

ARYZTA AG

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



Effective May 2016

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 (AC). Its terms of reference replace the terms of reference of any pre-existing Audit Committee.

Mission

2. The Committee assists the Board in fulfilling its responsibilities with respect to the.
 - a. Accounting and financial reporting practices of the Company;
 - b. The Company's compliance with legal and regulatory requirements;
 - c. The internal and external audit processes; and
 - d. The overview of the risk management processes.

Composition

3. The Board appoints the members of the AC and its Chairperson for a period of one year. The AC shall be chaired by an independent and non-executive member of the Board and include a minimum of two other members of the Board, excluding the CEO and any former Executive member of the Board. All members shall be independent. At least one member must have recent relevant financial experience, as determined by the Board, and the others should be familiar with the issues of accounting and audit.

Organisation

4. The AC shall meet at least two times a year and at the request of any of its members. Generally, one of the external auditors, the head of internal audit and the CFO participate in these meetings. The Chairman and the CEO may be invited to attend meetings or portions thereof. The AC Chairperson may ask other members of management to attend the meeting or make presentations.
5. At least once a year, the AC shall meet with each of the internal auditor and external auditor without the presence of members of management.
6. The AC Chairman shall prepare an agenda in advance of each meeting. At least two members of the AC must be present to have a quorum.
7. The Company Secretary or his/her nominee shall act as secretary of the AC.
8. The AC has complete and unrestricted access to management, books and records and may obtain any information it requires from the appropriate services. The AC may appoint independent legal, accounting or other counsel, at the Company's expense, if it thinks it appropriate.
9. The AC Chairman shall report to the Board after each meeting of the AC by means of a short account of its activities and findings. The AC is at the disposal of the Chairman as well as the Board at all times during the Board meetings.

Powers and Duties

The duties of the AC shall be to:

10. Financial Reporting

- a. Review, and challenge where necessary, the actions and judgements of management in relation to the Company's preliminary results, interim results, annual financial statements and any other formal statements by the Company, that are financial in nature, before submission to the Board.

11. Internal Control

- a. Review the effectiveness of the internal control system, including risk management, and review the Company's annual statement on internal control systems.
- b. 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 and external audit on matters related to risk and control;
 - iii. the timeliness of, and reports on, the effectiveness of corrective action taken by management;
 - iv. the appropriateness of the risk management techniques employed by the Company; and
 - v. the Company's policies for preventing and detecting fraud, its code of conduct/business ethics and the policies for ensuring that the Company complies with relevant regulatory and legal requirements.

12. Internal Audit

- a. Review and approve the appointment and removal of the head of the internal audit function;
- b. Receive a report on the results of the internal auditor's work on a periodic basis;
- c. Ensure that the head of internal audit has direct access to the Chairman of the Board and the AC;
- d. Consider the disclosure about the role of the AC included in the annual report and compile a report to shareholders on its activities to be included in the annual report;
- e. Monitor and review the effectiveness of the Company's internal audit function, review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the company;
- f. Review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

13. External Audit

- a. Oversee the Company's relations with the external auditor;
 - b. Consider and make recommendations on the appointment, re-appointment or removal of the external auditor;
 - c. Approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided;
 - d. Discuss with the external auditor the nature and scope of the audit before the audit commences;
 - 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. Consider communications from the external auditor on statutory and regulatory audit planning and findings and on material weaknesses in accounting and internal control systems that have come to the auditor's attention;
 - h. Review significant issues raised in the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
 - i. Assess the effectiveness of the audit process at the end of the audit cycle.
14. The AC does not exercise any professional auditing and does not interfere with the management affairs. It gains a view of the organisation, the efficiency of, and the findings of the internal and external auditors and the reaction of management. It then renders an annual report to the Board.
15. However, should the AC observe, during the course of its work, anything that
- a. Reveals an important violation of legal provisions, internal guidelines or other rules to which the Company must adhere;
 - b. Could lead to the belief that there is a material financial breach; or
 - c. Any issues that could imply serious consequences for the reputation of the company. It will inform the Board of these infractions and, in the case of emergency, by informing the Chairman. The purpose of this information is to allow management to verify the efficiency of the internal audit systems, to intervene if necessary and to assure itself of the responsiveness of the line management.

Other Responsibilities

16. The AC shall

- a. Review and reassess the adequacy of this Charter and submit proposed changes to the Board for approval; and
- b. Conduct an annual self-evaluation of the AC's own performance.