

# Hollywood Bowl Group Plc

(the “Company”)

## Audit Committee

**Terms of Reference adopted by the board on 24 November 2016 and amended on 5 December 2017, 26 September 2018, 25 March 2020 and 23 September 2020**

### **1. Introduction**

- 1.1 The board of directors of the Company (the “**Board**”) has resolved to establish an Audit Committee (the “**Committee**”).
- 1.2 The primary purpose of the Committee is to establish formal and transparent arrangements for the application of corporate reporting, risk management and establishing and monitoring the principals of internal controls through which the Committee is to assist the Board in fulfilling its oversight responsibilities.
- 1.3 In performing its duties, the Committee will maintain effective working relationships with the Board, the Company’s management and the external auditors. To perform his or her role effectively, each member of the Committee must be familiar with these terms of reference as well as the Company’s business operations and risks.

### **2. Membership**

- 2.1 The Committee shall comprise at least two members. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the chairman of the Committee.
- 2.2 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 Committee as a whole shall have competence relevant to the sector in which the Company operates. The Company’s chairman shall not be a member of the Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, the external auditor and Chief Financial Officer 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. 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 the relevant member continues to be independent.
- 2.4 The Board shall appoint the Committee chairman. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### **3. 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.

#### **4. Quorum**

- 4.1 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.
- 4.2 Each member of the Committee shall disclose to the Committee:
- 4.2.1 any personal financial interest (other than as a shareholder of the Company) in any matter to be decided by the Committee; or
- 4.2.2 any potential conflict of interest arising from a cross-directorship.
- 4.3 Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions).

#### **5. Frequency of meetings**

- 5.1 The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.<sup>1</sup>
- 5.2 Outside of the formal meeting programme, the Committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board chairman, the chief executive, the Chief Financial Officer and the external audit lead partner.

#### **6. Notice of meetings**

- 6.1 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 Chief Financial Officer if they consider it necessary and may be conducted whether the members are physically present or in the form of either video or audio conferences.
- 6.2 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 same time. Papers required by the Committee may be provided electronically.

#### **7. Minutes of meetings**

- 7.1 The secretary or his/her nominee shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The secretary of the Committee shall ascertain, at the beginning of each Committee meeting, the existence of any conflict of interest and minute them accordingly<sup>2</sup>.

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<sup>1</sup> Meetings should be organised so that attendance is maximised (for example by timetabling them to coincide with board meetings)

<sup>2</sup> Pursuant to sections 177 and 182 of the Companies Act 2006, a director is required to declare his interest in a proposed or existing transaction or arrangement with the Company to the 'other directors', therefore details of any such conflict must also be provided to the Board accordingly.

7.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee chairman it would be inappropriate to do so.

## **8. Engagement with Shareholders**

The Committee chairman should attend the annual general meeting to answer shareholder questions on the Committee's activities. The Committee chairman should also seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **9. Duties**

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

### **9.1 *Financial reporting***

9.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, 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.

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

- (a) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the Strategic Report and the corporate governance statement (in so far as it relates to the audit and to risk management).

9.1.3 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.

### **9.2 *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 performance, business model and strategy.

### 9.3 ***Internal controls and risk management systems***

The Committee shall:

- 9.3.1 keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems; and
- 9.3.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.<sup>3</sup>

### 9.4 ***Compliance and fraud***

The Committee shall:

- 9.4.1 review the Company's procedures for detecting fraud; and
- 9.4.2 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

### 9.5 ***Internal audit***

The Committee shall:

- 9.5.1 approve the appointment and removal of the Nominated Person (in this case the Chief Financial Officer, or such other appropriate person appointed by the Committee in relation to reporting on the Group's Internal Audit Function) and ensuring that he or she has direct access to the Committee Chair, the Chairman and the Chief Executive Officer, provided that the Nominated Person remains accountable to the Committee at all times;
- 9.5.2 review and approve the internal audit plan and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 9.5.3 receive a report on the results of the internal auditor's work on a 6 monthly basis;
- 9.5.4 review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- 9.5.5 have a member of the internal audit team attend the Committee meeting at least once a year to talk through its findings and any recommendations; and
- 9.5.6 monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system;
- 9.5.7 consider (from time to time) whether an independent and objective third party review of the effectiveness of the Internal Audit Function and its processes is appropriate. If such a review is undertaken, the Committee shall identify appropriate criteria for defining the success of the Internal Audit Function (for the avoidance of doubt, delivery of the Internal Audit Plan shall not be the sole criterion of this evaluation) and discuss this with the independent reviewer;

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<sup>3</sup> Unless this is done by the Board

## 9.6 *External Audit*

The Committee shall:

- 9.6.1 consider and make recommendations to the Board, in accordance with all legal and regulatory requirements, 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;
- 9.6.2 oversee the timing of and conduct of the selection process for new external auditors ensuring that the requirements of the UK Corporate Governance Code, Competition and Markets Authority Order and EU Audit Directives and Regulations in relation to external audit tenders are adhered to;
- 9.6.3 ensure that at least every ten years the audit services contract is put out to tender and in respect of such tender ensure that all tendering firms have appropriate access to information and individuals during the tendering process;
- 9.6.4 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.6.5 oversee the relationship with the external auditor including (but not limited to):
  - (a) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (b) approval 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;
  - (c) assessing 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;
  - (d) 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 ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (e) agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
  - (f) monitoring 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;
  - (g) assessing 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;
  - (h) seeking to ensure co-ordination with the activities of the internal audit function; and

- (i) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
- 9.6.6 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;
- 9.6.7 discuss with the external auditor the factors that could affect audit quality and 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; and
- 9.6.8 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - (a) a discussion of any major issues which arose during the audit;
  - (b) the external auditor's explanation of how the risks to audit quality were addressed;
  - (c) key accounting and audit judgements;
  - (d) the external auditor's view of their interactions with senior management;
  - (e) levels of errors identified during the audit; and
  - (f) the effectiveness of the audit process.

The Committee shall also:

- 9.6.9 review any representation letter(s) requested by the external auditor before they are signed by management;
- 9.6.10 review the management letter and management's response to the auditor's findings and recommendations;
- 9.6.11 develop and implement a policy on the supply of non-audit services by the external auditor, ensuring there is prior approval of non-audit services, and to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter; and
- 9.6.12 develop and implement a policy regarding the provision of tax services by the external auditor.

## **10. Reporting responsibilities**

- 10.1 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:
  - 10.1.1 the significant issues that it considered in relation to the financial statements and how these were addressed;

- 10.1.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- 10.1.3 any other issues on which the Board has requested the Committee's opinion.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 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 and related FRC guidance.
- 10.4 In the compiling the reports referred to in 10.1 and 10.3, 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 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.

## **11. Other matters**

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 11.2 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;
- 11.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules, the Director's Duties contained in the Companies Act 2006 and any other applicable rules, as appropriate;
- 11.4 be responsible for co-ordination of the internal and external auditors;
- 11.5 oversee any investigation of activities which are within its terms of reference;
- 11.6 work and liaise as necessary with all other Board committees;
- 11.7 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; and
- 11.8 ensure that the terms of reference are made available by placing them on the Company's website

## **12. Authority**

The Committee is authorised to:

- 12.1 seek any information it requires from any employee of the Company in order to perform its duties;
- 12.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.3 call any employee to be questioned at a meeting of the Committee as and when required; and
- 12.4 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.