

BIG YELLOW GROUP PLC

Terms of Reference - Audit and Risk Committee

In this document:

“Board” means the Board of Directors

“Committee” means the Audit and Risk Committee

“Corporate Governance Code” means the UK Corporate Governance Code published by the Financial Reporting Council in January 2024, which applies to financial years beginning on or after 1 January 2025, or any succeeding version of it

1. Constitution

The Board establishes a Committee of the Board to be known as the Audit and Risk Committee (the “Committee”)

2. Purpose

- 2.1. The Committee assists the Board in discharging its responsibilities for:
 - 2.1.1. The integrity of the Company’s financial and narrative reporting;
 - 2.1.2. The effectiveness of internal controls, including financial, operational, compliance, and reporting controls;
 - 2.1.3. The oversight of risk management, including principal and emerging risks;
 - 2.1.4. The oversight of internal and external audit; and
 - 2.1.5. The oversight of audit, assurance, and control-related governance, in line with the UK Corporate Governance Code 2024/25 (“the Code”).

3. Membership

- 3.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit and Risk Committee. The Committee shall be made up of at least three members and include, where possible, at least one member of the remuneration committee.
- 3.2. All members of the Committee shall be independent non-executive directors in accordance with the Code. The Board shall satisfy itself that at least one member of the Committee shall have recent and relevant financial experience and with competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates, including risk management and internal controls. The Chair of the Board shall not be a member of the Committee.
- 3.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, Chief Executive, CFO, other directors, the Head of

Store Compliance, the Financial Controller and other representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.

- 3.4. The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 3.5. Appointments to the Committee shall be for as long as the Non-Executive Director serves on the Board.
- 3.6. The Board shall appoint the Committee Chair. Where the Committee comprises more than two directors, if the Committee Chair is absent, the remaining members present shall elect one of themselves to chair the meeting.

4. Secretary

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

5. Quorum

The quorum necessary for the transaction of business shall be two members, both of whom must be independent Directors. 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.

6. Frequency of Meetings

- 6.1. The Committee shall meet at least three times a year, as follows: (1) prior to the release of the Company's preliminary results to the market; (2) prior to the release of the Company's interim results to the market; and (3) a planning meeting for each annual audit cycle; and otherwise as required.
- 6.2. Outside of the formal meeting programme, the Chair and other Committee members, where relevant, will maintain a dialogue with key individuals involved in the Company's governance, including the executive directors and the external auditor's lead partner and the Head of Store Compliance.

7. Notice of Meetings

- 7.1. 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 external or internal auditors if they consider it necessary.
- 7.2. 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.

8. Minutes of Meetings

- 8.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 8.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and any related party transactions and minute them accordingly.

8.3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict exists.

9. Annual General Meeting

The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee’s activities.

10. Duties

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

10.1. Financial Reporting

10.1.1. The Committee shall monitor the integrity of the financial and narrative reporting in the financial statements of the Company, including its annual and half-yearly results, quarterly trading statements, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements 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.

10.1.2. The Committee shall review and challenge where necessary:

- 10.1.2.1 the application and consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company/group;
- 10.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 10.1.2.3 whether the Company has adopted and followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 10.1.2.4 the clarity, balance and consistency of disclosure in the Company’s financial reports and the context in which statements are made; and
- 10.1.2.5 all material information presented with the financial statements, including the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management).

10.2. Internal Controls

In line with the strengthened Code provisions, the Committee shall:

- 10.2.1. Oversee management’s design, implementation, and operation of the internal control framework
- 10.2.2. Review management’s assessment of the effectiveness of internal controls across
 - 10.2.2.1 Financial reporting
 - 10.2.2.2 Operational processes

- 10.2.2.3 Compliance and legal obligations
 - 10.2.2.4 Technology and cyber security
 - 10.2.2.5 Review evidence supporting the Board’s annual declaration on the effectiveness of internal controls
 - 10.2.2.6 Monitor remediation of any material control weaknesses; and
 - 10.2.2.7 Ensure appropriate documentation, testing, and assurance over controls is in place review
- 10.2.3 approve the statements to be included in the Annual Report concerning risk, internal controls, and resilience.
- 10.2.4 review disclosures relating to going concern and the resilience statement.

10.3. Risk Management

The Committee shall:

- 10.3.1. Oversee the Company’s risk management framework
- 10.3.2. Review the identification and assessment of principal and emerging risks
- 10.3.3. Review alignment between:
 - 10.3.3.1. Risk appetite
 - 10.3.3.2. Strategy
 - 10.3.3.3. Capital allocation
 - 10.3.3.4. Review stress and scenario analysis supporting the resilience statement
- 10.3.4. Consider systemic, macroeconomic, cyber, operational, regulatory and ESG-related risks; and
- 10.3.5. Receive regular reports on risk exposures and mitigating actions.

10.4. Whistleblowing

The Committee shall review:

- 10.4.1. the Company’s arrangements (including guidelines set out in the current form of employee handbook) for its employees to raise concerns, in confidence and without fear of retaliation, 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;
- 10.4.2. the Company’s procedures for detecting fraud;
- 10.4.3. the Company’s anti-bribery and corruption policies; and

10.4.4. receive reports on investigations, and their outcomes and remedial actions.

10.5. **Internal Audit**

10.5.1. The Committee shall consider each year whether the Company should establish an internal audit function in the context of the Company's overall risk management system.

10.5.2. The Committee shall also have oversight over the Company's Store Compliance function.

10.6. **External Audit**

The Committee shall:

10.6.1. review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;

10.6.2. consider and make recommendations to the Board, 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. The Committee shall conduct the tender process and shall oversee the selection of new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

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

10.6.3.1. approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

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

10.6.3.3. 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;

10.6.3.4. 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);

10.6.3.5. agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;

10.6.3.6. 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;

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

- 10.6.3.8. considering the risk of the withdrawal of the Company's present auditor from the market;
- 10.6.4. 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;
- 10.6.5. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 10.6.6. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 10.6.6.1. a discussion of any major issues which arose during the audit;
 - 10.6.6.2. any accounting and audit judgements; and
 - 10.6.6.3. levels of errors identified during the audit.
- 10.6.7. review any representation letter(s) requested by the external auditor before they are signed by management;
- 10.6.8. review the management letter and management's response to the auditor's findings and recommendations;
- 10.6.9. develop and implement a policy on the supply of non-audit services by the external auditor, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance on the matter and reporting to the Board on any improvement or action required; and
- 10.6.10. review the effectiveness of the audit.

10.7. ESG and Non-Financial Assurance

The Committee shall:

- 10.7.1. Review controls and assurance over material ESG disclosures;
- 10.7.2. Consider the need for external assurance over sustainability and climate-related reporting;
- 10.7.3. Ensure consistency between financial and non-financial reporting; and
- 10.7.4. Co-ordinate with any Sustainability or ESG Committee, where established.

10.8. Reporting Responsibilities

- 10.8.1. The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including key matters considered, decisions taken and issues requiring escalation.
- 10.8.2. The Committee shall provide advice (where requested by the Board) on whether the Annual Report, taken as a whole, is fair, balanced and understandable, and

provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

- 10.8.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.8.4. The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report such report to include, amongst other things, an explanation of how the Committee has addressed the effectiveness of the external audit process, the significant financial reporting judgements that the Committee considered relating to the financial statements, how internal controls effectiveness was reviewed, and how the Committee discharged its Code Responsibilities.

10.9. Other Matters

The Committee shall:

- 10.9.1. Meet with the external valuers as required and oversee their appointment;
- 10.9.2. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 10.9.3. 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;
- 10.9.4. give due consideration to laws and regulations, the Corporate Governance Code, the FRC Guidance on Audit Committees, and the requirements of the Listing Rules, the Prospectus Rules and the Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate;
- 10.9.5. be responsible for the co-ordination of the internal finance functions with the external auditors;
- 10.9.6. oversee any investigation of activities which are within its terms of reference; and
- 10.9.7. at least once a year, as part of the wider Board evaluation, 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.

11. Review of Terms of Reference

These terms of reference shall be review at least annually and any amendments shall be recommended to the Board for approval.

12. Authority

The Committee is authorised:

- 12.1. To investigate any matter within its terms of reference;

- 12.2. to seek any information it requires, and attendance, from any employee of the Company in order to perform its duties;
- 12.3. To commission special audits, reviews or assurance activities;
- 12.4. to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 12.5. to call any employee to be questioned at a meeting of the Committee as and when required.

13. Publication

These Terms of Reference shall be made available on the Company's website and on request.
