

## **Wickes Group plc ("the Company")**

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

#### **Membership and quorum**

- The Wickes Group plc Audit Committee ("the Committee") shall be appointed by the Wickes Group plc Board ("the Board") and shall consist of not less than three members except that, in the case of the Company's first reporting year only, the Committee may consist of not less than two members.
- All members shall be independent non-executive directors of the Company, at least one of whom shall have recent and relevant financial experience with competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates and shall have relevant risk expertise. The Chairman of the Board shall not be a member of the Committee.
- A quorum shall be two members.
- The Company Secretary or their nominee shall act as the secretary of the Committee.

#### **Attendance at meetings**

Directors, other employees of the Company and external advisors may attend meetings by invitation.

#### **Frequency of meetings**

Meetings shall be held no less than three times a year with additional meetings as appropriate.

Outside of the formal meeting programme, the chair of the Committee will maintain a dialogue with key individuals involved in the company's governance, including the board chair, the CEO, the CFO, the external audit partner and the head of internal audit (or if outsourced the lead partner providing internal audit services).

#### **Authority**

- The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee shall have access to sufficient resources in order to carry out its duties and is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee.
- The Committee is authorised by the Board to obtain legal or professional advice at the Company's expense on any matters within its terms of reference. Outsiders with relevant experience and expertise may attend meetings of the Committee if the Chairman of the Committee considers this necessary.

#### **Duties**

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole. The duties of the Committee shall be:

### Financial Reporting

- to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, trading statements, preliminary announcements and any other formal statements relating to its financial performance and review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the auditor.
- in particular, to review and challenge where necessary:
  - The application of significant accounting policies and any changes to them;
  - the methods used to account for significant or unusual transactions where different approaches are possible;
  - whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
  - the clarity and completeness of disclosures in the financial statements and whether the disclosures are set properly in context; and
  - all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.
- to report its views to the Board where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company.

### Narrative Reporting

- where requested by the Board, to 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 whether it informs the Board's statement in the annual report on these matters, that is required under the UK Corporate Governance Code.

### Risk Appetite, Tolerance and Strategy

- to 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.
- to 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.
- to advise the Board on the risk aspects of proposed changes to strategy and strategic transactions.

### Internal Controls and Risk Management Systems

- to monitor and at least annually to review the Company's system of internal controls including financial, operational and compliance controls and to review risk management systems including the effectiveness thereof and report to the Board thereupon.
- to review the company's procedures to manage or mitigate principal risks and identify emerging risks and carry out a robust assessment of the Company's emerging and principal risks.
- to review and approve the statements to be included in the annual report concerning internal control, risk management (including the Company's principal risks, procedures in place to identify emerging risks and how these risks are managed or mitigated) and the viability statement.

### Compliance and Fraud

- to review the Company's procedures for detecting fraud.
- to review the Company's compliance systems and controls and receive reports on non-compliance and investigations.

### Internal Audit

- whilst there is no internal audit function, the Committee shall consider annually whether there should be an internal audit function and make a recommendation to the Board accordingly.
- where an internal audit function is put in place or where the internal audit function is fulfilled by an outsourced provider the Committee's duties in relation to internal audit shall be:
  - to approve the appointment or termination of appointment of the head of internal audit;
  - to review and approve the role and mandate of internal audit, 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;
  - to review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
  - to ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate;
  - to ensure internal audit has direct access to the Chairman of the Committee and Chairman of the Board where necessary and ensure internal audit has a reporting line which enables it to be independent from the executive and so able to exercise independent judgement;
  - to monitor and assess annually, the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor. As part of this assessment the Committee should meet with the head of the internal audit function without the presence of management to discuss the effectiveness of the function, review and assess the internal audit work plan, receive a report on the results of the internal auditor's work, determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate to the business and review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
  - to determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.

### External Audit

- to 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.
- to develop and oversee the selection procedure for the appointment of the audit firm.
- if an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- to oversee the relationship with the external auditor and:
  - approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and

- approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- to monitor and assess annually the qualifications, expertise and resources, and independence and objectivity of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.
- to determine the Company's policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying 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 include consideration of:
  - threats to the independence and objectivity of the external auditor and any safeguards in place
  - the nature of the non-audit services
  - whether the external audit firm is the most suitable supplier of the non-audit service
  - the fees for the non-audit services, both individually and in aggregate, relative to the audit fee
  - the criteria governing compensation.
- to 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, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.
- to discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- to review the findings of the audit with the external auditor and updates from management on remedial actions taken.
- to review any representation letter(s) requested by the external auditor before they are signed by management.
- to review the management letter and management's response to the auditor's findings and recommendations.
- to 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.

#### Performance Review and Training

- to periodically review its own performance and, at least annually, review its constitution and terms of reference to ensure its effectiveness and recommend any changes it considers necessary to the Board for approval.
- to 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.

#### Other Matters

- to work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls on the work of other committees.
- to oversee the coordination of internal and external auditors.

## **Reporting to the Board**

- The Chairman of the Committee shall report to the Board at appropriate intervals.
- The minutes of the meetings of the Committee should be available to all members of the Board unless in the opinion of the Chairman of the Committee it would be inappropriate to do so.

## **Engagement with shareholders**

- The Committee shall produce a report for inclusion in the Company's Annual Report about its activities, including an explanation of how the Committee has addressed the independence and 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, Companies Act 2006, the Financial Conduct Authority's Listing Rules and other relevant requirements.
- The Committee has the right to publish, in the Company's Annual Report, details of any issues that cannot be resolved between the Company and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the Annual Report should include a statement explaining the Committee's recommendation and the reason why the board has taken a different position.
- The Chairman of the Committee, or in their absence another member of the Committee, will attend the Company's Annual General Meeting and answer any shareholder questions about the work of the Committee. In addition the Committee Chairman should seek engagement with shareholders on significant matters related to the Committee's area of responsibility.

Approved by the Wickes Group plc Audit Committee [date]

Approved by the Wickes Group plc Board 23 March 2021