secretary unless, exceptionally, it would be inappropriate to do so.

## **8. ANNUAL GENERAL MEETING**

- 8.1 The Committee chair should attend the Company's Annual General Meeting to answer shareholder questions on the Committee's activities. In addition, the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **9. DUTIES**

- 9.1 The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties for the Company and the Group as a whole.

### ***Financial reporting***

- 9.2 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results' announcements and any other formal announcement relating to its financial performance, and review and report to the Board on

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

- 9.3 In particular, the Committee shall review and challenge where necessary:
- 9.3.1 the application of significant accounting policies and any changes to them;
  - 9.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 9.3.3 the assumptions or qualifications in support of the going concern statement (including any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer-term viability statement (including an assessment of the prospects of the Group looking forward over an appropriate and justified period);
  - 9.3.4 whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
  - 9.3.5 the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and
  - 9.3.6 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.
- 9.4 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules, the FCA's Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook.
- 9.5 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

#### ***Narrative reporting***

- 9.6 Where requested by the Board, the Committee should review the content of the Company's annual report and accounts (the "**Annual Report**") 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 that is required under the Code.

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

- 9.7 The Committee shall:
- 9.7.1 keep under review the Company's internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
  - 9.7.2 review the principal risks facing the Company in achieving its strategic objectives, including the management and mitigation of those risks; and
  - 9.7.3 review and approve the statements to be included in the Annual Report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

### ***Compliance, speaking-up and fraud***

9.8 The Committee shall:

- 9.8.1 review the adequacy and security of the Company's arrangements for its employees, contractors and external parties 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;
- 9.8.2 review the Company's procedures for detecting fraud; and
- 9.8.3 monitor and review the Company's internal financial controls and internal control and risk management systems.

### ***Internal audit***

9.9 The Committee shall:

- 9.9.1 approve the appointment or termination of the appointment of the head of the internal audit function;
- 9.9.2 review and approve the role and mandate of internal audit, monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and be advised of the planned programme of audits and the reason for any change or delay in the programme;
- 9.9.3 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;
- 9.9.4 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;
- 9.9.5 ensure the internal auditor has direct access to the Board chair and to the Committee chair, providing independence from the executive and accountability to the Committee;
- 9.9.6 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;
  - (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;

- 9.9.7 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
- 9.9.8 consider whether an independent, third party review of processes is appropriate.

***External audit***

- 9.10 The Committee shall:
  - 9.10.1 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;
  - 9.10.2 develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
  - 9.10.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
  - 9.10.4 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;
    - (b) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 9.10.5 assess annually the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements, the FRC Revised Ethical Standards 2019 and the Group's relationship with the external auditor as a whole, including any threats to the external auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
  - 9.10.6 satisfy 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 external auditor's independence and objectivity;
  - 9.10.7 monitor the external auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements including the guidance on the rotation of the external audit lead partner and staff;
  - 9.10.8 monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the FRC Revised Ethical Standards 2019;
  - 9.10.9 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;
  - 9.10.10 seek to ensure coordination of the external audit with the activities of the internal audit function;

- 9.10.11 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;
- 9.10.12 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the external auditor, including prior 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. The policy should include consideration of the following matters:
  - (a) threats to the independence and objectivity of the external auditor and any safeguards in place;
  - (b) the nature of the non-audit services;
  - (c) whether the external audit firm is the most suitable supplier of the non-audit service;
  - (d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee;
  - (e) the criteria governing compensation;
- 9.10.13 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 external auditor's remit and any issues arising from the audit;
- 9.10.14 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;
- 9.10.15 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) the external auditor's explanation of how the risks to audit quality were addressed;
  - (c) key accounting and audit judgements;
  - (d) the external auditor's view of their interactions with senior management;
  - (e) levels of errors identified during the audit;
- 9.10.16 review any representation letter(s) requested by the external auditor before they it is (they are) signed by management;
- 9.10.17 review the management letter and management's response to the external auditor's findings and recommendations; and
- 9.10.18 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the external auditor, and the external auditor's response to questions from the Committee.

## **10. REPORTING RESPONSIBILITIES**

- 10.1 The Committee chair 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:
- 10.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 9.2) and how these were addressed;
  - 10.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 9.10.9), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans;
  - 10.1.3 any other issues on which the Board has requested the Committee's opinion.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall compile a report on its activities to be included in the Annual Report. The report should describe the work of the Committee, including:
- 10.3.1 the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
  - 10.3.2 an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
  - 10.3.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the external auditor and all other information requirements set out in the Code.
- 10.4 In the compiling the reports referred to in 10.1 and 10.3, 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 that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the Annual Report, but could provide cross-references to that information.

## **11. OTHER MATTERS**

- 11.1 The Committee shall:
- 11.1.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
  - 11.1.2 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.
  - 11.1.3 Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the AIM Rules, the FCA's Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules Sourcebook and any other applicable rules, as appropriate and to the extent applicable.

- 11.1.4 Be responsible for oversight of the coordination of the internal and external auditors.
- 11.1.5 Oversee any investigation of activities which are within its terms of reference.
- 11.1.6 Work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- 11.1.7 Ensure that a periodic evaluation of the Committee's performance is carried out.
- 11.1.8 At least annually, review the Committee's 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.

## **12. AUTHORITY**

- 12.1 The Committee is authorised to:
  - 12.1.1 seek any information it requires from any employee of the Company in order to perform its duties;
  - 12.1.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so;
  - 12.1.3 call any employee to be questioned at a meeting of the Committee as and when required; and
  - 12.1.4 have the right to publish in the Annual Report, details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the Annual Report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

**21 June 2021**