

PORTMEIRION GROUP PLC

AUDIT COMMITTEE TERMS OF REFERENCE

(As adopted on 14 November 2017)

1. CONSTITUTION

The Audit Committee (the Committee) is constituted as a committee of the Board of Portmeirion Group PLC who will determine its composition, duties and Terms of Reference.

2. MEMBERSHIP

2.1 The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. All members of the Committee shall be independent non-executive directors of the Company, at least one of whom shall have recent and relevant financial experience. The Committee shall consist of not less than three members and include at least one member of the Remuneration Committee

2.2 The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3. ATTENDANCE AT MEETINGS

3.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Company, Chief Executive, Group Finance Director, other Directors, the heads of risk, compliance and internal audit (if relevant) and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.

3.2 The external auditor will be invited to attend meetings of the Committee on a regular basis. There should be at least one meeting a year, or part thereof, where the external auditors attend without executive Board members or management present.

4. SECRETARY

The company secretary or their nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

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 authorised to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. **FREQUENCY OF MEETINGS**

6.1 Meetings shall be held no less than three times a year, and where appropriate should coincide with key dates in the Company's financial reporting and audit cycle.

6.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with the key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive, Finance Director, the external audit lead partner and the head of internal audit (if any).

7. **NOTICE OF MEETINGS**

7.1 A meeting of the Committee may be called by any member of the Committee. In addition any Board member, the company secretary or the Group's external auditors may request that a meeting of the Audit Committee be convened.

7.2 Unless otherwise agreed, notice of each meeting of the Committee, confirming the venue, time and date together with an agenda of items to be discussed, together with relevant papers, shall be circulated to each Committee member, any other person required to attend and all other non-executive Directors, not fewer than three working days prior to the date of the meeting.

7.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

8. **MINUTES OF MEETINGS**

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

8.2 Draft minutes of Committee meetings shall be agreed with the Committee Chairman and then circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless it would be inappropriate to do so in the opinion of the Committee Chairman.

9. **ANNUAL GENERAL MEETING**

The Chairman of the Committee shall attend the Annual General Meeting and shall answer shareholder questions, through the Chairman of the Board, on the Audit Committee's activities and their responsibilities.

10. **AUTHORITY**

The Committee is authorised by the Board to:

- 10.1 investigate any activity within its Terms of Reference;
- 10.2 seek any information that it requires from any employee of the Group in order to perform its duties and all employees are directed to co-operate with any request made by the Committee;
- 10.3 to call any employee of the Group to be questioned at a meeting of the Committee as and when required;
- 10.4 obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its Terms of Reference and such advisors may attend meetings as necessary; and
- 10.5 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

11. **DUTIES**

The Committee should carry out the duties below for Portmeirion Group PLC, its major subsidiary undertakings – Portmeirion Group UK Limited, Portmeirion Group USA, Inc and Wax Lyrical Limited - and the Group as a whole, as appropriate.

11.1 **INTERNAL CONTROL**

The Committee shall:

- 11.1.1 consider, at least annually, whether there should be an internal audit function and make recommendations to the Board accordingly. The absence of an internal audit function must be explained in the annual report of the Company;
- 11.1.2 review management's reports on the adequacy and effectiveness of systems for internal financial control, other internal control and financial reporting and risk management; and
- 11.1.3 review and approve the statements to be included in the annual report concerning internal controls and risk management.

11.2 EXTERNAL AUDIT

The responsibilities of the Committee shall be:

- 11.2.1 to consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, on the appointment, re-appointment and 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;
- 11.2.2 to oversee the relationship with the external auditor including (but not limited to);
 - 11.2.2.1 recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable a high quality audit to be conducted;
 - 11.2.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 11.2.2.3 assessing annually their independence and objectively taking into account relevant UK law, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services and any threats to the auditor's independence and the safeguards applied to mitigate those threats;
 - 11.2.2.4 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 auditor's independence and objectivity;
 - 11.2.2.5 agreeing with the Board a policy on the employment of former employees of the Group's auditor, taking into account legal requirements, then monitoring the implementation of this policy as necessary;
 - 11.2.2.6 monitoring the compliance with the relevant UK Law, regulation and ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements;

- 11.2.2.7 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - 11.2.2.8 seeking to ensure co-ordination with the activities of the internal audit function where one exists;
 - 11.2.2.9 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.
- 11.2.3 meet regularly with the external auditors, including once at the planning stage before the audit commences and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without the management being present, to discuss the auditor's remit and any issues arising from the audit;
- 11.2.4 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagements having regard to the seniority, expertise and experience of the audit team;
- 11.2.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 11.2.5.1 a discussion of any major issues which arose during the audit;
 - 11.2.5.2 the auditor's explanation of how the risks to audit quality were addressed;
 - 11.2.5.3 any accounting and audit judgements;
 - 11.2.5.4 the auditor's view of their interactions with senior management;
 - 11.2.5.5 levels of errors identified during the audit; and
 - 11.2.5.6 the effectiveness of the audit process.

The Committee shall also:

- 11.2.6 review any representation letter(s) requested by the external auditor before they are signed by management;
- 11.2.7 review the external auditor's management letter and management's response to the auditor's findings and recommendations; and
- 11.2.8 develop and recommend to the Board the Group's policy in relation to the provision of non-audit services provided by the

external auditor, including approval of non-audit services and specifying the types of non-audit service to be pre-approved, taking into account any relevant ethical guidance, assess whether non-audit services have a direct or material effect on the audited financial statements and ensure that the provision of such services does not impair their independence or objectivity.

11.3 FINANCIAL REPORTING

11.3.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain.

11.3.2 In particular, the committee shall review and challenge where necessary –

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

11.3.2.2 the methods used to account for significant or unusual transactions where different approaches are possible and how they are disclosed;

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

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

11.3.2.5 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, paying particular attention to:

- i. decisions requiring a major element of judgement;
- ii. significant adjustments resulting from the audit;
- iii. the going concern assumption;
- iv. compliance with accounting standards;
- v. compliance with stock exchange and other legal or regulatory requirements including the AIM rules.

11.3.3 The Committee shall consider other topics, as defined by the Board.

11.3.4 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.

11.4 **NARRATIVE REPORTING**

Where requested by the Board, the Committee should 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 Group's performance, business model and strategy.

11.5 **COMPLIANCE, WHISTLEBLOWING AND FRAUD**

The Committee shall:

11.5.1 review the adequacy and security of the Group'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;

11.5.2 review the Group's procedures for detecting fraud;

11.5.3 review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance; and

11.5.4 review the adequacy and effectiveness of the Group's anti-money laundering systems and controls.

12. **REPORTING**

12.1 The Committee has been established by the Board in order to enable the directors of the Company to fulfil their obligations under the law, Corporate Governance guidelines, the AIM Rules and otherwise, with regard to internal control and the Group's financial statements. The Chairman of the Audit Committee shall therefore report appropriately to the Board on the Committee's work, findings and conclusions, how the Committee has discharged its responsibilities and any other issues on which the Board has requested the Committee's opinion.

12.2 The secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and the Chairman of the Committee or, as a minimum, another member of the Committee, shall attend the Board meeting at which the accounts are approved.

12.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

12.4 The Committee's duties and activities during the year shall be disclosed in the annual financial statements.

13. **OTHER**

13.1 The secretary shall ensure that the Committee is properly constituted within these Terms of Reference. Any actual or anticipated variance of these terms should be brought to the attention of the Chairman of the Committee and the Chairman of the Company as appropriate.

13.2 The secretary shall ensure that these Terms of Reference are publicly available.

13.3 The Committee shall:

13.3.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

13.3.2 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;

13.3.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate;

13.3.4 be responsible for co-ordination of the internal (if any) and external auditors;

13.3.5 oversee any investigation of activities which are within its terms of reference;

13.3.6 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.