

**BURBERRY GROUP PLC**  
**(the “Company”)**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**1. Membership**

- 1.1 The Audit Committee (the “Committee”) shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Committee Chair.
- 1.2 The Committee shall consist of not less than three members. All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience and competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The chair of the Board shall not be a member of the Committee.
- 1.3 The Committee Chair shall be appointed by the Board and shall be an independent non-executive director. In the absence of the Committee Chair or an appointed deputy, the remaining members shall elect one of themselves to chair the meeting.
- 1.4 Membership of the Committee will be reviewed annually by the Board.
- 1.5 The Company Secretary or his / her nominee will be the secretary to the Committee. The Committee should have access to the services of the company secretariat on all Committee matters.

**2. Quorum and Attendance**

- 2.1 A quorum shall be two members. Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive Officer, Chief Operating and Financial Officer and head of internal audit will be invited to attend meetings on a regular basis. Other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.2 One or more representatives of the external auditors will be invited to attend meetings on a regular basis.

**3. Committee meetings**

- 3.1 Meetings shall be held not less than three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 3.2 The Secretary or any member may call a meeting of the Committee. In addition, the external auditor lead partner or the head of internal audit of the Company and its

subsidiaries (the “Group”) may request a meeting if either considers that one is necessary.

- 3.3 Notice of each meeting will be circulated by the Secretary to all members of the Committee and to other attendees normally no later than five working days before the date of the meeting. The notice will confirm the date, time and venue of the meeting, together with an agenda of items to be discussed. Supporting papers will be circulated to the same individuals at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Committee Chair.
- 3.4 The Secretary or his / her nominee shall minute the proceedings and promptly circulate minutes to all Committee members and, once agreed, to all other directors, unless it would be inappropriate to do so in the opinion of the Committee Chair.
- 3.5 Outside of the formal meeting programme, the Committee Chair, and to a lesser extent the other Committee members, 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 Operating and Financial Officer, the external audit lead partner and the head of internal audit.

#### **4. Annual General Meeting**

The Committee Chair shall attend the Company’s Annual General Meeting and be available to respond to any shareholder questions on the Committee’s activities and areas of responsibility.

#### **5. Duties**

The duties of the Committee shall be as follows:

- 5.1 External audit:
  - (A) consider and make appropriate recommendations to the Board, and put to shareholders for approval at the Annual General Meeting, the appointment, reappointment and removal of the external auditor;
  - (B) annually approve the terms of engagement (including any engagement letter and scope of audit) of the external auditor;
  - (C) approve the remuneration paid to external auditors in respect of audit and non-audit services provided, and to ensure the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - (D) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
  - (E) conduct the tender process for the appointment of the audit firm and ensure that all tendering firms have access to all necessary information and individuals during the tendering process;

- (F) assess annually:
  - (i) the external auditor's independence and objectivity, taking into account relevant UK laws and regulations and other professional requirements and the Group's relationship with the external 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; and
  - (ii) the qualifications, expertise and resources of the external auditor and, taking into account relevant UK professional and regulatory requirements, the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (G) develop and implement a policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact they may have on independence, taking into account the relevant regulation and ethical guidance in this regard, and reporting to the Board on any improvement actions required;
- (H) meet regularly with the external auditor (including once at planning stage before the audit and once after the audit at reporting stage). At least once a year, the Committee and the external auditor shall meet, without management being present, to discuss the external auditor's remit and any issues arising from the audit;
- (I) review representation letter(s) requested by the external auditor before they are signed by management;
- (J) review the management letter and management's response to the external auditor's findings and recommendations;
- (K) review the findings of the audit with the external auditors including discussion of major issues which arose during the audit, the auditor's explanation of how risks to audit quality were addressed, key accounting and audit judgements, the auditor's view of interactions with senior management and the level of errors identified during the audit;
- (L) assess (at the end of the audit cycle) the effectiveness of the external audit, 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; and
- (M) to ensure that the external auditor's engagement partners are rotated at appropriate intervals.

## 5.2 Financial reporting:

- (A) monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, 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 the Committee by the auditor. In particular, the 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
  - (iv) 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;
- (B) review first any other statements requiring Board approval which contain financial information, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any applicable law or regulation including the Financial Conduct Authority's (the "FCA") Listing Rules and the Disclosure Guidance and Transparency Rules;
- (C) where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board; and
- (D) carry out an annual review of and approve the Group's Treasury Policy and report to the Board on the details of this process.

## 5.3 Narrative reporting:

Where requested by the Board, 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. Where requested by the Board, the Committee should also review the assurance and the responsibility key performance indicators included in the Annual Report.

#### 5.4 Risk and internal controls:

- (A) review the effectiveness of the systems, processes and policies established by management to identify, assess, manage and monitor the Company's internal financial controls, including financial, operational and compliance controls and risk management;
- (B) review the Company's statements to be included in the Annual Report concerning internal controls, risk management and the viability statement; and
- (C) where requested by the Board, ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten the Company's business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks.

#### 5.5 Internal audit:

- (A) 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;
- (B) ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate effectively and in accordance with appropriate professional standards for internal auditors;
- (C) ensure there is open communication between different functions and evaluate the effectiveness of risk, compliance and finance functions as part of its internal audit plan;
- (D) 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 compliance, finance and the external auditor;
- (E) review the annual internal audit programme (including the scope and materiality level), monitor and review the effectiveness of its work, ensuring it is appropriate for the current needs of the organisation and the current risks of the business;
- (F) carry out an assessment of the effectiveness of internal audit and as part of this assessment:
  - (i) meet with the head of internal audit at least twice a year without the presence of management to discuss the effectiveness of the function;
  - (ii) review and assess the annual internal audit work plan and be advised of the reasons for any change or delay in the 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 are 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) consider the findings of any internal investigations and management's response thereto;
  - (H) ensure co-ordination between the internal audit function, the external auditors and the Board and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
  - (I) approve the appointment and removal of the head of internal audit;
  - (J) ensure that the head of internal audit has direct access to the Committee Chair and the chair of the Board, and is accountable to the Committee; and
  - (K) consider whether an independent, third party review of processes is appropriate.

## **6. Reporting**

- 6.1 The Committee Chair (or his / her nominee) shall report to the Board on the proceedings of the Committee after each meeting and on all matters within its duties and responsibilities and how it discharged its responsibilities including:
  - (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 reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and notice of any retendering plans; and
  - (C) any other issue on which the Board has requested the Committee's opinion.
- 6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.3 The role and responsibilities of the Committee and the actions taken by the Committee to discharge those responsibilities shall be disclosed in the Annual Report. Such a report should include:
  - (A) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;

- (B) confirmation that the Board has carried out a robust assessment of the principal and emerging risks facing the Company, a description of its principal risks, the procedures in place to identify emerging risks and an explanation as to how they are being managed and mitigated;
- (C) an explanation of how the Committee has assessed its own independence and effectiveness and the effectiveness of the external audit process and of 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;
- (D) in relation to the provision of non-audit services by the external auditors: the fees paid to the auditor and its network firms for the statutory audit and for audit-related services and other non-audit services, including the ratio of audit to non-audit work; the reasons why the Committee approved management's decision to use the external auditor for each specific engagement over the required threshold; and how it has ensured that auditor objectivity and independence is safeguarded;
- (E) an explanation of how the Committee has assessed the effectiveness of internal audit;
- (F) where disagreements between the Committee and the Board cannot be resolved, report the issue to the shareholders as part of the report on its activities in the Company's Annual Report; and
- (G) if the Board does not accept the Committee's recommendation regarding the appointment, reappointment and removal of the external auditors, the Committee shall include a statement explaining its recommendation and reasons why the Board has taken a different stance in the Annual Report.

6.4 In compiling the report, the 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, but could provide cross-references to that information.

## **7. Whistleblowing and fraud**

Where requested by the Board the Committee shall:

- (A) review the Company's procedures for detecting fraud; and
- (B) review arrangements by which the Company's workforce may, in confidence and anonymously, raise concerns about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that arrangements allow proportionate and independent investigation of such matters and for

appropriate follow-up action, including reporting to the Board any such instances and the reports and actions arising.

## **8. Other matters**

The Committee shall:

- (A) annually review both its own performance and its terms of reference, and recommend any changes it considers necessary to the Board;
- (B) ensure its terms of reference are made available to shareholders on the Company's website and, if requested, in hard copy;
- (C) undertake any other projects which the Committee considers appropriate or as requested by the Board;
- (D) have access to sufficient resources in order to carry out its duties;
- (E) be responsible for the coordination of the internal and external auditors;
- (F) ensure that its members are provided with appropriate and timely training and information, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (G) give due consideration to relevant laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the FCA Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules as appropriate; and
- (H) work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees.

## **9. Authority**

The Committee is authorised by the Board:

- (A) to investigate any activity within these terms of reference and in assisting the Board to ensure that:
  - (i) financial and accounting systems are accurate and up to date;
  - (ii) published financial statements show a true and fair view;
  - (iii) the external audit is properly conducted; and
  - (iv) an effective system of internal control is in place.



- (B) to seek any information it requires from any employee in order to enable the Committee to perform its duties and all employees are directed to co-operate with any request which it makes;
- (C) to call any employee to be questioned at a meeting of the Committee as and when required;
- (D) to obtain (at the Company's expense) independent legal, accounting or other professional advice on any matter if it considers this necessary;
- (E) to have unrestricted access to all of the books and records of the Company;
- (F) to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board; and
- (G) to commission any reports or surveys that it deems necessary to help it fulfil its duties and responsibilities.

**Notes:**

The Committee's terms of reference were last amended on 14 March 2019.