

FirstGroup plc
(the “Company”)

Audit Committee (the “Committee”)
Terms of Reference

1 Role

- 1.1 The role of the Committee is primarily to review and monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems, to monitor and review the effectiveness of the Group's internal audit function, to oversee the relationship with the Group's external auditor and to report to shareholders on its activities.

2 Membership and attendance

- 2.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Committee Chairman.
- 2.2 All members of the Committee shall be independent Non-Executive Directors. The Board Chairman shall not be a member of the Committee.
- 2.3 At least one member of the Committee must have recent and relevant financial experience with competence in accounting or auditing, or both. In considering the composition of the Committee, the Board and the Nomination Committee, shall ensure its members have the appropriate range of skills, experience, knowledge and professional qualifications. Further, the Board shall also satisfy itself that the Committee, as a whole, has the competence relevant to the sector in which the Company operates.
- 2.4 The Board, on the recommendation of the Nomination Committee, shall appoint the Committee Chairman, who shall be an independent Non-Executive Director. In the temporary absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 2.5 Only members of the Committee have the right to attend Committee meetings. However, subject to the agreement of the Committee Chairman:
- a) the Chief Financial Officer, the Director of Finance, the Company Secretary, the Group Head of Financial Reporting and the Head of Internal Audit will normally attend meetings;
 - b) representatives of the external auditors will normally attend meetings, although they will not be present at meetings when the Committee discusses their remuneration and/or performance; and

- c) other Board Directors and members of senior management may attend all or part of any meetings.

2.6 The regulations contained in the Company's Articles of Association for the meetings and proceedings of Directors shall so far as not altered hereby, also apply to the meetings and proceedings of the members of the Committee.

3 Secretary

3.1 The Company Secretary or their nominee shall act as Committee Secretary.

3.2 The Committee Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4 Quorum

4.1 The quorum necessary for the transaction of business shall be two members. 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 not less than four times a year at appropriate intervals in the financial reporting and audit cycle and at such other times as requested.

5.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive, the Chief Financial Officer, the Company Secretary, the external audit lead partner and the Head of Internal Audit.

6 Notice of meetings

6.1 Meetings of the Committee shall be convened by the Committee Secretary at the request of any of its members, or at the request of the external audit lead partner if they consider it necessary.

6.2 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 and any other person required to attend, no fewer than three working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7 Minutes of meetings

- 7.1 The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and attendees, following the approval of the Committee Chairman.

8 Annual General Meeting

- 8.1 The Committee Chairman shall attend the Annual General Meeting of the Company prepared to respond to any shareholder questions on the activities of the Committee.

9 Principal duties

- 9.1 The Committee shall carry out the duties below for the Company and all of its subsidiaries and the Group as a whole, as appropriate. In carrying out these duties, the members of the Committee must comply with their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, whilst having regard to the interests of employees, stakeholders and other matters as required by section 172.

9.2 Internal Control, Risk Assessment and Compliance

The Committee shall:

- a) keep under review the adequacy and effectiveness of the Company's financial reporting and all material internal controls and risk assessment systems;
- b) review the statements to be included in the Annual Report concerning internal controls and risk management;
- c) review any findings and recommendations of the external auditor, internal auditors and/or other parties in relation to internal controls, risk management and compliance, and monitor progress in implementing any such findings and recommendations;
- d) review the Company's procedures for preventing and detecting fraud;
- e) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- f) review the Group's business continuity plans and disaster recovery plans;
- g) approve any amendments to the Group's Treasury Policy and monitor compliance with the policy;

- h) review the Group's significant insurance arrangements; and
- i) receive regular reports on significant litigation and financial commitments and potential liability (including tax) issues involving the Group.

9.3 **Internal Audit**

The Committee shall:

- a) approve the appointment or removal of the Head of Internal Audit;
- b) consider and approve the terms of reference of the Internal Audit department;
- c) review and approve the planned programme of audits and ensure that the Internal Audit department is adequately resourced, has appropriate access to information and standing within the Group, and is free from management or other restrictions;
- d) review promptly all material reports on the Group from the internal auditors and ensure appropriate action is taken on issues arising from these reports;
- e) review and monitor management's responsiveness to the findings and recommendations of the internal auditors;
- f) review the activities, resources, organisational structure and the operational effectiveness of the Internal Audit department in the context of the Group's overall risk management system;
- g) Ensure the Internal Audit department has unrestricted scope and that the work of the department is aligned to the principal and emerging risks of the Company;
- h) meet the Head of Internal Audit at least once a year to discuss their remit and any issues arising from the internal audits carried out; and
- i) ensure the Head of Internal Audit has direct access to the Board Chairman and to the Committee Chairman, and is accountable to the Committee.

9.4 **External Audit**

The Committee shall:

- (a) Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, as regards the appointment, re-appointment and removal of the Company's external auditors.

- (b) Ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other external 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.
- (c) If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- (d) Meet regularly with the external auditor, including once at the planning stage, where the scope of the audit will be considered, and once post audit at the reporting stage, and shall ensure that any auditors' management letters and management's responses are reviewed. Adequate time will be set aside, normally at each meeting, for private discussion with the external auditors, without management being present.
- (e) Keep under review the relationship with the external auditor including (but not limited to):
 - (i) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of each audit;
 - (ii) approval of the remuneration to be paid to the external auditor in respect of audit services provided;
 - (iii) assessing annually their independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services, and regularly review their qualifications, expertise and resources;
 - (iv) monitoring and reviewing the effectiveness of the audit process, with a recommendation to the Board on whether to propose to shareholders that the external auditor be re-appointed. The assessment shall cover all aspects of the audit service provided by the external auditor and include a report from the external auditor on their own internal quality procedures;
 - (v) monitoring their compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard regarding processes for maintaining independence, the rotation of the audit partner and the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements;

- (vi) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
 - (vii) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements, then monitoring the implementation of this policy;
 - (viii) developing and implementing a formal policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
 - (ix) seeking to ensure co-ordination with the activities of the Internal Audit department; and
 - (x) evaluating the risks of withdrawal of the incumbent external auditor from the market.
- (f) Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the external audit team;
- (g) Review any representation letter(s) requested by the external auditor before they are signed by management;
- (h) Monitor the steps taken by the external auditor to respond to changes in regulations and other requirements;
- (i) Review the findings of the audit with the external auditor including, but not limited to, discussing any major issues and problems which arose during the audit, any significant accounting, reporting or audit judgements, the effectiveness of the audit, the levels of errors identified during the audit and any unresolved issues of concern between the Company and the external auditor; and
- (j) Review any reports prepared by the external auditor as the Committee shall require, considering management's response to any major external audit recommendations.

9.5 Financial Statements and Group Reporting

The Committee shall:

- (a) Monitor the integrity of the financial statements of the Group, including its annual and half-yearly reports, and any other formal announcement relating to the Group's financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regards to matters communicated to it by the auditor.
- (b) Review, and challenge where necessary, the actions, estimates and judgements of management (and any changes in them), in relation to the annual and half-yearly financial statements, and other financial reporting documents requiring Board approval, before submission to the Board, paying particular attention to:
 - (i) the consistency of, and any changes to, significant accounting policies and practices both on a year on year basis and across the Group;
 - (ii) significant financial reporting issues, disclosures, decisions and estimates requiring a major element of judgement;
 - (iii) the extent to which the financial statements are affected by any unusual transactions in the year, the methods used to account for any unusual transactions where different approaches are possible, and how such transactions are disclosed;
 - (iv) the clarity and completeness of disclosures, and the context within which financial statements are made;
 - (v) climate-related risk factors which may impact the various judgements and estimates made in preparing the financial statements, in order that material climate information which may impact the financial statements is provided/disclosed
 - (vi) significant adjustments resulting from the audit;
 - (vii) the going concern assumption and statement;
 - (viii) compliance with accounting standards, and legal and regulatory requirements, including the Listing Rules or Disclosure Guidance and Transparency Rules;
 - (ix) review any significant adjustments to financial reporting resulting from the audit,

- (x) resolve any disagreements between management and the external auditor regarding financial reporting;
 - (xi) review all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit and to risk management; and
 - (xii) review the assessment of the Company's longer-term viability and viability statement, prior to Board approval of the viability statement.
- (c) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- (d) Where requested by the Board, provide advice 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, performance, business model and strategy, and whether it informs the Board's statement in the Annual report on these matters.
- (e) Review and formal responses to the regulator (FRC or AGRA)

10 Reporting Responsibilities

The Committee Chairman shall report formally to the Board on its proceedings after each meeting and how it has discharged its responsibilities, making recommendations when requested or when they consider it appropriate.

The Committee Chairman shall inform the Board of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the Committee was in that process.

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 describing the work of the Committee in discharging its responsibilities, for inclusion in the Company's Annual Report. The report shall include:

- (a) the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed;
- (b) an explanation of how it has assessed the 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; and

- (c) if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.

11 Authority

The Committee has the authority to:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat;
- (b) oversee any investigation which is within its terms of reference;
- (c) seek any information it requires in order to perform its duties, including from any employee of the Group and all employees shall be directed to co-operate with any request made by the Committee;
- (d) obtain, at the Company's expense, outside legal, accounting or other professional advice, which might be necessary to enable it to fulfil its duties;
- (e) call any employee, through the Company Secretary, to be questioned at a meeting of the Committee as and when required; and
- (f) where it is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board. In the event of a disagreement between the Committee members and the rest of the Board, such matter will be resolved at Board level and where a disagreement cannot be resolved the Committee will have the right to report the issue to shareholders as part of the report on its activities in the Annual Report.

12 Training

- 12.1 The Chairman of the Committee, with the assistance of the Committee Secretary, will ensure that training is provided to members of the Committee upon joining the Committee as part of the induction programme and on an ongoing and timely basis and shall include an understanding of the principles of and developments in corporate reporting and regulation.

13 Other matters

- 13.1 The Committee shall assist the Board in overseeing compliance with all legal and regulatory requirements and shall give due consideration to the requirements of the UK Corporate Governance Code, the Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.
- 13.2 The Committee shall review any other matters referred to it by the Board Chairman or the Board.

- 13.3 The Committee shall annually review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness. Any changes it considers necessary should be recommended to the Board for approval.

Approved by the Audit Committee on [21 March 2024]