

BREEDON GROUP plc

(the "Company")

AUDIT & RISK COMMITTEE

Terms of Reference

1. CONSTITUTION

- 1.1** The Board of Directors of the Company (the "**Board**") has established a committee of the Board known as the Audit & Risk Committee (the "**Committee**"). The Terms of Reference for the Committee outlined below are defined by the Board and may only be amended by the Board.
- 1.2** References in these Terms of Reference to the "**Group**" mean the Company, its subsidiaries and its subsidiary undertakings.
- 1.3** The meetings and proceedings of the Committee are governed by these Terms of Reference, which were adopted by the Board on 25 July 2023.

2. MEMBERSHIP

- 2.1** The Committee shall comprise a minimum of three members appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee. All of the members of the Committee shall be independent non-executive directors.
- 2.2** The Chair of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee, which shall determine the period for which he/she shall hold office, in consultation with the Committee. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these Terms of Reference to be appointed to that position by the Board. The Chair of the Board shall not be a member of the Committee.
- 2.3** Appointments to the Committee shall be for a period for up to three years, which may be extended for up to two additional three-year periods, provided the members continue to be independent.
- 2.4** Only members of the Committee have the right to attend Committee meetings. The Chief Financial Officer, Group Financial Controller, Head of Risk & Control, Head of Internal Audit and External Audit will be invited to attend meetings on a regular basis. Others may be invited to attend meetings of the Committee on a regular basis or to attend all or part of any meeting as and when appropriate and necessary.
- 2.5** The Committee may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the Chair of the Committee.
- 2.6** The members of the Committee shall have such experience as is required under the UK Corporate Governance Code (the "**Code**") and chapter 7.1 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (the "**FCA**"). At least one member shall have recent and relevant financial experience and competence in accounting and/or auditing and the Committee as a whole must have competence relevant to the sector in which the Company operates. The requirements for independence, financial experience and competence may be satisfied by the same members or different members of the Committee.

3. SECRETARY

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 the issues.

4. QUORUM

4.1 The quorum for decisions of the Committee shall be any two members, one of whom must have recent and relevant financial experience and competence in accounting and/or auditing.

4.2 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.

5. FREQUENCY OF MEETINGS

5.1. The Committee shall meet at least four times each year. The Company's external or internal auditor may request a meeting if they consider it necessary. Formal meetings of the Committee may be held by telephone, video conference or other communication equipment which allows those participating to hear and speak to each other throughout the meeting and the quorum in that event shall be any two Committee members so linked.

5.2. 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 Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner, the Head of Internal Audit and the Group General Counsel.

6. NOTICE OF MEETINGS

6.1 Meetings may be called by the Secretary of the Committee at the request of any member of the Committee, or at the request of the external audit lead partner or internal audit partner if they consider it necessary.

6.2 At least five working days' notice of any meeting of the Committee shall be given, although such notice period may be waived or shortened with the consent in writing of all the members of the Committee for the time being. Notice of the meeting shall confirm the venue, time and date, together with an agenda of items to be discussed. Notice shall be sent to each member of the Committee any other person required to attend. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time. Late submission or circulation of supporting papers will be permitted at the discretion of the Chair of the Committee.

6.3 Notices, agendas and supporting papers can be sent in electronic form (if the recipient has agreed to receive them in this way) or in hard copy as circumstances permit.

7. MINUTES OF MEETINGS

7.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance and any conflicts of interest. In the absence of the Secretary, the Chair of the Committee shall designate any Committee member or other meeting participant who is authorised to attend the meeting by the Chair of the Committee to minute the proceedings.

7.2 The draft minutes of the meetings of the Committee shall be agreed with the Chair of the Committee and then circulated to all members of the Committee and, once approved, to the Board and Company Secretary unless a conflict of interest exists or, exceptionally, it would be inappropriate to do so in the opinion of the Chair of the Committee.

8. **ENGAGEMENT WITH SHAREHOLDERS**

The Chair of the Committee shall be available at the Annual General Meeting of the Company and be prepared to respond to any shareholder questions on the Committee and its activities and achievements. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

9. **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, its major subsidiary undertakings and the Group as a whole, as appropriate.

9.1 **Financial and climate-related reporting**

9.1.1 The Committee shall monitor:

- a. the financial statements of the Company including its annual and half-yearly reports and, at the request of the Board, any other formal announcement relating to its financial performance; and
- b. Taskforce for Climate-related Financial Disclosures and Streamlined Energy and Carbon Reporting ("**climate-related disclosures**"), alongside any other climate-related disclosures as requested by the Board.

This shall include a particular focus on:

- a. the integrity of the financial statements or climate-related disclosures, including the directors' report and corporate governance statements (insofar as it relates to the audit and to risk management);
- b. the appropriateness, consistency and application of significant accounting policies, estimates and judgements;
- c. the methods used to account for significant or unusual transactions where different approaches are possible, and how these are disclosed in the financial statements;
- d. compliance with accepted accounting standards;
- e. the clarity and completeness of disclosures in the Company's financial reports or climate-related disclosures and the context in which statements are made;
- f. the going concern statement and the longer term viability statement, including an assessment of the key assumptions and supporting management analysis;
- g. the level of errors identified during the external audit, along with any major issues communicated by the external auditor; and
- h. compliance with legal and regulatory requirements governing financial statements;

9.1.2 Following its review, the Committee reports to the Board if it is not satisfied with any aspect of the proposed financial reporting or climate-related disclosures by the Company, having regard to matters communicated to it by the external auditor or other assurance providers.

- 9.1.3 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 position and performance, business model and strategy.

9.2 Risk and Control Environment

On behalf of the Board (which retains overall responsibility for risk management), the Committee shall (at least) annually:

- 9.2.1 conduct an assessment of the Company's principal risks, including a description of its principal risks, the procedures are in place to identify emerging risks, and an explanation of how risks are being managed or mitigated;
- 9.2.2 review the Company's guidelines that govern the process for risk assessment and risk management;
- 9.2.3 review the Company's risk appetite;
- 9.2.4 monitor and keep under review the Company's risk management and internal control systems and carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance; and
- 9.2.5 review and approve the statements to be included in the Annual Report concerning risk management and internal controls; and
- 9.2.6 annually review and approve the Tax Strategy.

9.3 Whistleblowing and fraud

The Committee shall:

- 9.3.1 Review the Company's procedures for preventing and detecting fraud;
- 9.3.2 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 (i) ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and (ii) report to the Board at least twice a year on the effectiveness of these arrangements and the issues raised.

9.4 Internal audit

The Committee shall:

- 9.4.1 Annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
- 9.4.2 Ensure internal audit has unrestricted scope, the necessary resources and access to management and to the information required to enable it to fulfil its mandate. This includes direct access to the Committee Chair, providing independence from the executive and accountability to the Committee;
- 9.4.3 Approve the appointment, reappointment or termination of appointment of the Internal Auditor;

- 9.4.4 Review and approve the annual internal audit plan (and any significant changes thereto) to ensure it is aligned to the material risks of the Group, having regard to resourcing and the complementary roles of Internal Audit and the External Auditor;
- 9.4.5 Receive regular reports on the findings of Internal Audit reviews;
- 9.4.6 Monitor management's response to Internal Audit's findings and recommendations;
- 9.4.7 Carry out an annual assessment of the independence and effectiveness of the internal audit function; and
- 9.4.8 If the Internal Auditor resigns, investigate the issues leading to this and decide whether any action is required.

9.5 External Auditor

The Committee shall:

- 9.5.1 Make recommendations to the Board for it to put to shareholders on the appointment, reappointment and removal of the External Auditor;
- 9.5.2 Ensure that the audit services contract is put out to tender in accordance with relevant regulations, 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;
- 9.5.3 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.5.4 Develop and implement a policy on the engagement of the External Auditor to supply any non-audit services to the Company, taking into account relevant ethical guidance and regulations;
- 9.5.5 Oversee the relationship with the external auditor, including but not limited to:
 - (a) approval of their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an effective audit to be conducted;
 - (b) approval of their terms of engagement, including the engagement letter issued at the start of each audit;
 - (c) approval of the External Audit strategy, including scope and key audit risks;
 - (d) review and monitor the External Auditors independence and objectivity (including any threats to the auditor's independence and the safeguards applied to mitigate those threats) taking into account relevant professional and regulatory requirements;
 - (e) satisfying 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;

- (f) agreeing with the Board a policy on the employment of employees of the Company's external auditor;
- (g) monitoring the external auditor's compliance with the relevant legal requirements, ethical and professional guidance, including the rotation of audit partners and the Ethical Standard;
- (h) assessing annually the qualifications, expertise and resources of the external auditor;
- (i) seeking to ensure co-ordination with the activities of the internal audit function; and
- (j) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.

9.5.6 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, any factors which could impact audit quality and any issues arising from the audit;

9.5.7 Review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:

- (a) a discussion of any major issues which arose during the audit;
- (b) the auditor's explanation of how key risks to audit quality were addressed;
- (c) any significant accounting and audit judgements;
- (d) the auditor's view of their interactions with senior management; and
- (e) levels of errors identified during the audit.

9.5.8 Review the representation letter requested by the external auditor before they are signed by management, with particular attention paid to non-standard representations requested by the External Auditor;

9.5.9 Review the management letter and monitor management's response to the external auditor's findings and recommendations;

9.5.10 The Committee shall perform an annual 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 responses to questions from the Committee, taking into consideration relevant professional and regulatory requirements.

10. REPORTING RESPONSIBILITIES

10.1 All decisions of the Committee shall be reported formally to the Board by the Chair of the Committee.

10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and adequate time should be

available for Board discussion where necessary. All decisions on recommendations referred to the Board shall take effect only upon approval thereof by resolution of the Board, at a meeting which is properly convened and constituted and in accordance with the Company's Articles of Association.

10.3 In addition, the Committee shall report to the Board, when relevant, on how it has discharged its responsibilities, including on:

10.3.1 the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.1) and how these were addressed;

10.3.2 its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, the length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans; and

10.3.3 any other issues on which the Board has requested the Committee's opinion.

10.4 The Committee shall compile a report on its activities in discharging its responsibilities to be included as a separate section in the Company's annual report. The report should include all disclosures required by UK regulations and professional guidance.

10.5 Through the Chair of the Board, the Committee shall ensure that the Company maintains contact as appropriate and required with its principal shareholders in respect of audit and financial issues.

11. PROCEDURE

11.1 Notwithstanding the quorum requirements for the Committee, all members of the Committee should endeavour to participate in all meetings of the Committee.

11.2 The Committee shall conduct an annual review of its work, constitution, performance and these Terms of Reference to ensure it is operating at maximum effectiveness and shall make recommendations for any changes to the Board.

11.3 The Chair of the Committee shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

11.4 The Committee shall make these Terms of Reference available on the Company's website.

11.5 The Committee is authorised:

11.5.1 To investigate any activity within these Terms of Reference and seek directly any information it requires from any employee or contractor of the Group (all such persons being directed to co-operate with any such request by the Committee);

11.5.2 To obtain, at the Company's expense, outside legal or other independent professional advice at the cost of the Company to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary (but such persons shall not be members of the Committee); and

11.5.3 To publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

12. OTHER MATTERS

12.1 The Committee shall:

12.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required;

12.1.2 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;

12.1.3 give due consideration to applicable laws and regulations, including the provisions of the Code and the requirements of the FCA's Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules and the UK Market Abuse Regulation and any other applicable rules, as appropriate;

12.1.4 oversee any investigation of activities which are within these Terms of Reference; and

12.1.5 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.

Date of next review: April 2024