



**UDG Healthcare plc
Audit Committee
Terms of reference**

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination & Governance Committee in consultation with the Chairman of the Audit Committee. The Committee shall consist of not less than three members, one of which shall also be a member of the Risk, Investment & Financing Committee. All members of the Committee shall be independent non-executive directors. At least one member of the Committee shall have recent relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.2 The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors.
- 1.3 Members of the Committee, in addition to any other Non-Executive Director whose request to attend has been approved in advance, shall have the right to attend Committee meetings. Other individuals such as the Chairman of the Board, Chief Executive, Chief Financial Officer, other directors, Head of Internal Audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 All Directors shall have the right to discuss any matter of relevance with the Chairman.
- 1.5 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.

2. Secretary

- 2.1 The Company Secretary, or such other person as the Committee shall consider appropriate, shall be secretary of the Committee.

3. Quorum

- 3.1 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 competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. All or any members of the Committee may participate in a meeting by teleconference or videoconference. A person so participating is deemed to be present in person at the meeting and shall be counted in quorum accordingly.

4. Meetings

- 4.1 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 lead partner or head of internal audit if they consider it necessary.
- 4.2 Meetings shall be held not less than three times a year, and where appropriate should coincide with key dates in the Group's financial reporting and audit cycle.

- 4.3 In the absence of the Committee Chairman the remaining members present shall elect one of themselves to chair the meeting.
- 4.4 All materials relevant to any Committee meeting shall be made available to all Directors and the availability of materials shall be communicated in advance to all Directors in the appropriate manner in each case, subject to any exceptions as may be deemed appropriate by the Chairman.
- 4.5 The Secretary shall minute the proceedings and resolutions of Committee meetings, including the names of those present and in attendance.
- 4.6 Minutes of Committee meetings shall be circulated to all members of the Board.
- 4.7 There should be at least one meeting a year, or part thereof, where the internal auditor attends without management present.
- 4.8 There should be at least one meeting a year, or part thereof, where the external auditor attends without management present.

5. Annual General Meeting

- 5.1 The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

6. Duties

The duties of the Committee are:

6.1 Financial Reporting

- 6.1.1 To monitor the integrity of the financial statements of the Group, including its Annual Reports, Interim Reports, Preliminary Announcements and any other formal announcements relating to its financial performance including reviewing significant financial reporting judgements which they contain.
- 6.1.2 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.
- 6.1.3 To review and challenge where necessary:
- (i) the consistency of, and any changes to significant accounting policies both on a year on year basis and across the Group;
 - (ii) whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (iii) matters requiring a significant element of judgement;
 - (iv) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (v) the clarity and completeness of disclosures and the context in which statements are made;
 - (vi) the going concern basis of accounting;

- (vii) compliance with accounting standards and estimates made by the Group taking the views of the external auditor into account to ensure they are appropriate;
- (viii) all material information presented within the financial statements such as the operating and financial review and the corporate governance statement, insofar as it relates to the Committee;
- (ix) the viability of the Group, including recommending the Viability Statement to be included within the Annual Report to the Board; and
- (x) the compliance of the Group with requirements of company and tax laws, including recommending the Directors' Compliance Statement and Policy to be included within the Annual report to the Board.

6.1.4 To determine whether the accounts give a true and fair view of the state of affairs of the Group.

6.1.5 To determine at least annually whether the Group has kept proper books of account.

6.1.6 To recommend to the Board of Directors whether or not to approve the Group annual report and accounts.

6.2 Internal Financial Controls and Financial Risk Management Systems

6.2.1 To review the Group's internal financial controls and financial risk management systems.

6.3 Confidential Reporting

6.3.1 To review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting, fraudulent activity or other matters and to ensure that these arrangements allow for proportionate and independent investigation of such matters and appropriate follow up.

6.4 Internal Audit

The Committee shall:

6.4.1 monitor and review the effectiveness of the internal audit function;

6.4.2 approve the appointment or removal of the head of the internal audit function;

6.4.3 ensure that internal audit has direct access to the Chairman of the Board and the Audit Committee;

6.4.4 review and approve the remit of the internal audit function and ensure that it has the necessary resources and appropriate access to information to enable it to fulfil its mandate;

6.4.5 review and assess the annual internal audit plan;

6.4.6 review reports of the results of the internal auditors' work on a periodic basis; and

6.4.7 review and monitor management's responsiveness to the findings and recommendations of the internal auditor.

6.5 External Audit

The Committee shall:

- 6.5.1 make recommendations to the Board in relation to the appointment, re-appointment and removal of the 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 whether any action is required;
- 6.5.2 oversee the relationship with the external auditor including:
 - 6.5.2.1 approving the terms of engagement, including the engagement letter issued by the external auditor at the start of each audit, and remuneration in respect of audit services provided;
 - 6.5.2.2 assessing annually the independence and objectivity of the external auditor taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services;
 - 6.5.2.3 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 course of normal business);
 - 6.5.2.4 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and staff, the levels of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - 6.5.2.5 assessing annually their qualifications, expertise and resources and independence and effectiveness of the audit process which may include a report from the external auditor on their own internal quality procedures; and
 - 6.5.2.6 seeking to ensure co-ordination with the activities of the internal audit function;
- 6.5.3 meet regularly with the external auditor, including at the planning stage before the audit and after the audit at the reporting stage;
- 6.5.4 review and approve the annual audit plan to ensure that it is consistent with the scope of the audit engagement;
- 6.5.5 review the findings of the audit with the external auditor. This shall include but not be limited to the following:
 - 6.5.5.1 a discussion of any major issues which arose during the audit;
 - 6.5.5.2 key accounting and audit judgements;
 - 6.5.5.3 levels of errors identified during the audit; and
 - 6.5.5.4 the effectiveness of the audit process.
- 6.5.6 review any representation letter requested by the external auditor before they are signed by management;
- 6.5.7 review the management letter and management's response to the auditor's findings and recommendations;

6.5.8 develop and implement a policy on the engagement of the external auditor to supply non-audit services; and

6.5.9 agree with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of the policy.

7. Reporting Responsibilities

7.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all significant matters within its duties and responsibilities. This report shall include;

7.1.1 the significant issues that it considered in relation to the financial statements and how these issues were addressed;

7.1.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor;

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

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

7.3 The Committee shall compile a report on its activities to be included in the Company's Annual Report. The report should include, at a minimum, the information requirements set out in the UK Corporate Governance Code.

7.4 In compiling the reports referred to in 7.1 and 7.3, 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 Group is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross references to that information.

8. Other Matters

The Committee shall:

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

8.2 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;

8.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules as appropriate;

8.4 review its terms of reference and its own effectiveness on an annual basis; and

8.5 undertake other related duties as agreed with the Board.

9. Authority

The Committee is authorised to:

9.1 investigate any activity within its terms of reference;

9.2 obtain, at the Group's expense, independent legal, accounting or other advice when the Committee believes it necessary to do so;

9.3 seek any information that it requires from any employee of the Group in order to perform its duties; and

9.4 call any employee to be questioned at a meeting of the Committee as and when required.