

MADE.COM GROUP PLC

Audit & Risk Committee Terms of Reference

Approved by the Board on 15 June 2021

1. MEMBERSHIP

- 1.1. The Audit & Risk Committee (**Audit & Risk Committee**) of Made.com Group Plc (**Company** and, together with its subsidiaries, **Group**) shall comprise at least three members. The Audit & Risk Committee shall include, where possible, one member of the remuneration committee of the Company. Members of the Audit & Risk Committee shall be appointed by the board of directors of the Company (**Board**), on the recommendation of the nomination committee of the Company and in consultation with the chair of the Audit & Risk Committee.
- 1.2. A majority of the members (and where possible all members) of the Audit & Risk Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience and be competent in accounting and/or auditing ideally with a professional qualification from one of the professional accountancy bodies. The Audit & Risk Committee as a whole shall have the competence relevant to the sector in which the Company operates. The chair of the Board shall not be a member of the Audit & Risk Committee.
- 1.3. Only members of the Audit & Risk Committee have the right to attend Audit & Risk Committee meetings. However, the Company's finance director, head of internal audit and external audit lead partner will be invited to attend meetings of the Audit & Risk 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.
- 1.4. Appointments to the Audit & Risk Committee are for a period of up to three years, extendable for up to two further three-year periods, provided the director still meets the criteria for membership of the Audit & Risk Committee.
- 1.5. The Board shall appoint a chair of the Audit & Risk Committee who shall be an independent non-executive director. In the absence of the Audit & Risk Committee chair and/or an appointed deputy at an Audit & Risk Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.6. If any member of the Audit & Risk Committee is unable to act for any reason, the chair of the Audit & Risk Committee may appoint any other independent non-executive director to act as his or her alternate.

2. SECRETARY

The Company's General Counsel & Company Secretary or his or her nominee, shall act as the secretary of the Audit & Risk Committee and will ensure that the Audit & Risk Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. QUORUM

The quorum necessary for the transaction of business shall be two members (at least one of whom shall have significant recent and relevant financial experience).

4. **FREQUENCY OF MEETINGS**

- 4.1. The Audit & Risk Committee shall meet regularly and at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2. Outside of the formal meeting programme, the chair of the Audit & Risk Committee, and to a lesser extent the other Audit & Risk Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the chair of the Board and the Company's chief executive, finance director, external audit lead partner and head of internal audit.

5. **NOTICE OF MEETINGS**

- 5.1. Meetings of the Audit & Risk Committee shall be convened by the secretary of the Audit & Risk Committee at the request of any of its members or at the request of the Company's external audit lead partner or head of internal audit if they consider it necessary.
- 5.2. Meetings of the Audit & Risk Committee may be held by telephone or video conference or by any other means whereby the participants are able to communicate effectively with each other, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the chair of the Audit & Risk Committee.
- 5.3. Unless otherwise agreed by the Audit & Risk Committee, 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 Audit & Risk Committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Audit & Risk Committee members and to other attendees, as appropriate, at the same time.
- 5.4. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 5.5. Decisions of the Audit & Risk Committee shall be made by majority vote. In the event of an equality of votes, except where he or she has a personal interest, the chair of the Audit & Risk Committee shall have a casting vote.

6. **MINUTES OF MEETINGS**

- 6.1. The secretary shall minute the proceedings and decisions of all meetings of the Audit & Risk Committee, including recording the names of those present and in attendance.
- 6.2. The secretary of the Audit & Risk Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Draft minutes of Audit & Risk Committee meetings shall be agreed with the chair of the Audit & Risk Committee and then circulated promptly to all members of the Audit & Risk Committee. Once approved, minutes should be circulated to all other members of the Board, unless it would be inappropriate to do so in the opinion of the chair of the Audit & Risk Committee.
- 6.4. Final signed copies of the minutes of the meetings of the Audit & Risk Committee should be maintained for the Company's records, in hard and soft copy where possible.

7. **ENGAGEMENT WITH SHAREHOLDERS**

The chair of the Audit & Risk Committee should attend the annual general meeting of the Company to answer questions from shareholders. In addition, the chair of the Audit & Risk Committee should seek engagement with shareholders on significant matters related to the Audit & Risk Committee's areas of responsibility.

8. **DUTIES**

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

8.1. Financial reporting

- (a) The Audit & Risk Committee shall monitor the integrity of the financial statements of the Company and the Group as a whole, including its annual and half-yearly reports, preliminary announcements and any other formal statements, discussion and analysis relating to its financial performance, condition and results of operations 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.
- (b) In particular, the Audit & Risk Committee shall review and challenge where necessary:
 - (i) the application of significant accounting policies and any changes to them;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) 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 and the latest guidance from the Financial Reporting Council;
 - (iv) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - (v) the effectiveness of the Group's financial reporting procedures; and
 - (vi) 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.
- (c) The Audit & Risk Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules.
- (d) Where the Audit & Risk Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

8.2. Risk appetite, tolerance and strategy

The Audit & Risk Committee shall:

- (a) 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;
- (b) seek assurance on the risks the Company identifies as those to which the business may be exposed;
- (c) 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; and
- (d) 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, focusing in particular on implications for the risk appetite, tolerance and strategy of the Company, and taking independent external advice where appropriate and available.

8.3. Narrative reporting

- (a) Where requested by the Board, the Audit & Risk Committee should review the content of the Company's 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, position, 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 (*Corporate Governance Code*).
- (b) In addition, the Audit & Risk Committee shall carry out the following duties to assist the Board in fulfilling its responsibilities in the annual report:
 - (i) monitor and review the adequacy and effectiveness of the Company's risk management and internal control systems;
 - (ii) review the Company's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks;
 - (iii) review and assess the Company's risk appetite and associated stress testing;
 - (iv) evaluate the Company's principal risks, to be taken into account by the Board when assessing the Company's prospects; and
 - (v) review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.4. Internal controls and risk management systems

The Audit & Risk Committee shall:

- (a) 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;
- (b) review and approve the statements to be included in the annual report and any half-yearly reports concerning internal control, risk management, including the assessment of principal risks and emerging risks and the viability statement; and
- (c) ensure the adequacy of insurance coverage, including D&O insurance, for the Company and the Group.

8.5. Risk, compliance, whistleblowing and fraud

The Audit & Risk Committee shall:

- (a) review the adequacy and security of the Company's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit & Risk Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
- (b) review the Company's procedures for preventing and detecting fraud;
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (d) review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls;
- (e) review the Company's policies and procedures relating to gifts and entertainment and expenses of directors and members of the executive management team;
- (f) review regular reports from the General Counsel & Company Secretary and keep under review the adequacy and effectiveness of the Company's compliance function;
- (g) consider and approve the remit of the risk management function and ensure it 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 Audit & Risk Committee shall also ensure the function has adequate independence and is free from management and other restrictions;
- (h) recommend to the Board the appointment and / or removal of the Company's Head of Risk or Internal Audit (or equivalent);
- (i) review promptly all reports on the Company from the Company's chief risk officer (or equivalent) as well as the Company's future risk strategy;
- (j) review the Company's capability to identify and manage new types of risk;
- (k) review reports on and monitor the resolution of any material breaches of risk limits or other risk or regulatory issues;

- (l) monitor any material issues that arise or which the Audit & Risk Committee considers likely to arise in relation to the reputational risk to the Company;
- (m) review and monitor management's responsiveness to the findings and recommendations of the Company's chief risk officer; and
- (n) ensure the Company's chief risk officer (or equivalent) shall be given the right of unfettered direct access to the chair of the Board and to the Audit & Risk Committee.

8.6. Internal audit

The Audit & Risk Committee shall:

- (a) approve the appointment or termination of appointment of the head of internal audit;
- (b) 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 Group;
- (c) 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;
- (d) ensure the Company's internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, 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 appropriate professional standards for internal auditors;
- (e) ensure the Company's internal auditor has direct access to the chair of the Board and to the chair of the Audit & Risk Committee, providing independence from the executive and accountability to the Audit & Risk Committee;
- (f) carry out an annual assessment of the effectiveness of the internal audit function; and as part of this assessment:
 - (i) meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
 - (ii) review and assess the annual internal audit work plan;
 - (iii) receive a report on the results of the internal auditor's work;
 - (iv) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - (v) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;

- (g) monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of the Company's compliance function, finance function and external auditor; and
- (h) consider whether an independent, third party review of processes is appropriate.
- (i) meet the head of Internal Audit at least once a year, without Executive management being present, to discuss his or her remit and any issues arising from the internal audits being carried out.

8.7. External audit

The Audit & Risk Committee shall:

- (a) 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;
- (b) develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- (c) put the external audit contract out to tender at least every ten years to ensure a high quality and effective audit, whether from the incumbent auditor or a different firm;
- (d) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (e) oversee the relationship with the external auditor. In this context the Audit & Risk Committee shall:
 - (i) 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
 - (ii) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (f) assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Financial Reporting Council Ethical Standard (*Ethical Standard*) and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- (g) satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (h) agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;

- (i) monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- (j) monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- (k) assess annually the qualifications, expertise and resources, and independence 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;
- (l) seek to ensure coordination of the external audit function with the activities of the internal audit function;
- (m) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Audit & Risk Committee;
- (n) develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Audit & Risk 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 the following matters:
 - (i) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (ii) the nature of the non-audit services;
 - (iii) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (v) the criteria governing compensation;
- (o) meet regularly with the Company's 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;
- (p) discuss with the Company's 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;
- (q) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iii) key accounting and audit judgements;
 - (iv) the auditor's view of their interactions with senior management; and
 - (v) levels of errors identified during the audit;
- (r) review any representation letter(s) requested by the Company's external auditor before they are signed by management;
 - (s) review the management letter and management's response to the auditor's findings and recommendations;
 - (t) ensure that the Company's external auditor is not placed in a position to audit its own work;
 - (u) review the effectiveness of the audit process, including an assessment of the quality of the audit, the performance of the external auditor, the handling of key judgements by the auditor, and the auditor's response to questions from the Audit & Risk Committee.

9. **REPORTING RESPONSIBILITIES**

- 9.1. The Audit & Risk Committee chair 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:
- (a) the significant issues that it considered in relation to the financial statements and how these were addressed;
 - (b) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the Company's external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - (c) any other issues on which the Board has requested the Audit & Risk Committee's opinion.
- 9.2. The Audit & Risk Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Audit & Risk Committee shall compile a report on its activities to be included in the Company's annual report. The report should include:
- (a) an explanation of how the Audit & Risk Committee has addressed the effectiveness of the external audit process;

- (b) the significant issues that the Audit & Risk Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor;
- (c) in the case of the Board not accepting the Audit & Risk Committee's recommendation on an external auditor appointment, re-appointment or removal, a statement from the Audit & Risk Committee explaining its recommendation and the reasons why the Board has taken a different position (this should also be supplied in any papers recommending appointment or re-appointment);
- (d) if there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of the external audit function;
- (e) a description of non-audit services (if any) provided by the external auditor;
- (f) an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services; and
- (g) all other information requirements set out in the Corporate Governance Code.

9.4. The Audit & Risk Committee shall produce such other reports or documents relating to the Group's risk management and compliance as may be required or requested by any applicable legal or regulatory authority.

9.5. In compiling the reports referred to in paragraphs 9.1 and 9.3, the Audit & Risk 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.

10. **OTHER MATTERS**

10.1. The Audit & Risk Committee shall :

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) 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;
- (c) give due consideration to relevant laws and regulations, the provisions of the Corporate Governance Code and published guidance, and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation and any other applicable rules, as appropriate;
- (d) be responsible for coordination of the Company's internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference;

- (f) work and liaise as necessary with all other Board committees, ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- (g) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and any confidential, anonymous submissions by employees of concerns regarding questionable accounting or accounting matters;
- (h) 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
- (i) perform any other activities consistent with the Company's articles of association, the governing law of the Company and the Company's policies and procedures as the Board or the Audit & Risk Committee shall deem appropriate, including holding meetings with the Company's investments bankers and financial analysts.

11. **AUTHORITY**

11.1. The Audit & Risk Committee is authorised to:

- (a) undertake any activity within its terms of reference;
- (b) seek any information it requires from any employee, contractor, consultant of, or other provider of services to, the Company in order to perform its duties;
- (c) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- (d) call any employee to be questioned at a meeting of the Audit & Risk Committee as and when required;
- (e) determine appropriate funding needs for its own ordinary administrative expenses that are necessary and appropriate to carry out its duties;
- (f) have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Audit & Risk Committee and the Board; and
- (g) delegate any of its powers to one or more of its members or the secretary of the Audit & Risk Committee (while being mindful of the Audit & Risk Committee's duties under these terms of reference).