

# **Audit and Risk Committee Terms of Reference**

**Boohoo Group plc** Dated 27 February 2025

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## 1. Definitions

In these terms of reference:

|                  |  |
|------------------|--|
| <b>Board</b>     | means the board of directors of the Company  |
| <b>Code</b>      | the Quoted Companies Alliance ( <b>QCA</b> ) Corporate Governance Code or such other corporate governance code adopted by the Company in accordance with the AIM Rules for Companies |
| <b>Committee</b> | means the Audit and Risk committee of the Board constituted at a meeting of the Board in accordance with the Articles of Association of the Company                                  |
| <b>Group</b>     | means the Company and its subsidiary undertakings from time to time  |

## 2 Introduction

- 2.1 The primary purpose of the Committee is to oversee financial reporting, risk management, internal controls, and audit processes, ensuring transparency, integrity, and compliance with regulatory standards.
- 2.2 The primary purpose of the Committee is to:
- 2.2.1 Independently review management's recommendations on financial reporting, risk management, and internal control structures.
  - 2.2.2 Oversee the implementation of the risk strategy, governance framework, and effectiveness of internal controls.
  - 2.2.3 Provide independent assurance on audit processes, risk exposure, and compliance measures.
- 2.3 Each Committee member must be familiar with these terms of reference and the Company's operations and risks in the retail sector.

## 3 Membership

- 3.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Committee shall include at least one member of the ESG committee. Members shall have appropriate knowledge, skills and expertise to fully understand risk appetite and strategy.
- 3.2 Members of the Committee shall be appointed by the board on the recommendation of the nomination committee. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided the director still meets the criteria for membership of the committee.
- 3.3 Only members of the Committee have the right to attend committee meetings. However, the Chief Executive Officer, Chief Financial Officer, Group Finance Director and Head of Audit and Risk shall be expected to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 3.4 The board shall appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

## 4 Secretary

- 4.1 The Company secretary, or their 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.

## **5 Quorum**

5.1 The quorum necessary for the transaction of business shall be any two members of the Committee.

## **6 Voting arrangements**

6.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.

6.2 Each member of the Committee shall disclose to the Committee:

6.2.1 any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or

6.2.2 any potential conflict of interest arising from a cross-directorship.

6.3 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

6.4 Save where he has a personal interest, the chair of the Committee will have a casting vote.

## **7 Frequency of meetings**

7.1 The Committee shall meet at least three times a year at appropriate times and otherwise as required.

7.2 Outside of the formal meeting programme, the chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman of the Board, the Chair of the ESG Committee, the Chief Executive Officer, the Chief Financial Officer, the Group Finance Director and the Head of Audit and Risk.

## **8 Notice of meetings**

8.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman or any of its members.

8.2 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.

## **9 Minutes of meetings**

9.1 The secretary of the Committee shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance, unless a conflict of interest exists.

9.2 The secretary of the Committee shall ascertain, at the beginning of each Committee meeting, the existence of any conflicts of interest and minute them accordingly.

9.3 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 a conflict of interest exists or, in the opinion of the chairman of the Committee, it would otherwise be inappropriate to do so.

## **10 Duties**

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

## **11 Financial reporting**

- 11.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and accounts, interim management statements, announcements of preliminary results (if any) 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.
- 11.2 In particular, the Committee shall review and challenge where necessary:
- 11.2.1 the consistency of, and any changes to, significant accounting policies, both on a year-on-year basis and across the Group;
  - 11.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 11.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 11.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
  - 11.2.5 all material information presented with the financial statements, such as the strategic report and any corporate governance statement relating to the audit and to risk management.
- 11.3 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.

## **12 Narrative Reporting**

- 12.1 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 and the Committee should also advise the Board on whether the annual report and accounts informs the Board's statement in the annual report on these matters.

## **13 Risk appetite, tolerance and strategy**

- 13.1 The Committee shall:
- 13.2 Advise the board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives.
- 13.3 The Committee should seek assurance on the risks the Company identifies as those to which the business may be exposed. The risks will be specific to the Company's circumstances but are likely to include many of the following:
- 13.3.1 Threats to the business model or future performance
  - 13.3.2 Operational risk
  - 13.3.3 IT including cyber risk
  - 13.3.4 Environmental, Social and Governance (ESG)
  - 13.3.5 Supply chain
  - 13.3.6 Health and safety

- 13.3.7 Business continuity
- 13.3.8 Legal & Regulatory
- 13.3.9 International
- 13.3.10 Human resource
- 13.3.11 Fraud, corruption and ethical risk

13.4 Advise the board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.

13.5 Advise the board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the company, and taking independent external advice where appropriate and available.

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

14.1 The Committee shall keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, and seek suitable assurance regarding

14.2 The risk exposures of the company, including risk to the company's business model, and solvency and liquidity risks.

14.3 The adequacy and effectiveness of the company's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems.

14.4 The ability of the company's risk management and internal control systems to identify the risks facing the company and enable a robust assessment of principal risks.

14.5 The company's capability to identify and manage new and emerging risks.

14.6 The effectiveness and relative costs and benefit of particular controls.

14.7 The effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary.

14.8 The company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.

14.9 The appropriateness of the company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the company.

14.10 The Head of Audit and Risk Management's right of direct access to the chairman of the board and to the committee.

#### 15 **ESG**

The Committee shall:-

##### *Disclosures*

15.1 Oversee management's processes for determining ESG disclosures and the appropriateness of the standards and frameworks chosen to identify and maintain oversight of ESG risks and opportunities;

##### *Processes and controls*

15.2 Oversee ESG processes and controls including how data is collected, the effectiveness of data collection policies and what controls are in place to ensure the data is reliable and complete;

- Assurance*
- 15.3 Ensure there is adequate internal and external assurance over ESG reporting, that the level of assurance is appropriate for the size of Company and that the materiality of the disclosures meets stakeholder expectations.

- Risk Management*
- 15.4 The regular monitoring and mitigation of ESG risks and opportunities (by consultation with the Chairman of the ESG Committee) ensuring all material ESG risks and opportunities have been identified and incorporated into the risk management framework.

## **16 Whistleblowing**

The Committee shall:

- 16.1 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, 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;
- 16.2 review the Company's procedures for detecting fraud; and
- 16.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

## **17 Internal audit**

The Committee shall:

- 17.1 monitor and assess the role and the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and the work of compliance, finance and the external auditor;
- 17.2 approve the appointment and removal of the head of the internal audit function;
- 17.3 review and approve the role and mandate of the internal audit function, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
- 17.4 ensure internal audit has unrestricted scope, the necessary resources and appropriate access to information to enable it to perform its function effectively, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan and ensure that the internal audit function is equipped to perform in accordance with the relevant professional standards for internal auditors;
- 17.5 ensure the internal auditor has direct access to the Chairman of the Board and the Chairman of the Committee and is accountable to the Committee;
- 17.6 review and approve the annual internal audit plan and ensure it is aligned to the key risks of the Company's business and receive regular reports on work carried out;
- 17.7 review and assess the annual internal audit work plan and receive a report on the results of the internal auditor's work;
- 17.8 determine whether it is satisfied with the quality, experience and expertise of internal audit is appropriate for the business;
- 17.9 consider whether an independent, third party review of processes is appropriate;
- 17.10 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function; and

## **18 External audit**

The Committee shall:

- 18.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Company's external auditor;
- 18.2 ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms, and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 18.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 18.4 oversee the relationship with the external auditor, including (but not limited to):
  - 18.4.1 recommendations on their remuneration, including both 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;
  - 18.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 18.4.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements (including any relevant ethical standard) and the relationship with the external auditor as a whole (including any threats to the auditors' independence and safeguards applied to mitigate those threats, including the provision of any non-audit services);
  - 18.4.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - 18.4.5 agreeing with the Board a policy on the employment of former employees of the external auditor taking into account any relevant ethical standard and legal requirements, then monitoring the implementation of this policy;
  - 18.4.6 monitoring the external auditor's compliance with relevant ethical, legal, regulatory 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;
  - 18.4.7 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;
  - 18.4.8 seeking to ensure co-ordination with the activities of any internal audit function; and
  - 18.4.9 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
- 18.5 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;
- 18.6 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
- 18.7 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:

- 18.7.1 a discussion of any major issues which arose during the audit;
- 18.7.2 key accounting and audit judgements;
- 18.7.3 the auditor's explanation of how the risks to audit quality were addressed;
- 18.7.4 the auditor's view of their interactions with senior management;
- 18.7.5 levels of errors identified during the audit; and
- 18.7.6 the effectiveness of the audit process.

The Committee shall also:

- 18.8 review any representation letter(s) requested by the external auditor before they are signed by management;
- 18.9 review the management letter and management's response to the external auditor's findings and recommendations;
- 18.10 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's response to questions from the Committee;
- 18.11 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. This should include approval of non-audit services by the Committee and specify the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should also include consideration of the following matters:
  - 18.11.1 threats to the independence and objectivity of the external auditor and any safeguards in place;
  - 18.11.2 the nature of the non-audit services;
  - 18.11.3 whether the external audit firm is the most suitable supplier of the non-audit service;
  - 18.11.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - 18.11.5 the criteria governing compensation.
- 18.12 meet the Head of Audit and Risk at least once a year, without management being present.

## **19 Reporting responsibilities**

- 19.1 The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 19.2 The committee shall provide advice to the remuneration committee on any risk weightings to be applied to performance objectives incorporated in the incentive structure for executive remuneration and make recommendations to the remuneration committee on clawback provisions.
- 19.3 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 19.4 The committee shall compile a report of its activities to be included in the company's annual report, describing the work of the committee.

## **20 Other matters**

- 20.1 The Committee shall:
- 20.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
  - 20.1.2 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;
  - 20.1.3 give due consideration to laws and regulations the provisions of the Code, and the requirements of the London Stock Exchange's rules for AIM Companies as appropriate;
  - 20.1.4 oversee any investigation of activities which are within its terms of reference;
  - 20.1.5 work and liaise as necessary with all other Board committees taking particular account of the impact of risk management and internal controls being delegated to different committees;
  - 20.1.6 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;
  - 20.1.7 consider any other matters as may be requested by the Board; and
  - 20.1.8 ensure that these terms of reference are made available by placing them on the Company's website.

## **21 General duties**

- 21.1 In carrying out his specific duties set out above, each member of the Committee should also consider his general duties as a director of the Company, including without limitation:
- 21.1.1 his duty to act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to all relevant factors
  - 21.1.2 his duty to exercise independent judgment
  - 21.1.3 his duty to exercise reasonable care, diligence and skill
  - 21.1.4 his duty to avoid conflicts of interest; and
  - 21.1.5 his duty to act in accordance with the Company's constitution and only exercise his powers for the purposes for which they were conferred.
- 21.2 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.
- 21.3 The Committee is authorised by the Board to:
- 21.3.1 seek any information it requires from any employee or director of the Company in order to perform its duties and all such employees or directors will be directed to co-operate with any request made by the Committee;
  - 21.3.2 exercise any activity within its terms of reference;
  - 21.3.3 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes necessary to do so within its terms of reference;
  - 21.3.4 call any employee to be questioned at a meeting of the Committee as and when required; and

21.3.5 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

