

**THG**

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# Risk Committee Terms of Reference

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THG PLC

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# 1. Purpose

The Board of Directors of the Company (the "Board") has established a risk committee of the Board (the "Committee") the purpose of which is to:

- 1.1 review and monitor the principal risks and identify the emerging risks facing the Company and its direct and indirect subsidiaries (the "Group"), the likelihood and impact of such risks materialising, and the way in which such risks are managed and mitigated, including the definition and execution of a risk management strategy and associated risk policies;
- 1.2 assist the Board in its oversight of risk and advise on the Group's overall risk appetite, tolerance and strategy and the principal and emerging risks the Group may be willing to accept to achieve its long-term strategic objectives; and
- 1.3 review and monitor the robustness of the Group's risk management framework, policies and procedures and their fitness for purpose when tested against the Board's risk strategy and appetite.

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# 2. Composition and Meetings

- 2.1 The Committee shall comprise at least three members of the Board who shall be independent non-executive directors of the Company ("NEDs"), at least one of whom shall be a member of the Audit Committee. Members of the Committee shall be appointed by the Board, upon the recommendation of the Nomination Committee in consultation with the chair of the Committee ("Chair"). Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members remain independent and satisfy any other membership criteria.
- 2.2 All members of the Committee shall have the skills and experience appropriate for membership of a risk committee and the Committee as a whole shall have the necessary competence relevant to the sectors in which the Company operates.
- 2.3 The Chair of the Board shall not be a member of the Committee.
- 2.4 The Chair shall be appointed by the Board and shall be a NED. In the absence of the Chair and/or any appointed deputy at a meeting of the Committee, the members present shall elect one of their number to chair the meeting.
- 2.5 The quorum for Committee meetings is any two of its members.

- 2.6 If any member of the Committee is unable to act for any reason, the Chair may appoint any other NED to act as their alternate.
- 2.7 The Company Secretary (or a nominee as otherwise appointed) shall be the secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues tabled at any Committee meeting. The Committee shall have access to the services of the Company Secretariat Team on all Committee matters including, as required, assisting the Chair in planning the Committee's work, compiling Committee agendas, maintenance of minutes, drafting of annual report content, collection and distribution of information and provision of any necessary practical support.
- 2.8 Only members of the Committee (and any individual entitled to be present as an observer) have the right to attend meetings of the Committee. However, the Chair of the Board, the Company's Chief Financial Officer ("CFO"), Deputy CFO, Chief Risk Officer and Head of Internal Audit shall be invited and expected to attend meetings of the Committee on a regular basis. Other non-members may also be invited to attend all or part of any meeting as and when deemed appropriate and/or necessary.
- 2.9 Meetings of the Committee shall be held at least four times a year at appropriate times in the financial reporting and audit cycle and as otherwise required. Any of the Committee members, the Chief Risk Officer or Head of Internal Audit may request a meeting of the Committee if they consider it necessary or desirable, such meeting to be arranged by the Company Secretary (or their nominee).
- 2.10 The Chair and, to a lesser extent, the other Committee members shall maintain a dialogue outside the formal meeting dialogue with key individuals involved in the governance of the Company, including the Chair of the Board, the Chief Executive Officer, the CFO, the Deputy CFO, the Head of Internal Audit and the Chief Risk Officer.
- 2.11 Unless otherwise agreed, notice of each Committee meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be circulated to each Committee member, and any other person required to attend, no later than three working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time. Such notices, agendas and supporting papers shall be sent in electronic format, unless otherwise agreed. Meetings of the Committee may be conducted when the members are physically present together or by means of audio/video conference.

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## 3. Duties and Responsibilities

- 3.1 The Committee shall carry out the undernoted duties and responsibilities for, as appropriate, the Company, each Group company and the Group as a whole.
- 3.2 In support of the ongoing monitoring, management and mitigation of risks, the Committee shall:
- 3.2.1 monitor and review the effectiveness of the Group's risk management and internal control systems on an ongoing basis, including monitoring material financial, operational and compliance controls;
  - 3.2.2 monitor and review the processes and procedures in place to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks, including in relation to operational matters such as anti-money laundering, anti-bribery and corruption risk management;
  - 3.2.3 monitor and review the policies and systems in place for ensuring compliance with safety and environmental regulatory requirements and evaluate and oversee the quality and integrity of any reporting to external stakeholders concerning safety and environmental issues;
  - 3.2.4 review and assess the Company's risk appetite and associated stress testing;
  - 3.2.5 maintain a risk register which will identify all principal risks, evaluate the financial impact of such risks, identify actions to mitigate or avoid any potential impact from such risks and monitor and review such risks on an ongoing basis;
  - 3.2.6 monitor and evaluate the Group's principal risks, to be taken into account by the Board when assessing the Company's prospects;
  - 3.2.7 monitor and review the key risks facing the Group, threats to its business model, strategic objectives or future performance;
  - 3.2.8 monitor and review the key technology risks facing the Group including, but not limited to, its programmes, policies, practices and safeguards in respect of information technology, cybersecurity and fraud, identification, assessment, monitoring, mitigation and the overall management of those risks, and the Group's cyber-attack incident response and recovery plan;
  - 3.2.9 monitor and review any material legal or regulatory risks facing the Group, including any material pending or threatened litigation, any material regulatory communications and actions taken in relation thereto;
  - 3.2.10 monitor and review any reputational risks facing the Group, including reviewing any key learnings from internal or external reviews and investigations of any marketing, advertising, campaigns and promotional activities which have had a significant

negative impact on the brand or image of the Group;

**3.2.11** review and ensure the adequacy of insurance coverage for the Group on an ongoing basis; and

**3.2.12** monitor and review the Group's Crisis Management Plan, Disaster Recovery Plan and Divisional Business Continuity Plans, to ensure they are updated as and when necessary to reflect changes in the Group's operating environment.

**3.3** The Committee shall:

**3.3.1** seek assurance on the risks identified as ones to which the Group may be exposed, review the results of independent audits of the Group's performance, review any strategies and action plans developed by Management in response to issues raised and, where appropriate, make recommendations to the Board concerning same; and

**3.3.2** receive representations from key risk management functions across the Group to gain assurance that risk management activities are appropriate, embedded in performance management processes and in line with the agreed risk appetite of the Group.

#### *Recommendations, Reports and Actions*

**3.4** The Chair shall report formally to the Board on its proceedings after each meeting on all matters falling within the scope of its duties and responsibilities.

**3.5** A formal report on the Committee's activities and how the Committee has discharged its duties and responsibilities shall be included in the Company's Annual Report & Accounts.

**3.6** The Committee shall provide the necessary assistance and information to support the relevant statements and confirmations required to be included in the Company's Annual Report & Accounts including but not limited to:

**3.6.1** that the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;

**3.6.2** how the Board has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate;

**3.6.3** whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment; and

**3.6.4** the appropriateness of adopting the going concern basis of accounting in the financial statements and whether there are any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

**3.7** The Committee shall further:

- 3.7.1** assist the Board with its annual review of, and report on, the effectiveness of the Group's risk management and internal control systems and the viability statement, including meeting at least once annually with the Head of Internal Audit, in the absence of Management, to discuss the internal audit, control and risk management functions (other than in relation to those matters for which the Committee is responsible), and review the Company's statement on internal control prior to endorsement by the Board;
- 3.7.2** consider the major findings of internal investigations and Management's response;
- 3.7.3** make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 3.7.4** oversee any investigation of activities which fall within these Terms of Reference; and
- 3.7.5** consider any other matters as referred to it by the Board.

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## **4. Risk Committee Chair**

The Chair shall:

- 4.1** attend the Company's annual general meeting prepared to answer any shareholders' questions in respect of the Committee's work;
- 4.2** seek engagement with the Company's shareholders on significant matters related to the Committee's purpose, duties and responsibilities; and
- 4.3** at least once annually, convene a joint meeting with the Audit Committee, chaired jointly by the chairs of each Committee, to include a review of the Company's risk management process as a whole to ensure its appropriateness and effectiveness in identifying emerging and principal risks.

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## 5. Risk Committee Secretary

The secretary of the Committee shall:

- 5.1 minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance;
- 5.2 ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly; and
- 5.3 agree the draft minutes of Committee meetings with the Chair, promptly circulate such agreed minutes to all Committee members and, once agreed by the Committee as a whole, circulate to all members of the Board and the Company Secretary, unless a conflict of interest exists or, exceptionally, it would be inappropriate to do so in the opinion of the Chair.

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## 6. Authorisations

The Committee is authorised by the Board to:

- 6.1 undertake and investigate any activity which falls within these Terms of Reference;
- 6.2 seek any information it requires from any employee of the Company and/or Group company and to call any such employee to be questioned at a meeting of the Committee as and when required (and all such employees are directed to cooperate with any request made by the Committee);
- 6.3 obtain, at the Company's expense, such independent legal, accounting or other professional advice on any matter it deems necessary in the proper and effective execution of its duties and responsibilities;
- 6.4 secure the attendance of any other person at any meeting of the Committee if it considers this necessary and/or desirable; and
- 6.5 delegate any matter(s) to any other committee or person(s) as it deems appropriate.

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## 7. Other Matters

The Committee shall:

- 7.1 have access to sufficient resources in order to properly and effectively discharge its duties and responsibilities, including access to the Company Secretariat Team for advice and assistance as required;
- 7.2 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 Committee members;
- 7.3 give due consideration to all applicable legal, regulatory and professional requirements and guidance, as appropriate, when undertaking its duties and responsibilities including, without limitation, section 172 of the Companies Act 2006, the provisions of the UK Corporate Governance Code (July 2018) and related published guidance, the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules sourcebook and/or the Disclosure Guidance and Transparency Rules;
- 7.4 work and liaise as necessary with all other committees of the Board, ensuring interaction between such Committees and the Board is reviewed regularly, with specific reference to the delegation and division of certain responsibilities between the Committee and the Audit Committee in respect of the impact of risk management and internal controls; and
- 7.5 at least once annually, review its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary for Board approval.



