

ARYZTA AG

**Terms of Reference
of the Audit Committee
of the Board of Directors**

Constitution

1. The Committee has been established by resolution of the board of directors of the Company (the **Board**) and is to be known as the Audit Committee. Its terms of reference replace the terms of reference of any pre-existing Audit Committee.

Membership

2. The Committee shall comprise not less than three members appointed by the Board from amongst the independent non-executive directors of the Company. Any member who is determined no longer to be independent shall resign from the Committee. The Committee Chairman shall be appointed by the Board and shall be an independent non-executive director. In the absence of the Committee Chairman the members attending shall elect one of them to be chairman for that meeting. The quorum for meetings of the Committee shall be two. **Independence** for the purposes of these terms of reference shall be determined by reference to the criteria set out in the Swiss Code of Best Practice for Corporate Governance.
3. Appointments to the Committee shall be for the period from each annual general meeting of the Company until the next annual general meeting.
4. At least one member of the Committee shall have been determined by the Board to have recent and relevant financial experience. The members of the Committee shall be provided with an induction programme and appropriate and timely training relevant to their membership of the Committee.
5. The Chairman of the Board, executive directors and other members of management of the Company shall not be members of the Committee. They, together with other relevant or expert person(s), representative(s) of the external auditors and/or the head of Risk Management/Internal Audit (**Internal Audit**), may attend meetings at the invitation of the Committee Chairman.
6. Appointments to the Committee shall be made by the Board on the recommendation of the Nomination Committee.

Secretary

7. The Company Secretary or his or her nominees shall act as the secretary to the Committee.

Meetings

8. Meetings shall be held at least three times a year or more frequently as circumstances require. At least once a year, without the presence of Executive Management, the Committee shall meet separately with each of the external auditors and the head of Internal Audit to discuss matters relating to its remit and any issues arising from the audit. In addition, the head of Internal Audit shall be given the right of direct access to the Committee Chairman. For the purposes of these terms of reference, the **Executive Management** means the Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer and other members of the senior management of the group.

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9. The Committee shall have access to the services of the Company's secretariat function on all Committee matters, including assisting the Committee Chairman in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.
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Notice of Meetings

10. Meetings of the Committee shall be summoned 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.
11. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the 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 two working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
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Reporting Responsibilities

12. The secretary shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute them accordingly. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.
13. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
14. The Committee Chairman shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities raised at that meeting.
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Authority

15. The Committee is authorised by the Board to:
- (a) investigate any activity within its terms of reference;
 - (b) seek any information that it properly requires from any employee of the Company or any subsidiary company in order to perform its duties and all employees are directed by the Board to co-operate with any request made by the Committee; and
 - (c) call any director or other employee to be questioned at a meeting of the Committee as and when required.
16. If the Committee considers it necessary so to do it is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend at meetings of the Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits as authorised by the Board.

Duties

17. The Committee shall assist the Board in fulfilling its oversight responsibilities as they relate to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the external auditors' qualifications, and the performance of the Company's internal control system and the external auditors.
18. The Committee shall assess the performance of the Company's financial reporting process and system of internal control and provide for ongoing communication between the external auditor, the Executive Management and the Board concerning the Company's financial position and affairs.
19. The duties of the Committee shall be to:
 - (a) consider the appointment, resignation or dismissal of the external auditor and in particular to evaluate external auditors who meet the preconditions of special professional qualifications according to applicable law and regulations;
 - (b) investigate the issues leading to any resignation of an auditor and decide whether action is required;
 - (c) discuss with the external auditor the nature and scope of the audit (including any significant ventures, investments or operations which are not subject to audit);
 - (d) make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
 - (e) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, satisfying itself that there are no relationships between the auditor and the Company (other than in the course of business) and taking into consideration relevant professional and regulatory requirements;
 - (f) develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
 - (g) review and consider the results of the external audit, its cost effectiveness and the budgeted compensation for external audit services as recommended by the Chief Financial Officer;
 - (h) assess annually the qualifications, expertise and resources of the external auditor;
 - (i) consider communications from the external auditors on statutory and regulatory audit planning and findings and on material weaknesses in accounting and internal control systems that came to the external auditor's attention;
 - (j) agree with the Board a policy on the employment of former employees of the external auditor, then monitor the implementation of this policy;

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- (k) review and discuss with management and auditors the preliminary results, interim information, annual financial statements and any other formal statements by the company which are financial in nature before submission to the Board, focusing particularly on:
 - (i) the quality and acceptability of the accounting policies and practices and financial reporting disclosures and changes thereto;
 - (ii) the efficacy of the system of internal controls, quality control procedures and any material issues raised by the most recent controls;
 - (iii) areas involving significant judgement, estimation or uncertainty;
 - (iv) the detecting of material misstatements by the auditors that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted;
 - (v) the basis for the going-concern assumption;
 - (vi) their complying with financial reporting standards and relevant financial and governance reporting requirements;
 - (vii) any significant findings and recommendations of the external auditor and the Internal Audit and the responses of the Executive Management thereto;
 - (l) discuss any difficulties, reservations or other matters arising from the external auditor's audits (in the absence of management where necessary);
 - (m) make recommendations to the Board concerning any proposed new or amended accounting policy and review major changes to the Company's accounting principles and practices as brought to its attention by the external auditor, the Internal Audit function, the Executive Management or otherwise;
 - (n) review, prior to its consideration by the Board, the external auditor's report to the directors and management's response;
 - (o) review the Company's internal financial controls, the Company's internal control and risk management systems and the Company's annual statement on internal control systems and in particular where requested by the Board to review:
 - (i) the policies and overall process for identifying and assessing business risks and managing their impact on the Company;
 - (ii) regular assurance reports from management, Internal Audit, external audit and others on matters related to risk and control;
 - (iii) the timeliness of, and reports on, the effectiveness of corrective action taken by management;
 - (iv) review the appropriateness of the risk management techniques employed by the group.
 - (p) consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems;
 - (q) consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary);

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- (r) consider the disclosure about the role of the Committee included in the annual report and compile a report to shareholders on its activities to be included in the annual report;
 - (s) monitor and review the effectiveness of the Company's Internal Audit function and discuss the plans of audit with the Internal Audit function;
 - (t) review and approve the appointment and removal of the head of the Internal Audit function;
 - (u) discuss the results of the annual audit with the external auditor and the Internal Audit function, and supervise and assure the co-operation of the external auditor and the Internal Audit function;
 - (v) review other disclosures or documents as determined by the Board;
 - (w) review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
 - (x) consider other topics, as defined by the Board, such as the Company's policies for preventing or detecting fraud, its code of corporate conduct/business ethics, or the policies for ensuring that the Company complies with relevant regulatory and legal requirements; and
 - (y) make available its terms of reference and review annually those terms of reference and its own effectiveness and recommend any necessary changes to the Board.