

## The Restaurant Group plc

### Terms of Reference for the Audit Committee

#### **1 Membership**

1.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee.

1.2 All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The Chair of the Board shall not be a member of the Committee.

1.3 Only members of the Committee have the right to attend Committee meetings. However, the Board Chair, Chief Executive Officer, Chief Financial Officer, Group Finance Director, a representative of the external auditor and the head of internal audit (or, where the internal audit function is outsourced or co-sourced to an external audit firm (the "External IA Firm"), a representative of the External IA Firm) will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

1.4 The Committee may meet without executive directors and senior management present, or may require that they absent themselves from discussions should the Committee believe it necessary.

1.5 Appointments to the Committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.

1.6 The Board shall appoint the Committee Chair. 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.

#### **2 Secretary**

The Company Secretary, or his or her 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 issues.

#### **3 Quorum**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable by, the Committee.

#### **4 Frequency of meetings**

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

4.2 Outside of the formal meeting programme, the Committee Chair 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 Group Finance Director, the external audit partner and the head of internal audit (or the internal audit partner of the External IA Firm).

## **5 Notice of meetings**

5.1 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 partner, the head of internal audit (or the internal audit partner of the External IA Firm), Board Chair, Chief Executive Officer or Chief Financial Officer if they consider it necessary.

5.2 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 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 latest by the end of the week preceding the date of the meeting.

## **6 Minutes of meetings**

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

6.2 Draft minutes of Committee meetings shall be circulated promptly to the Committee Chair and subsequently 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 Chair.

## **7 Annual general meeting**

All Committee members shall attend the annual general meeting and the Committee Chair (or other appropriate member) shall be available to answer shareholder questions, through the Chair of the Board, on the Committee's activities.

## **8 Duties**

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### 8.1 Financial reporting

8.1.1 The Committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports 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 having regard to matters communicated to it by the auditor.

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

8.1.2.1 the consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the company/group;

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

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

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

8.1.2.5 all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit, risk management, internal control, the going concern basis of accounting and longer-term viability.

8.1.3 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.

## 8.2 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 company's position, performance, business model and strategy.

## 8.3 Internal controls, risk management systems and Risk Committee

The Committee shall:

8.3.1 keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems, supported by the Risk Committee;

8.3.2 review the extent to which management communicates and emphasises the importance of internal control and the management of risk to ensure all employees have an appropriate understanding of their roles and responsibilities in this area and have effective resources to fulfil that role;

8.3.3 obtain regular updates from senior management, the Risk Committee or professional advisers regarding compliance matters, tax, litigation, disputes and claims;

8.3.4 review and approve the statements to be included in the annual report and accounts concerning internal controls and risk management;

8.3.5 review and approve the terms of reference of the management Risk Committee and ensure the Committee has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to discharge its responsibilities effectively;

8.3.6 receive reports and copies of the minutes from the Chair of the Risk Committee on a periodic basis;

8.3.7 review and monitor management's responsiveness to the Risk Committee's findings and recommendations; and

8.3.8 monitor and review the effectiveness of the Risk Committee, in the context of the company's overall risk management system.

## 8.4 Compliance, whistleblowing and fraud

The Committee shall review:

8.4.1 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;

8.4.2 the operational effectiveness of the company's policies and procedures for detecting fraud or illegal acts;

8.4.3 the operational effectiveness of the company's policies and procedures for ensuring its compliance with relevant regulatory and legal requirements; and

8.4.4 the findings of any examination by regulatory agencies or auditor observations, the company's systems and controls for the prevention of bribery and reports on non-compliance.

## 8.5 Internal audit

The Committee shall:

8.5.1 approve the appointment or termination of appointment of the head of internal audit (and/or the External IA Firm);

8.5.2 review and approve the role, mandate and effectiveness of the Group's internal audit function and ensure that it is adequately resourced (including, where relevant, with access to external specialist reviewers) and has appropriate standing within the group;

8.5.3 review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business;

8.5.4 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 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;

8.5.5 ensure the internal audit function has direct access to the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee;

8.5.6 carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:

8.5.6.1 meet with the head of internal audit (or the External IA Firm) without the presence of management to discuss the effectiveness of the function;

8.5.6.2 review and assess the annual internal audit work plan;

8.5.6.3 receive a report on the results of the internal auditor's work;

8.5.6.4 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and

8.5.6.5 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;

8.5.7 monitor and assess the role and effectiveness of the internal audit function in the overall context of the Group's risk management system and the work of compliance, finance and the external auditor; and

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

## 8.6 External audit

The Committee shall:

8.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor;

8.6.2 ensure that at least once every ten 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;

8.6.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;

8.6.4 oversee the relationship with the external auditor including (but not limited to):

8.6.4.1 negotiation and agreement of their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted

8.6.4.2 negotiation and agreement of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit

8.6.5 assess annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

8.6.6 satisfy 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;

8.6.7 agree with the Board a policy on the employment of former employees of the company's auditor, and monitoring the implementation of this policy;

8.6.8 monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;

8.6.9 assess 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;

8.6.10 seek to ensure coordination of the external audit with the activities of the internal audit function;

8.6.11 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;

8.6.12 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, without management being present, to discuss the auditor's remit and any issues arising from the audit;

8.6.13 review and approve the annual 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;

8.6.14 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

8.6.14.1 a discussion of any major issues which arose during the audit

8.6.14.2 key accounting and audit judgements

8.6.14.3 material levels of errors identified during the audit

8.6.14.4 the effectiveness of the audit process

8.6.15 review any representation letter(s) requested by the external auditor before they are signed by management;

8.6.16 review the management letter and management's response to the auditor's findings and recommendations;

8.6.17 develop and implement 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;

8.6.18 review the contents of any bid document or listing particulars and review any profit forecasts or working capital statements to be published in such documents;

8.6.19 be briefed on how management develops preliminary announcements, interim financial information and analyst's briefings and the extent to which such information is subject to review by external parties; and

8.6.20 arbitrate between management and the external auditor in the event of any dispute between them regarding remuneration of the auditor.

## **9 Reporting responsibilities**

9.1 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:

9.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;

9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.6.9) and its recommendation on the appointment or reappointment of the external auditor; and

9.1.3 any other issues on which the Board has requested the Committee's opinion.

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

9.3 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 UK Corporate Governance Code.

9.4 In compiling the reports referred to in 9.1 and 9.3, 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 longer-term viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

## **10 Other matters**

The Committee shall:

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

10.2 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;

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

10.4 be responsible for co-ordination of the external auditor;

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

10.6 work and liaise as necessary with all other Board Committees and the management Risk Committee; and

10.7 arrange for an annual review 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.

## **11 Authority**

The Committee is authorised to:

11.1 seek any information it requires from any employee of the company in order to perform its duties;

11.2 obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

11.3 call any director or employee to be questioned at a meeting of the Committee as and when required;

11.4 require directors or employees of the company (or of any subsidiary company) to co-operate fully and respond to any request made by the Committee; and

11.5 have the right to publish in the company's annual report and accounts details of any issues that cannot be resolved between the Committee and the Board.

## **12 Terms of Reference**

The Chair or the Secretary shall have the authority to make minor administrative and non-substantive changes to these terms of reference when necessary.

**Adopted at the Board meeting of the Company on 7 December 2022.**