

 **Smurfit Kappa Group plc****Audit Committee  
Terms of Reference****1.0 Membership**

1.1 Members of the Committee shall be appointed by the Board in consultation with the Chair of the Audit Committee.

1.2 The Board shall appoint the Committee Chair.

1.3 The Committee shall consist of non-executive directors, with a minimum membership of three. At least one of the Committee members shall have recent and relevant financial experience. The Chair of the Board shall not be a member of the Committee. The Audit Committee as a whole shall have competence relevant to the sector in which the Company operates.

1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, Chief Executive Officer, Chief Financial Officer, other Directors, the Vice President of Group Internal Audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.

1.5 The external auditors will be invited to attend meetings of the Committee on a regular basis.

1.6 Appointments should be for a period of up to three years, extendable by no more than two additional three year periods, so long as the Director continues to meet the criteria for membership of the Committee.

1.7 In the absence of the Committee Chair or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

**2.0 Secretary**

The Company Secretary or their nominee shall act as Secretary to the Committee.

**3.0 Quorum**

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.

#### **4.0 Frequency of Meetings**

4.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

4.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the external audit lead partner and the Vice President of Group Internal Audit.

#### **5.0 Notice of Meetings**

5.1 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 one external or internal auditor if they consider it necessary.

5.2 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 and any other person required to attend no later than three 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. Committee meetings may be held in person or by telephone or other electronic media suitable to the Committee.

#### **6.0 Minutes of Meetings**

6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 Minutes of Committee meetings shall be circulated to all members of the Board.

#### **7.0 Annual General Meeting**

The Chair of the Committee or their nominated representative shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

#### **8.0 Duties**

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

## 8.1 Financial Reporting

8.1.1 The Committee shall monitor the integrity of the financial and narrative statements of the Company, including its Annual and Interim Reports, preliminary results' announcements, trading statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

8.1.2 Where requested by the Board, the Committee shall 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 position and performance, business model and strategy.

8.1.3 The Committee shall recommend to the Board whether or not to approve the annual accounts and Group accounts so reviewed.

8.1.4 The Committee shall determine, at least annually, whether in the Committee's opinion, the Company has kept proper books of account.

8.1.5 The Committee shall review and challenge where necessary:

8.1.5.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and the Group;

8.1.5.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.5.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;

8.1.5.4 the clarity and completeness of disclosure in the Company's financial reports, trading statements and results presentations, the context in which statements are made

8.1.5.5 the assumptions or qualifications in support of the going concern statement and the longer term viability statement; and

8.1.5.6 all material information presented with the financial statements, such as the strategic report and the corporate governance statements (insofar as it relates to the audit and risk management).

## **8.2 Internal Financial Controls and Risk Management Systems**

8.2.1 The Committee shall keep under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems and shall review and approve the statements to be included in the Annual Report concerning internal controls, risk management and the viability statement.

8.2.2 The Committee shall carry out a robust assessment of the Company's emerging and principal risks and the procedures in place to identify, manage and mitigate those risks.

## **8.3 Whistleblowing and Fraud**

The Committee shall:

8.3.1 review the adequacy and security of the Company's arrangements for the workforce to raise concerns, in confidence and (if they wish) anonymously, 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;

8.3.2 review the Company's procedures for detecting fraud;

8.3.3 review the Company's system and controls for prevention of bribery and receive reports on non-compliance; and

8.3.4 review compliance reports and keep under review the adequacy and effectiveness of the Company's whistleblowing and fraud processes.

## **8.4 Internal Audit**

The Committee shall:

8.4.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;

8.4.2 approve the appointment and removal of the head of the internal audit function;

8.4.3 consider and approve the internal audit charter and ensure the Committee has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;

8.4.4 review and assess the annual internal audit plan;

8.4.5 review reports of the results of the internal auditor's work on a periodic basis;

8.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and

8.4.7 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chair of the Board, the Committee Chair and to the Committee.

## **8.5 External Audit**

The Committee shall:

8.5.1 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 Committee shall conduct the tender process and develop and oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

8.5.2 having regard to Directive 2014/56/EU and Regulation (EU) No 537/2014, ensure mandatory rotation of audit services after a maximum period of 10 years. The Committee should ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;

8.5.3 oversee the relationship with the external auditor including (but not limited to):

8.5.3.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted. The Committee may delegate the approval of fees and services to the Chief Financial Officer;

8.5.3.2 approval of all non-audit services, including a list of prohibited non-audit services which statutory auditors, audit firms or members of their networks cannot provide to audited entities in the EU;

8.5.3.3 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

8.5.3.4 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

8.5.3.5 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);

8.5.3.6 ensure an appropriate policy on the employment of former employees of the Company's auditor is adopted and implemented;

8.5.3.7 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

8.5.3.8 assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;

8.5.3.9 seeking to ensure co-ordination with the activities of the internal audit function; and

8.5.3.10 considering the risk of the withdrawal of Company's present auditors from the market;

8.5.4 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

8.5.5 review the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

8.5.6 review the findings of the audit with the external auditor. This shall include but not be limited to the following:

8.5.6.1 a discussion of any major issues which arose during the audit;

8.5.6.2 any accounting and audit judgments;

8.5.6.3 levels of errors identified during the audit; and

8.5.6.4 assessing the effectiveness of the audit process;

8.5.7 review any representation letter(s) requested by the external auditor before they are signed by management;

8.5.8 review the management letter and management's response to the auditor's findings and recommendations; and

8.5.9 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

## **8.6 Reporting Responsibilities**

8.6.1 The Committee Chair shall report to the Board, after each meeting on all matters within its duties and responsibilities.

8.6.2 The Committee shall provide the Board with a report to be included in the Company's Annual Report on its activities and how it has discharged its responsibilities, which shall include:

8.6.2.1 details of the membership of the Committee, number of meetings held and attendance over the course of the year and a summary of the role and work of the Committee;

8.6.2.2 the significant issues that it considered in relation to the financial statements and how these issues were

addressed;

8.6.2.3 its assessment of the independence and effectiveness of the external audit process and its recommendation on, and its approach taken to, the appointment or reappointment of the external auditor; and

8.6.2.4 any other issues on which the Board has requested the Committee's opinion and all other information requirements set out in the U.K. Corporate Governance Code ("the Code").

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

8.6.4. In compiling the report referred to in 8.6.2, the Committee should exercise judgment 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. The report to shareholders need not repeat information disclosed elsewhere in the Annual Report and accounts, but could provide cross-references to that information.

8.6.5 When 20 per cent or more shareholder votes have been cast against the Board recommendation for any audit related resolution, the Committee shall engage in appropriate discussions as necessary with shareholders and ensure that an update on the views received from shareholders and actions taken is published no later than six months after the relevant shareholder meeting. The Annual Report shall include a summary of the impact that the feedback has had on the decisions that the Board has taken and any actions or resolutions now proposed.

8.6.6. These terms of reference shall be made publicly available on the Company's website.

## **8.7 Other Matters**

The Committee shall:

8.7.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;

8.7.2 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;

8.7.3 give due consideration to all applicable laws and regulations including, the provisions of the Code, the Irish Corporate Governance Annex, the Listing Rules of the stock exchanges on which it is listed and the requirements of the Companies Act 2014 (as amended) as appropriate;

8.7.4 be responsible for co-ordination of the internal and external auditors;

8.7.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and

8.7.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **9. Authority**

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 9.2 to carry out all duties set out in its terms of reference and to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 9.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 9.4 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: 5 December 2019