

**GREGGS plc**  
**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

1

CONSTITUTION

The Board hereby resolves to amend the terms of reference of the Audit Committee which will, with immediate effect, be constituted as follows:-

2

MEMBERSHIP

The Committee will consist of not fewer than three Non-Executive Directors of the Company (all of whom will be determined by the Board to be independent having regard to the Combined Code on corporate governance published by the Financial Reporting Council (the "Code"). At least one member of the Committee should, in the opinion of the Board, have recent and relevant financial experience.

3

In appointing the members of the Committee, the Board will give due consideration to the Code.

4

The Chairman of the Committee shall be such member of the Committee as shall from time to time be appointed by the Board. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.

MEETINGS AND ATTENDANCE

5

The Committee will meet at least three times a year (two of which meetings should consider the preliminary and interim results respectively) and at such other times as its Chairman may direct. The external auditors or the head of internal audit may request a meeting at any time if they consider that one is necessary.

6

Notice of any meeting of the Committee shall be given to all members. An agenda and any available supporting papers will be circulated to all members of the Committee prior to any meeting.

7

Meetings may, particularly if required on short notice, be held by telephone or any other method of communication approved by the Chairman.

8

A quorum shall be two members.

9

The Finance Director, head of internal audit and a representative of the external auditors shall normally be invited (but shall have no right) to attend meetings. Other Board members may attend with the consent of the Chairman of the Committee. However, at least once a year the Committee shall meet with the external auditors and with the head of internal audit in each case without any Executive Directors present for part of the meeting and shall meet with one or

more of the Executive Directors (or some of them, including the Finance Director) without the auditors present for part of the meeting.

10 The Company Secretary shall be the Secretary of the Committee.

#### AUTHORITY

11 The Committee is established to assist the Board in ensuring that the Company meets its statutory obligations, the expectations of its regulator and the obligations imposed on it by the UK Listing Authority.

12 The Committee has full power and authority to consider and make recommendations to the Board on all matters relating to the regulatory requirements affecting the Group, in particular those arising under the Code, the Financial Services and Markets Act 2000, the Listing Rules and under the Companies Acts, in relation to the preparation of the annual accounts.

13 The Committee is authorised by the Board to investigate any activity relevant to its terms of reference. It is authorised to seek any information it requires from any employee or officer and all employees are directed to co-operate with any request made by the Committee.

14 The Committee is authorised by the Board (at the Company's expense) to obtain expert advice from the Company's external auditors and professional advisers and to take outside legal or other independent professional or expert advice and to secure the attendance at meetings of the Committee of outsiders with relevant experience and expertise if it considers this necessary.

#### VOTING

Decisions of the Committee will be made by majority vote. Each member of the Committee present has one vote. In the event of an equality of votes the Chairman shall have a second or casting vote.

#### DUTIES

The Committee shall at all times endeavour:

- to ensure that the accounting and financial policies and controls of the Group are proper and effective and in accordance with the statutory requirements and relevant accounting standards;
- to monitor the integrity of the financial statements and information published by the Company;
- to review the Group's approach to risk management to ensure adequate processes exist to identify and manage significant risks;

- to monitor compliance with the Listing Rules and the recommendations of the Code; and
- to comply with the provisions of S.172 of the Companies Act 2006.

Without prejudice to the foregoing, the particular duties of the Committee shall include:-

- a) overseeing the process for selecting the external auditor and making appropriate recommendations, through the Board, to shareholders to consider at the AGM;
- b) consideration of the re-appointment of the external auditors, any questions of their resignation or dismissal and whether there are any matters which might affect the independence and objectivity of the external auditors (including the volume of non-audit work undertaken by them) and ensuring that key partners are rotated at appropriate intervals;
- c) discussion with the external auditors before the audit commences of the nature and scope of the audit and any significant variation which may be proposed and to review the external auditor's quality control procedures and steps taken by the external auditor to respond to changes in regulatory and other requirements;
- d) developing and implementing policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- e) to approve the audit fee and terms of appointment of the external auditors, to review the scope and results of the annual audit and its cost effectiveness and to monitor any fees in respect of non-audit services provided by the external auditor and to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity (having regard to relevant UK professional and regulatory requirements);
- f) seeking to ensure that there are no significant ventures, investments or operations within the Group which are not subject to external audit;
- g) reviewing the annual financial statements before submission to the Board, focusing particularly on:
  - i) critical accounting policies and practices and any changes in them;
  - ii) major judgmental areas;

- iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
  - iv) the clarity of disclosures;
  - v) significant adjustments resulting from the audit;
  - vi) the going concern assumption;
  - vii) the statement on the effectiveness of the internal control systems prior to endorsement by the Board;
  - viii) compliance with accounting standards; and
  - ix) compliance with the Listing Rules and legal requirements;
- h) reviewing the interim and any other financial statements (as appropriate) before submission to the Board with special reference to:
- i) compliance with the Listing Rules and legal requirements;
  - ii) major judgmental areas;
  - iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
  - iv) the clarity of disclosures;
  - v) consistent application of accounting policies and practices adopted in the latest audited accounts;
  - vi) expected changes in the accounting policies and practices which will apply to the next audited accounts; and
  - vii) any comments received from the external auditors arising out of any review they may have undertaken of the draft statement;
- i) reviewing related information that is presented with the financial statements, including operating and financial review and corporate governance statements relating to audit and risk management;
- j) consideration of any significant problems and reservations arising from the audit, and any matters which the auditors may wish to raise with the Committee (in the absence of management where appropriate) and drawing the attention of the Board to any matters which appear to the Committee to require attention;

- k) reviewing the external auditor's management letter and management's response;
- l) considering whether the work of the Committee has identified any key business risk areas or failures in the effectiveness of the internal control systems which should be brought to the attention of the Board;
- m) considering the findings of any relevant internal investigations or internal or external audit recommendations and management's response;
- n) reviewing annually the adequacy and performance of the Company's internal audit function including without limitation:
  - (i) approving the internal audit programme, including consideration as to whether there is adequate co-ordination between the internal and external auditors;
  - (ii) reviewing whether the internal audit function is adequately resourced and has the appropriate standing within the Company;
  - (iii) reviewing and considering regular reports from the chief internal auditor;
  - (iv) ensuring the continued independence and objectivity of the internal audit function from the Company's executive management and to maintain the right of access to the Committee and to the Chairman of the Company;
- o) approving the appointment or dismissal of the head of internal audit;
- p) reviewing the company's procedures for handling allegations from whistleblowers with the objective that arrangements should be in place for the proportionate and independent investigation of such matters and for appropriate follow up action;
- q) at least annually to review the risks affecting the Group, the Group's risk management systems and management's and the internal auditor's reports on the effectiveness of systems of internal control, reporting and risk management and to report its findings to the Board; and
- r) considering other topics, as defined by the Board.

#### REPORTING PROCEDURES

The Secretary shall circulate all the minutes of meetings of the Committee to all members of the Board.

The Chairman of the Committee shall raise any appropriate matters arising from meetings of the Committee at Board meetings.

The Chairman of the Committee or, as a minimum, another member of the Committee, shall attend the Board meeting at which the accounts and any financial announcements are considered.

The Committee members shall conduct an annual review of their work and of these terms of reference and make recommendations to the Board.

The Committee's duties and activities during the year shall be disclosed in the annual financial statements.

The Committee may form sub-committees from its membership to address specific aspects of its duties.

The Committee may delegate such of its powers as it thinks necessary to designated individuals to assist them in carrying out work required by the Committee.

18

#### ATTENDANCE AT AGM

The Chairman of the Committee should be available at the Annual General Meeting to answer any questions, through the Chairman of the Board, on the Committee's activities and their responsibilities.

19

#### EXCLUDED MATTERS

The Committee will not be responsible for:

- a) supervising the performance of executives (nor permitted to do so) and will not be required to become involved in day-to-day operational management functions or decision making; or
- b) any other matters which the Board shall advise the Committee is reserved to be determined by it.