

Dr. Martens plc Audit and Risk Committee Terms of Reference



Approved: JANUARY 2024

MEMBERSHIP AND QUORUM

The Dr. Martens plc (the “Company”) Audit and Risk Committee (the “Committee”) shall comprise at least three independent non-executive directors of the Company. Members of the Committee are appointed by the board of directors of the Company (the “Board”) on the recommendation of the Nomination Committee in consultation with the chair of the Committee. All members of the Committee must be independent non-executive directors, provided that, if the Board consider it desirable in the interests of the shareholders as a whole, a non-executive director who is not independent but has recent and relevant financial experience may be appointed as a member of the Committee. Save as described in the prior sentence, if the Board decides that a member of the Committee who was an independent non-executive director on appointment is no longer independent, that member will cease to be a member of the Committee.

At least one member should have recent and relevant financial experience with competence in accounting and/or auditing. The Committee as a whole should have competence relevant to the sector in which the Company operates.

The Board appoints the chair of the Committee, who shall be an independent non-executive director. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting, provided that such a member is an independent non-executive director. Regardless of whether they are considered by the Board to be independent, the chair of the Board may not be a member of the Committee.

The quorum shall be any three members, including the Committee Chair.

Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to meet the criteria for membership to the Committee.

SECRETARY

The Company Secretary or another suitably qualified person nominated by the Company Secretary, shall act as the secretary of the Committee (the “Secretary”).

COMMITTEE MEETINGS

The Committee will meet as often as it deems necessary to fulfil its responsibilities, but in any case at least four times a year in line with the Company’s financial reporting and audit cycle. The Committee may hold meetings by telephone or using any other method of electronic communication, and may take decisions without a meeting by unanimous written consent, when the Committee chair considers this to be necessary or desirable. Only members of the Committee have the right to attend Committee meetings, but the Committee may invite others to attend all or part of any meeting if it thinks it is appropriate. The Chief Financial Officer, Head of Internal Audit and the external audit lead partner will be invited to attend meetings of the Committee on a regular basis.

Outside the formal meeting programme, the Committee chair must maintain a dialogue with key individuals involved in the Company’s governance, including the Board Chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the Head of Internal Audit.

Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date (and dial-in details if required) of the meeting must be sent, with an agenda of the items to be discussed and any supporting papers, to each member of the Committee and any other person required to attend the meeting as soon as practicable and no later than five days before the date of the meeting,

The Secretary will ensure that proceedings and resolutions of all meetings of the Committee are minuted, including recording the names of those present and in attendance and, if applicable, the existence of any conflict of interest.

Draft minutes will be circulated promptly to all members for approval. 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 Committee.

The Committee chair must report formally to the Board on the Committee's proceedings, providing an overview of key matters it has discussed, identifying any matters in respect of which it considers that action or improvement is required and making recommendations as to the steps to be taken.

THE COMMITTEE'S ROLE

The Committee assists and supports the Board in fulfilling its responsibilities in relation to risk management, internal control and external financial and narrative reporting, and carries out certain oversight functions on behalf of the Board. Its primary responsibilities cover:

- monitoring the integrity of the Company's financial and narrative statements and any other formal announcements relating to its financial performance, and reviewing the significant financial reporting judgements made in connection with their preparation;
- monitoring and reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- overseeing and maintaining an appropriate relationship with the Company's external auditor and reviewing the independence, objectivity and effectiveness of the audit process, taking into account relevant legal, ethical, professional and regulatory requirements and following the Audit Committee and External Audit: Minimum Standard;
- ensuring that internal audit arrangements are appropriate and effective; and
- ensuring that fraud prevention and whistleblowing arrangements are established which minimise the potential for fraud and financial impropriety;

Each member of the Committee should obtain a detailed understanding of the Committee's responsibilities as well as the Company's business, operations and areas of risk. The Committee may obtain external legal or other professional advice on any matter within its terms of reference as necessary and at the Company's expense.

The Company's annual report will contain a section describing the work of the Committee in discharging its responsibilities. The Committee chair should attend the Company's Annual General Meeting and be available to answer questions on matters within the Committee's area of responsibility

DUTIES

The Committee is authorised by the Board to carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate:

FINANCIAL REPORTING

- To monitor the integrity of the Company's financial statements, including annual and half-yearly reports and any other formal announcements relating to its financial performance and to monitor, review and report to the Board on significant financial reporting issues and judgements made in connection with their preparation.
- To monitor the integrity of narrative reporting, including sustainability matters, and review any significant reporting judgements made in connection with their preparation.
- To review related information presented with the financial statements, including the strategic report and corporate governance statements relating to the audit and to risk management.

- To advise (where requested by the Board) on whether the annual report and accounts, 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 and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code (the "Code").
- To review and challenge where necessary:
 - the application and appropriateness of significant accounting policies and any changes to them both on a year-on-year basis and across the Company and its direct and indirect subsidiaries (the Group);
 - the methods used to account for significant or unusual transactions (including any off-balance sheet arrangements) where different approaches are possible;
 - whether the Company has made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
 - the clarity and completeness of disclosures in the financial statements and whether the disclosures made are set properly in context, and any changes to those disclosures, including the review of any correspondence between the Company and the external auditor;
 - significant adjustments resulting from the external audit;
 - the appropriateness of the going concern statement and viability statement to be made by the Board, including reviewing the modelling for stress testing different financial and operational events and evaluating whether the period covered by the viability statement is appropriate; and
 - all material information presented with the financial statements, such as the strategic report, the corporate governance statement (insofar as it relates to the audit and risk management) and statements related to internal control, risk management, viability and going concern.
- To assess the effectiveness of the Company's financial reporting procedures and, where it is not satisfied with any aspect of the Company's financial reporting, to report its views to the Board.
- To oversee the development and reporting of the Company's tax strategy and make recommendations to the Board.
- In relation to the Company's dividend proposals, review and consider whether sufficient distributable reserves would be available when a dividend is proposed to be paid and whether sufficient resources would remain to continue to meet the Company's needs;
- The Committee shall also review any other statement requiring Board approval which contains financial information, 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.

INTERNAL AUDIT

- To review and approve the role and mandate of the Company's internal audit function and monitor and review the effectiveness of its work. In undertaking a review of effectiveness of the internal audit function the Committee should confirm that it is satisfied that the quality, experience and expertise of the function are appropriate for the business.
- To review and approve the annual internal audit plan and internal audit charter and ensure that it is aligned to the key risks of the business.
- To ensure that there is open communication and that the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its internal audit plan.
- To ensure the internal audit function is adequately resourced has unrestricted scope and the necessary resources and access to information to enable it to fulfil its mandate.
- To approve the appointment and removal of the Head of Internal Audit function or the relevant outsourcing or co-source partner if the Committee determines that the internal audit function should be outsourced or co-sourced.

- To review reports to the Committee from the internal auditor and to meet the Head of Internal Audit as and when required, and in any case at least once a year, without management present, to discuss the effectiveness of the internal audit function, its remit and any issues resulting from audits.
- To review and monitor management's responsiveness to the findings and recommendations of the internal audit function.
- To ensure that the internal audit function has direct access to the Board chair and to the Committee chair, providing independence from the executives and accountability to the Committee.

EXTERNAL AUDIT

- To recommend to the Board, for annual shareholder approval, the appointment, re-appointment and removal of the external auditor and to generally be responsible for the selection and appointment procedures for an external auditor, to initiate and conduct a competitive tender process at least every ten years. If the external auditor resigns, the Committee shall investigate the issues leading to their resignation and consider whether any action is required.
- To oversee the relationship with the external auditor, including but not limited to:
 - approving the terms of engagement of and remuneration to be paid to the external auditor in respect of audit services, ensuring that the fees are appropriate to enable an effective and high-quality audit to be conducted;
 - reviewing and agreeing the engagement letter issued by the external auditor at the start of each audit and the scope of the external audit, arranging additional work as appropriate;
 - influencing the appointment of the individual identified by the external auditor as being primarily responsible for the conduct of the audit;
 - developing and implementing policy on the engagement of the external auditor to supply non-audit services and approving any permissible non-audit services provided by the external auditor, having regard for the impact this may have on its independence;
 - obtaining and reviewing annually external auditor information about its policies and procedures for maintaining independence and monitoring compliance with relevant requirements, including in relation to rotation of audit partners and staff;
 - assessing annually the external auditor's independence and objectivity, including the impact of the supply of any non-audit services by the external auditor;
 - discussing with the external auditor threats to independence and how those threats are mitigated;
 - agreeing with the Board a policy on the employment of former employees of the external auditor, taking account of relevant ethical standards and legal requirements, monitoring the application of this policy, including the Committee's own safeguards relating to independence, and considering whether there has been any impairment or appearance of impairment of the external auditor's independence and objectivity;
 - Assessing and reviewing the effectiveness of the audit process, taking into account relevant legal, ethical, professional and regulatory requirements and all group relationships with the external auditor and its network firms as a whole. This assessment of external audit quality should include consideration of the external auditor's mind-set and culture; skills, character and knowledge; quality control; and judgment, including the robustness and perceptiveness of the external auditor in handling key judgements, responding to questions from the Committee, and in their commentary where appropriate on the systems of internal control;
 - monitoring the external auditor's compliance with ethical standards, the level of fees the Company pays to the external auditor in proportion to the overall fee income of the external audit firm (or relevant part of it), and related regulatory requirements;
 - annually assessing and reporting to the Board on the external auditor's qualifications, expertise, resources, independence and objectivity and the effectiveness of the audit process, with a recommendation on whether to propose to shareholders that the external auditor be reappointed;
 - seeking to ensure co-ordination between the external auditor and the internal audit function; and
 - evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of the external auditor's communications with the Committee.

- To ensure that appropriate plans are in place for the annual audit at the start of each annual audit cycle, in particular considering whether the external auditor's work plan is consistent with the scope of the audit engagement, having regard to materiality, resources and the seniority, expertise and experience of the audit team.
- To review audit representation letters before signature, considering in particular any representation on a non-standard matter.
- 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 without management present to discuss the external auditor's remit and any issues arising from the audit.
- To review the findings of the audit and the auditor's report with the external auditor. This shall include but not be limited to the following:
 - a discussion of any major issues which arose during the audit;
 - the auditors' explanation of the risks to audit quality were addressed;
 - the auditors view of their interactions with senior management;
 - key accounting and audit judgements;
 - levels of errors identified during the audit; and
 - the basis for the going concern assumption.
- To review and monitor management's responsiveness to the external auditor's findings and recommendations.
- To assess the effectiveness of the external audit process and the quality of the external audit, including how risks to audit quality are identified and addressed, reviewing the external auditor's compliance with the audit plan and reviewing and monitoring the external auditor's management letter and its other communications with the Committee.
- To review and discuss with the external auditor any significant issues arising from any regulatory inspections of the external auditor, to the extent relevant to the Company, including the external auditor's response to any identified accounting deficiencies.

INTERNAL CONTROL AND RISK MANAGEMENT:

- To monitor and keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems.
- To promote and review sound risk management and internal control systems, including operational and compliance controls.
- To monitor and keep under review the policies and overall process for identifying and assessing business risks and managing their impact on the Company.
- To receive and review regular assurance reports from management, internal audit, external audit and others on matters related to risk and control, in particular as to the effectiveness and testing of risk management and internal control systems (including financial controls).
- To review the timeliness of, and reports on, the effectiveness of corrective action taken by management.
- To review and approve the Board's statements to be included in the annual report concerning:
 - internal controls and risk management;
 - its assessment of the principal risks and emerging risks facing the Company and how they are managed and mitigated; and
 - its assessment of the Company's prospects and its expectations as to the Company's viability.
- To advise the Board on the Company's overall risk appetite, tolerance and strategy.

- To oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- To consider and approve the remit of the risk management function and ensure it has adequate independence as well as sufficient resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

WHISTLEBLOWING, FRAUD AND BRIBERY

- To review the Company's arrangements for its workforce and contractors to raise concerns, in confidence, about possible improprieties in financial reporting or other matters, with the aim of ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- To review the Company's policies and procedures for preventing and detecting fraud, its systems and controls for preventing bribery, its code of corporate conduct/business ethics and its policies for ensuring that the Company complies with relevant regulatory and legal requirements and to receive reports on non-compliance and consider appropriate action.
- To review the adequacy and effectiveness of the Company's anti-money laundering systems and controls and receive reports of any breaches or other areas of concern.

SHAREHOLDER ENGAGEMENT:

- To seek effective engagement through the Committee chair with shareholders on significant matters related to the areas of the Committee's responsibilities.

GENERAL

- To review its own performance, composition and terms of reference at least once a year and recommend to the Board any changes it considers necessary or desirable.
- To oversee investigation of any activities brought to its attention which are within its terms of reference.
- To have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required.
- To be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- To give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, the provisions of the Code and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.
- To be responsible for co-ordination of the internal and external auditors.
- To 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.

THE COMMITTEE'S AUTHORITY

The Committee is authorised to:

- seek any information it requires from any employee, contractor, consultant or other provider of services to the Company (including legal and tax advisors) in order to perform its duties and call any such person to be questioned at a Committee meeting, as and when required;

- obtain external legal or other professional advice on any matter within its terms of reference at the Company's expense, and invite persons giving such advice to attend Committee meetings; and
- 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. If the Board has not accepted the Committee's recommendations on the external auditor appointment, reappointment 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.

REPORTING RESPONSIBILITIES

- After each Committee meeting, the Committee chair must report formally to the Board on the Committee's proceedings. This report shall include:
 - the significant issues that it considered in relation to the financial statements and how these were addressed;
 - its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - any other issues on which the Board has requested the Committee's opinion.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- The Committee shall compile a report to shareholders to be included in the Company's annual report describing the work of the Committee, including:
 - the significant issues that the Committee considered relating to the Company's financial statements and narrative reporting, including sustainability matters, and how these issues were addressed;
 - an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - if the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from explaining its recommendation and the reasons why the Board has taken a different position;
 - an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services;
 - any statements concerning internal controls and risk management; and
 - any statement of compliance required by law or regulations.