



**Animal Health Group plc**

## **Audit Committee**

The members of the Audit Committee are:

- Tracey James (Chair of the Audit Committee)
- Andrew Jones
- Frank Armstrong
- Joachim Hasenmaier

The external auditors attend the Audit Committee meetings to discuss the planning and conclusions of their audits and reviews. The Chief Financial Officer also attends by invitation. The Company Secretary or his/her nominated representative ensures that the meetings are properly recorded.

The Audit Committee meets at least three times a year, linked to the timing of the publication of the Group's results. The Audit Committee also meets on an ad-hoc basis when necessary.

The Audit Committee operates within specific Terms of Reference that are shown below and that include:

- Considering the appointment of external auditors
- Reviewing the relationship with external auditors
- Reviewing the financial reporting and internal control procedures
- Reviewing the management of financial matters and focusing upon the independence and objectivity of the external auditors
- Reviewing the consistency of accounting policies both on a year to year basis and across the Group
- Internal Audit remit and activities

The Audit Committee is able to call for information from the Executive Leadership Team and consults with the external auditors directly if it requires to do so.



**Animal Health Group plc**

# **Terms of Reference of the Audit Committee**

**Updated: September 2024**

## **Terms of Reference of the Audit Committee**

### **1. Membership**

- 1.1. The committee shall comprise at least two members and, where possible, including one member of the remuneration committee. Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chairman of the audit committee. Appointments will be for a period of 3 years which may be extended for further periods of up to 3 years providing such directors still meets the criteria for membership of the committee.

All members of the committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing.

- 1.2. Only members of the committee have the right to attend committee meetings. However, the Chief Financial Officer and external audit lead partner 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.
- 1.3. The board shall appoint the committee chairman. In the absence of the committee chairman and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4. The committee chair shall review membership of the committee annually, as part of the annual performance evaluation of the Committee.
- 1.5. The company secretary, or his or her nominee, shall act as the secretary of the committee and provide all necessary support to the committee. This will include ensuring that the committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues. The recording of committee minutes will be taken by the company secretary or his/her nominated representative.

### **2. Quorum**

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

### **3. Frequency of meetings**

- 3.1. The committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 3.2. Outside of the formal meeting programme, the committee chairman, and to a lesser extent the other committee members, will maintain a dialogue (of which notes shall be kept by the Committee Chairman) with key individuals involved in the company's

governance, including the board chairman, the chief executive, the finance director and the external audit lead partner.

#### **4. Notice of Meetings**

- 4.1. Meetings of the committee shall be convened by the chairman of the committee at the request of any of its members or at the request of the external audit lead partner if they consider it necessary.
- 4.2. 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 five working days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.
- 4.3. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

#### **5. Minutes of meetings**

- 5.1. The Company Secretary, or his/her nominated representative, shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 5.2. Draft minutes of committee meetings shall be agreed with the committee chairman as soon as possible after the meeting and then circulated promptly to all members of the committee, unless it would be inappropriate to do so in the opinion of the committee chairman.

#### **6. Annual General Meeting**

The committee chairman should attend the annual general meeting to answer shareholder questions.

#### **7. Duties**

The committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole.

#### **8. Financial Reporting**

- 8.1. The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other regulatory announcements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain.
- 8.2. In particular, the committee shall review and challenge where necessary:
  - 8.2.1. the application of significant accounting policies and any changes to them;

- 8.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
- 8.2.3. any issues relating to AIM Rule compliance and in particular related party transactions (AIM Rule 13) as defined in the AIM Rules for Companies. The committee will review and approve procedures for the identification of related party transactions to ensure they are adequate and that such transactions are appropriately documented and discussed with the Company's Nominated Adviser as appropriate. The Committee will also have regard to the Company's AIM Rules disclosure obligations including but not limited to, AIM Rules 10, 11, 17, 18, 19 and 31. The Committee will raise with the Board without delay any information which it considers the Company's Nominated Adviser would reasonably request or require to fulfil its responsibilities.
- 8.2.4. 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; and
- 8.2.5. 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.

### 8.3. 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 performance, business model and strategy and whether it informs the board's statement in the annual report on these matters that is required by the provisions of the UK Corporate Governance Code and the QCA Corporate Governance Code as appropriate.

### 8.4. Internal controls and risk management systems

The Committee shall:

- 8.4.1. keep under review the adequacy and effectiveness of the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- 8.4.2. review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement;
- 8.4.3. ensure that there are appropriate assurance activities in operation to achieve effective risk management by the Company, such that the Company's risk management framework and internal controls identify and address all relevant risks in order to execute and deliver on its stated purpose and strategy; and

8.4.4. have regard to the Company's obligation, pursuant to AIM Rule 31, to have in place sufficiently robust procedures, resources and controls to enable it to comply with its AIM Rules obligations.

#### 8.5. Compliance, whistleblowing and fraud

The committee shall keep under review and review policies annually with regard to:

- 8.5.1. 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;
- 8.5.2. the company's procedures for detecting fraud;
- 8.5.3. the company's systems and controls for the prevention of bribery and receive reports on non-compliance;

#### 8.6. Internal Audit

The Committee shall:

- 8.6.1. 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;
- 8.6.2. oversee the procurement and contracting of the external internal audit provision, ensuring that the external internal auditor has direct access to the board chairman and to the committee chair, providing independence from the executive and accountability to the committee;
- 8.6.3. carry out an annual assessment of the effectiveness of the external internal audit provision; and as part of this assessment:
  - i. review and assess the annual internal audit work plan;
  - ii. receive a report on the results of the external internal audits undertaken each year;
  - iii. whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
  - iv. review the actions taken by management to implement the recommendations of internal audits;
- 8.6.4. monitor and assess the role and effectiveness of the external internal audit provision in the overall context of the company's risk management; and
- 8.6.5. consider whether an independent, third-party review of processes is appropriate.

## 8.7. External audit

The Committee shall:

- 8.7.1. 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. The rationale for the appointment of new external auditors will be discussed and agreed at committee meetings and the decision of the committee will be minuted. Where the board does not for any reason accept the recommendation of the committee the reasons for the disagreement will be minuted.
- 8.7.2. 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;
- 8.7.3. if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.7.4. oversee the relationship with the external auditor. In this context the committee shall (in consultation with the Chief Financial Officer):
  - i. 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
  - ii. approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 8.7.5. assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements 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;
- 8.7.6. 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;
- 8.7.7. monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 8.7.8. 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 Ethical Standard;

- 8.7.9. 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;
- 8.7.10. seek to ensure coordination of the external audit with the activities of the internal audit function;
- 8.7.11. 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;
- 8.7.12. 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.
- 8.7.13. 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 auditor's remit and any issues arising from the audit;
- 8.7.14. 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;
- 8.7.15. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - i. a discussion of any major issues which arose during the audit;
  - ii. the auditor's explanation of how the risks to audit quality were addressed;
  - iii. key accounting and audit judgements;
  - iv. the auditor's view of their interactions with senior management; and
  - v. levels of errors identified during the audit;
- 8.7.16. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.7.17. review the management letter and management's response to the auditor's findings and recommendations; and
- 8.7.18. 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. Reporting responsibilities**

- 9.1. The committee chairman 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 and how these were addressed;
  - 9.1.2. its assessment of the effectiveness of the external audit process, 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; 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.
- 9.4. In compiling the reports, 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 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 secretary for assistance as required;
- 10.2. give due consideration to relevant laws and regulations, the provisions of the UK Corporate Governance Code, the QCA Corporate Governance Code and QCA Audit Committee Guide and the requirements of the London Stock Exchange's AIM Rules for Companies as appropriate;
- 10.3. be responsible for coordination of the internal and external auditors;
- 10.4. oversee any investigation of activities which are within its terms of reference;

- 10.5. work and liaise as necessary with all other board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- 10.6. 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.

**11. Authority**

The committee is authorised to:

- 11.1. 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 employee to be questioned at a meeting of the committee as and when required; and
- 11.4. 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.

**Approved by the Board**

**September 2024**