

Audit Committee Report



Audit Committee Chair's statement

On behalf of the Board, I am pleased to present this year's Audit Committee Report. This report provides an insight into the Committee's activities during the year, sets out how the Committee operates, and the key areas of focus for the year ahead.

The composition of the Committee changed during the year as a result of new appointments and role changes:

- I joined the Board as Non-executive Director and Senior Independent Director in January 2022 and was appointed Chair of the Committee with immediate effect, taking over from Ian Dyson, who was required to step down as Chair of the Committee following his appointment as Chair of the Board. I would like to thank Ian for his support and guidance following my appointment.
- Jørgen Lindemann stepped down from the Committee following his appointment as Chair of the Board in August 2022, although he still regularly attends meetings.
- Karen Geary stepped down from the Committee in order to join the newly established ESG Committee, following a number of committee composition changes that took place in February 2022.

We announced in October 2022 that Luke Jensen would be stepping down from the Board on 31 October 2022 and that Eugenia Ulasewicz would be stepping down from the Board at the conclusion of the Annual General Meeting; there will therefore be more changes made to the composition of the Committee during FY23.

The Committee continues to play a key role in helping the Board fulfil its corporate governance responsibilities, which include monitoring the Group's financial reporting practices, reviewing the effectiveness of the Group's External Auditor and the Internal Audit function, risk management framework and cyber security. During the year, the Committee also considered the following:

- The evolution of risk management at ASOS, including approving the Group's new Risk Management Standard, taxonomy and appetite.
- A deep dive into the Group's ransomware attack plan.
- The Group's insurance renewal programme, including the proposed approach to the FY23 renewal.
- The Group's progress with control enhancements arising out of the due diligence undertaken when the Company listed on the Main Market of the London Stock Exchange.
- Accounting estimates and judgements, including in relation to inventory provisioning, refund accruals, the useful economic lives of assets, legal contingencies, consideration of alternative performance measures, in particular adjusted profit measures, and consideration of whether any post balance sheet events (refer to Note 28) were adjusting or non-adjusting events. Other matters considered included management's going concern and viability assessment, the accounting implications of the Group's Partner Fulfil proposition, the conflict between Russia and Ukraine, and the Topshop brands' fair value assessment following completion of the acquisition accounting.
- A competitive tender process for the Group's statutory external auditor contract, following which the Committee approved the re-appointment of PricewaterhouseCoopers LLP (PwC) as the Group's External Auditor for the year ending 31 August 2024.

Full details of the tender process are set out on [pages 76 to 77](#).

Patrick Kennedy
Audit Committee Chair
28 October 2022

Committee Chair

Patrick Kennedy

Members

Mai Fyfield Luke Jensen Eugenia Ulasewicz

Committee responsibilities

The Committee's principal responsibilities are to:

- Monitor the integrity of the Group's financial statements in relation to the Group's financial performance.
- Review the effectiveness of the internal and external audit processes.
- Review the effectiveness of the Group's internal controls, including the process for the evaluation, assessment and management of risk.

Terms of Reference

The full Terms of Reference for the Committee, which are reviewed and approved annually, are available on our corporate website, [asosplc.com](#). They were last reviewed on 6 October 2022.

Committee membership, together with attendance at meetings, is detailed in the table on [page 65](#).

Committee membership and activities

The members of the Committee are independent Non-executive Directors who possess the necessary depth of financial and commercial expertise to fulfil their role. Detailed information on the experience, skills and qualifications of all Committee members can be found on pages 58 to 61. The Board is satisfied that the Committee Chair, Patrick Kennedy, has recent and relevant financial experience for the purposes of satisfying the UK Corporate Governance Code. As stated in last year's report, Ian Dyson was appointed Chair of the Board on 29 November 2021 but remained Chair of the Audit Committee to allow a smooth transition until his successor, Patrick Kennedy, was appointed on 13 January 2022.

Although not members of the Audit Committee, the Board Chair, Executive Directors, General Counsel & Company Secretary, Director of Group Finance and Director of Internal Audit & Risk are also invited to attend meetings, unless they have a conflict of interest. Other senior members of the business are invited to attend meetings as appropriate. The Group's External Auditor, PwC, is also invited to attend Committee meetings unless they have a conflict of interest. The Committee Chair and members regularly meet with both the External and Internal Auditors, without the Executive Directors or members of the Finance team present, to ensure that open lines of communication exist. The Committee also receives advice as needed from KPMG, EY and Slaughter and May LLP on tax and legal issues relating to corporate matters.

The Committee held four scheduled meetings during the year and the attendance by members at Committee meetings can be seen on page 65. The Committee works to a structured programme of activities and meetings to coincide with key events around our financial calendar and, on behalf of the Board, to provide oversight of the Group's risk management processes. Following each meeting, or whenever it is appropriate, the Committee Chair reports the main discussion points and findings to the Board and the Board has access to the Committee's papers.

Committee performance

During the year we conducted an internal evaluation of the effectiveness of the Board and its Committees. The review highlighted that the Committee and its Chair continue to perform effectively with no significant concerns, and the Committee has the necessary level of expertise and independent challenge to keep operating effectively. During FY23, the Committee will be focused on supporting the Finance team on its transformation plan, ensuring risk discussions are framed around risk appetite and enhancing the Committee's method of evaluating the performance of the Internal Audit function and the External Auditor.

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For more information on this process, see the Corporate Governance Report on [page 71](#).

Financial reporting

The Committee's main responsibility in the Group's financial reporting is to review, with management and the External Auditor, the quality and appropriateness of the full- and half-yearly financial statements. The Committee focuses on the quality of accounting policies and practices, the appropriateness of underlying assumptions, judgements and estimates made by management, key audit matters identified by the External Auditor, the clarity of the disclosures and compliance with financial reporting standards, an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and advising the Board on the form and basis underlying the long-term Viability Statement. The Committee received reports from management identifying critical accounting judgements, significant accounting policies and the proposed disclosure of these in this Annual Report.

The Committee discussed areas of risk with the External Auditor and agreed for the following areas of heightened risk to be reviewed and assessed in the audit of our performance in the financial year to 31 August 2022:

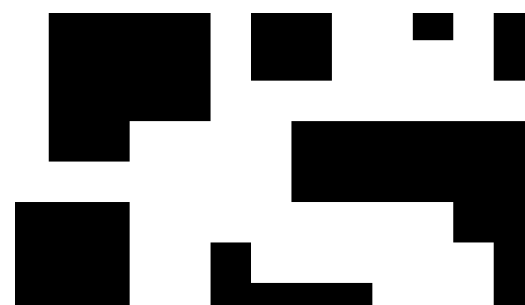
- Capitalisation of internal staff costs: given the high level of internal development of software there is a risk that staff costs are inappropriately capitalised.
- Inventory valuation: having regard to the significant level of inventory holdings in both the UK and overseas warehouses, and the fast-moving nature of the fashion market, there is an increased risk that the closing inventory is not accurately recorded or that the inventory provisioning is not complete in the financial statements.
- Going concern: a review of the Group's going concern was included as an area of heightened risk during the audit process.

The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and PwC reported to the Committee on the work performed in assessing each during their audit.

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Details of this work are provided in PwC's Audit Report on [pages 112 to 119](#).

Fair, balanced and understandable

The Committee considered this Annual Report and Accounts for the year ended 31 August 2022, taken as a whole, and concluded that the disclosures, as well as the processes and controls underlying its production, were appropriate. The Committee recommended to the Board that the Annual Report and Accounts for the year ended 31 August 2022 is fair, balanced and understandable while providing the necessary information to assess the Company's position and performance, business model and strategy.



Audit Committee Report continued

The Committee's principal activities during the year included:

Financial reporting	<ul style="list-style-type: none"> Reviewed the Annual Report and Accounts and assessed whether they were fair, balanced and understandable, the material judgements and estimates involved in the preparation of the financial statements (for more information, refer to Note 1.8 on page 129), and management's going concern and viability assessments and proposed disclosures. Considered the External Auditor's report on the full- and half-year results. Reviewed the full- and half-year results announcements. Reviewed the principal accounting judgements and estimates applied in the preparation of the Group's financial results, including inventory provisioning, refund accruals, the useful economic lives of assets, legal contingencies, management's assessment of items to be excluded from adjusted profit before tax and management's assessment of whether any post balance sheet events were indicative of circumstances in existence at the balance sheet date (for more information, refer to Note 28 on page 153). Other matters considered included going concern and viability, the accounting implications of the Group's Partner Fulfil proposition, the conflict between Russia and Ukraine, and the Topshop brands' fair value assessment following completion of the acquisition accounting.
External audit	<ul style="list-style-type: none"> Conducted a competitive tender for the statutory external audit contract. Appraised the effectiveness and performance, independence and objectivity of our External Auditor. Considered the external audit fees and terms of engagement. Approved updates to the Group's policy on non-audit services.
Risk and internal controls	<ul style="list-style-type: none"> Ensured that effective controls, processes, assessments and mitigations were maintained. Monitored the Group's Risk Register, including the completeness of the process to identify the Group's principal and emerging risks and movements in such exposures, particularly in relation to new and emerging risks connected to the impact of the increased inflationary pressures and geopolitical uncertainty. Reviewed and approved the Group's new risk management standard, risk taxonomy and risk appetite. Received updates on material litigation. Reviewed the Group's Whistleblowing Policy and escalation matrix and reviewed updates on whistleblowing matters. Reviewed the Group's Gifts & Hospitality Policy and considered reports on the Group's execution of the Policy.
Internal audit	<ul style="list-style-type: none"> Reviewed and approved the new in-house Internal Audit & Advisory Charter. Monitored and reviewed the effectiveness and independence of the Internal Audit function. Reviewed Internal Audit reports and monitored the implementation of Internal Audit recommendations. Oversaw the implementation and status of outstanding actions arising from the Financial Position and Prospectus Procedures undertaken as part of the Company's Main Market Listing.
Other matters	<ul style="list-style-type: none"> Approved revised Terms of Reference for the Committee. Received updates on tax matters and approved the Group's Tax Strategy. Reviewed the Group's ransomware attack plan. Reviewed outputs of the Group's fraud risk assessment. Received an update on the Group's approach to Business Continuity. Reviewed the cyber security processes and systems and the work of the Cyber Security team. Reviewed the Group's FY23 insurance renewal approach.

Significant accounting estimates and areas of judgement

Area of focus	Actions taken
Inventory provision	The Committee considered the inventory provision for FY22, noting its reduction since FY21. The primary driver behind the reduction was the utilisation of specific stock provisions created in FY21 to alleviate warehouse capacity constraints through physical jobber activity. Management also updated the methodology for the Group's Net Realisable Value stock provision to capture expected losses on the whole stock portfolio over the total lifecycle, resulting in a more robust provision for website sell-through. The Committee was satisfied with management's assessment. As a result of the post balance sheet decision to change the Company's operating model, management assessed how to classify the costs associated with reshaping the Company's stock profile and concluded that they would be excluded from adjusted profit before tax in FY23. The Committee was satisfied with management's conclusion that the operating model change had no impact to FY22.
Useful economic life of assets	The Committee reviewed management's conclusions following the annual review of the useful economic life (UEL) of the Group's assets. This included a review of the fulfilment centre automation assets and the Enterprise Resource Planning systems in light of the recent Truly Global Retailer project, as well as categorisation and alignment of assets to ensure a consistent approach was applied. The review resulted in both increases and decreases to UELs and an overall net increase in the weighted average UEL. The Committee was satisfied with the assessment conducted for FY22 and the resulting estimated depreciation and amortisation charge for FY22.
Returns provision	The Committee assessed the methodology used by management to calculate the returns provision recognised at year end. Management continue to apply consistent methodology per IAS 37 guidelines. The expected rate was calculated based on recent trends versus a 'pre-COVID 19' base year as a comparator (FY19), which management felt was reasonable as a base to reflect customer behaviour and changing sentiment, and has been supported by the returns received since the beginning of September. The Committee considered that the provision was adequate.
Alternative performance measures (APMs)	The Committee considers it important to take account of both the statutory measures and the APMs when reviewing these financial statements. In particular, items excluded from adjusted profit before tax were reviewed by the Committee. Adjusted profit before tax this year was £22.0m – the excluded items are detailed within Note 2 of the financial statements. The Committee is satisfied that the presentation of these items is clear, applied consistently across years and that the level of disclosure is appropriate.
Legal contingencies	The Committee considered whether any contingencies were required for ongoing litigation and were satisfied with management's conclusion that none were required.
Other key areas of focus	Actions taken
Going concern and viability	The Committee undertook a detailed review of the business's financial liquidity over the viability assessment period of three years, taking into account cash flows, current levels of debt and the availability of future finance. The analysis included sensitivities to further macroeconomic downturns, global supply chain shortages, working capital shocks and climate change. Based on this, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate, and recommended the approval of the viability statement. For further information, see pages 54 to 56 of this Annual Report.

External audit

The Committee has primary responsibility for overseeing the relationship with the External Auditor, PwC. This includes monitoring and reviewing their objectivity and independence on an ongoing basis, recommending their appointment, re-appointment and removal, and approving the scope of the statutory audit and fees. PwC presented to the Committee its detailed audit plan for the 2022 financial year, which outlined its audit scope, planning materiality and its assessment of key audit risks. The Committee also received reports from PwC on its assessment of the accounting and disclosures in the financial statements and financial controls.

PwC presented its proposed audit plan to the Committee for discussion, to make sure the focus of its work remains aligned to the Group's strategy. The Committee is keen to make sure its External Auditor feels able to challenge management and has the access it requires to report on matters that may not be part of the statutory audit but which, in the opinion of the External Auditor, should be brought to the attention of the Committee. PwC is afforded such access through attendance at each Committee meeting, supported by other meetings held during the year with the Committee Chair without management present. When carrying out its statutory audit work,

PwC also has access to a broader range of employees and different parts of the business. If any information is picked up as part of this process, it would report to the Committee anything that it believes the Committee should know in order to fulfil its duties and responsibilities. As audit partner, Neil Grimes is authorised to contact the Committee Chair directly at any time to raise any matters of concern.

The fees paid to PwC for the financial year to 31 August 2022 were £1,160k (2021: £390k) plus £1.3million in fees for work required to support the Company's Main Market listing. This included £1,036k for audit services, of which £240k related to overruns for the 2021 statutory audit. The Committee reviewed and discussed the fee proposal and was engaged in agreeing the audit scope. The total fees for non-audit services paid to PwC during the year were £124k. The services provided relate to PwC's half year review of our interim results and ESG Assurance. The total fees for non-audit services (excluding the fees for the work required to support the Company's Main Market Listing) represented 24.4% of the Group audit fee payable to PwC during the year. PwC were chosen for the above non-audit services due to their in-depth knowledge of the Group, which made them the most suitable supplier, whilst not impairing their independence and objectivity.

Audit Committee Report **continued**

To help safeguard PwC's objectivity and independence, the Committee has a formal Policy on Non-Audit Services, which the Committee reviewed as part of the Company's move from the Alternative Investment Market to the Main Market of the London Stock Exchange, to ensure alignment with the Financial Reporting Council's Revised Ethical Standard (2019). The Committee oversees the process for approving all non-audit work provided, in line with the Group's Policy on Non-Audit Services. The Policy states that the Committee has pre-approved the CFO to have authority to commission the External Auditor to undertake non-audit work where there is a specific project with a cost that is not expected to exceed £50,000. Services between £50,000 and £250,000 must be approved by the Audit Committee Chair, and if over £250,000 approval from the Committee Chair and one other Committee member is required before being carried out. PwC may only provide such services if the service does not conflict with their statutory responsibilities and ethical guidance. PwC may only provide such services if the service does not conflict with their statutory responsibilities and ethical guidance. When reviewing requests for permitted non-audit services, the Committee representatives will assess the nature of the non-audit services, whether the skills and experience make the External Auditor the most suitable supplier of the non-audit service, whether the provision of such services impairs the External Auditor's independence or objectivity, whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the External Auditor, and the fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the Group audit fee. Independence and objectivity of the External Auditor is the key priority and the Company would not enter a situation where there could be a reduced level of independence with regards to the external audit; either perceived or actual.

The Committee assesses the quality, effectiveness, objectivity and independence of the audit provided by PwC each year, seeking the views of the Board. The Committee had regard to PwC's confirmation that it maintains appropriate internal safeguards in line with applicable professional standards, fulfilment of the agreed external audit plan, the content, insights and value of their reports to the Committee, the policies we have in place to safeguard PwC's independent status and the tenure of the audit engagement partner not being greater than

five years. The audit partner has a good understanding of the Group and the Committee values their early engagement, and their robustness and perceptiveness, in handling key accounting and audit judgements throughout the year, in particular the External Auditor demonstrated professional scepticism and challenge on the valuation of inventories and the assumptions in the going concern and viability assessments. Based on this assessment, the Committee concluded that there had been appropriate focus and challenge by PwC throughout the audit, and that PwC remained objective and independent in its role as External Auditor.

The independence and objectivity of the External Auditor is a fundamental safeguard to the interests of the Group's shareholders and in line with the associated regulation, the previous PwC audit partner rotated off the audit following the conclusion of the audit for the year ended 31 August 2021 and the Committee approved the appointment of Neil Grimes as audit partner for the year ended 31 August 2022.

External Audit tender

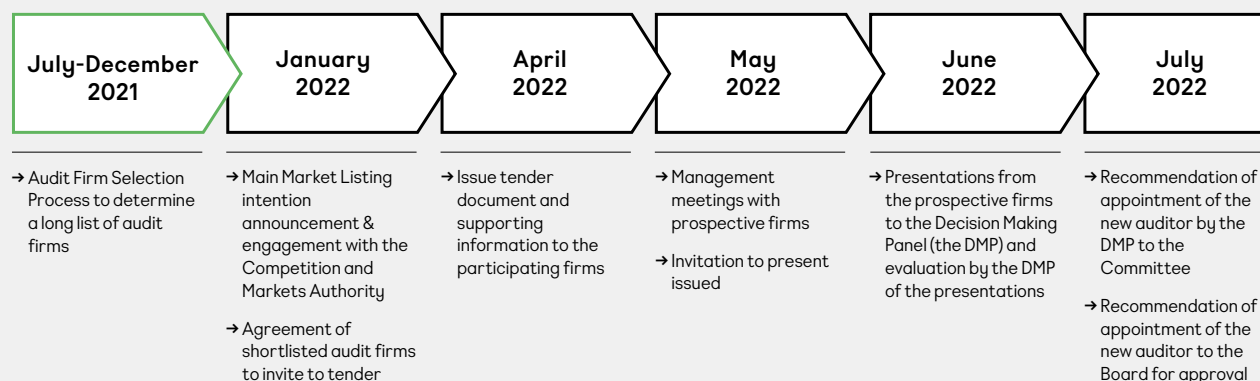
PwC has acted as the Group's statutory External Auditor since 2008. In July 2021, the Committee approved a proposal to commence a competitive tender process for the Group's statutory External Auditor contract to take place in FY22. Initially it was intended that the successful firm would be appointed at the next AGM for the financial year ending 31 August 2023; however the Committee considered the impact of various factors, including the Company's Main Market Listing, the change in Committee Chair and the independence requirements for participating firms, and concluded that the successful firm should be appointed for the financial year ending 31 August 2024, in order to allow a smooth transition, should a new firm be successful, and for the tender process to be in line with FRC best practice.

The below outlines the competitive tender process:

1. Selection criteria and timetable

The Committee agreed a proposed timeline for the tender process in July 2021 (outlined below). In accordance with the approved timetable, management began the process of meeting with audit firms and prospective partners to determine their capabilities.

Audit Tender timeline



An initial review of the audit market was conducted, to include a range of firms, including those outside of the four largest public accounting firms, using a pre-determined selection criteria to allow management to rank each of the firms and determine a long list. The key selection criteria were discussed and agreed to include: the auditor's size, geographical coverage, FTSE 350 auditor experience, quality of audit work and independence.

2. Invitation to tender

Management discussed the prospective tender with the firms invited to tender and confirmed their independence for the audit of the Company for the year ending 31 August 2024. The Committee appointed a Decision Making Panel (the DMP) to act as a Sub-Committee to oversee the process, which included the Committee Chair, the CO&FO, interim CFO, Director of Internal Audit & Risk and another member of the Board.

We asked each of the prospective firms to prepare a detailed proposal and presentation. The firms were invited to meet with key internal stakeholders to gather information to help pull together their proposals, supported by the establishment of a data room to allow access to consistent information to support the firm's tender proposals. The following criteria were approved to assess the shortlisted firms throughout the tender process:

- Team and partner credentials.
- Firm credentials such as geographical presence, client base, technical departments and FRC quality scores.
- Business and industry expertise including ESG considerations.
- Audit approach and transition, including transformation and use of technology for the audit engagement.
- Value for money.

3. Formal presentations

Proposal documents were submitted to the DMP and each of the firms gave formal presentations to the DMP, at which each had the opportunity to discuss their presentation and answer questions.

4. Selection of new auditor

Following careful consideration of the proposal documents and formal presentations, the DMP recommended to the Committee the re-appointment of PwC as the Group's External Auditor covering the year ending 31 August 2024 to the year ending 31 August 2027, when PwC will have completed a 20-year tenure as the Group's External Auditor. PwC have expressed their willingness to continue as the Group's External Auditor. A resolution to re-appoint PwC and a resolution to enable the Directors to determine their remuneration will be proposed at the next AGM.

The Company is not currently in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 for the financial year under review. The Committee considered this when deliberating over when the successful audit firm should be appointed and agreed that it was beneficial to delay the appointment to FY24, in order to ensure that the tender process was conducted in line with the FRC's best practice, to ensure the new Committee Chair could take an active role in the tender process, to allow the newly appointed External Auditor to shadow an audit (should we have appointed a different firm) and considering independence requirements which would restrict two audit firms from participating in the tender, meaning the tender would not be as fulsome as possible. We communicated our plan to the Competition and Markets Authority (CMA), who stated that, subject to the Company providing written confirmation of the completion of the tender process by the end of July, enforcement action against the Company would not be an administrative priority for the CMA. We complied with the CMA's request. We will be compliant with the Order in FY24 and plan to conduct our next tender process in 2027 for the audit of the financial year ending 31 August 2028.

Risk management and internal controls

The Board has delegated responsibility for overseeing the effectiveness of the Group's internal controls and risk management systems to the Committee. This includes in relation to financial reporting, the preparation of Group accounts, the implementation of Group policies, including whistleblowing matters, and risk management. The Committee has a policy of continuous identification and review of principal business risks, review of assurance over internal controls, and considers how risks may affect the achievement of business objectives and determines appropriate mitigation, taking into account the Group's risk appetite, in accordance with the requirements of the Guidance on risk management, internal controls and related financial and business reporting published by the FRC.

The Executive Committee implements the internal controls and processes and provides assurance on compliance with these processes. On a day-to-day basis, the Group risk management process is managed and co-ordinated by the General Counsel & Company Secretary and the Director of Internal Audit & Risk, to ensure there is a more integrated, deeper focus on applying and evolving risk management and internal controls throughout the business.

The key elements of the Group's internal controls in relation to financial reporting and risk management, are as follows:

- An established organisation structure with clear lines of responsibility and a disciplined management and committee structure which facilitates regular performance review and decision-making.
- A robust, budgeting, forecasting and financial reporting process.
- The Board discusses and approves the strategy, objectives, annual planning process and budget.
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting and, where appropriate, reflects these developments in the financial statements. The Committee is also kept up to date on such developments. Any recommendations from the External Auditor, the FRC and others in respect of financial reporting are assessed with a view to continuous improvement in the quality of the Group's financial statements. The Committee and the Board review the draft Annual Report and the Committee receives reports from management and the External Auditor on significant accounting judgements, changes in accounting policies and estimates and any other significant matters relating to the financial statements.
- Various policies, procedures and guidelines underpinning the development and financing operations of the business, including delegation of authority and anti-bribery and corruption, together with guidance and support from central functions including legal, human resources, information technology, tax, company secretarial, health and safety, and security. These policies, procedures and controls are embedded within and enforced through ASOS' processes.
- A risk management and Internal Audit function.
- Management regularly reviews risks to achieving business objectives and identifies mitigating controls and actions.
- Compliance with certain policies, standards and controls is monitored by activities of our finance, treasury, human resources, technology, legal, data protection and business assurance & risk functions.
- The Design Authority provides oversight, prioritisation and approval of strategic projects included within the ASOS Reimagined Strategy.
- A whistleblowing process that enables concerns to be reported confidentially and on an anonymous basis and for those concerns to be investigated. The Committee reviews a summary of whistleblowing reports and outcomes every quarter.
- The Committee reviews the scope and results of Internal Audit work across the Group, and monitors management's implementation of their recommendations.
- The Committee regularly receives and discusses the Group's Risk Register, including all significant and any identified emerging risks, and how inherent and residual risk exposures have changed during the period.

Audit Committee Report continued

The Committee can confirm that it reviewed the Group's internal controls and risk management systems and concluded that there was an effective control environment in place across the Group during FY22, and up to the date on which these financial statements were approved. No significant failings or weaknesses were identified.

Our Risk Registers are formally reviewed every six months to identify the likelihood and business impact of any material or emerging risk, as well as any mitigating factors or controls. This review feeds into a robust assessment of the principal and emerging risks facing the Group bi-annually, which the Committee and the Board review. Progress and key themes coming out of the risk reviews are reported to the Executive Committee and the Audit Committee. During the year, the Committee reviewed and approved a new 'ASOS Risk Standard', an evolution of the risk management process, to strengthen the Group's existing foundations and a maturing of the enterprise risk framework.

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More details on our new ASOS Risk Standard, risk management processes and Risk Register are on [pages 46 to 47](#).

During the year, the Committee was updated on the significant improvements made to the Group's Business Continuity Plans (BCP), which included implementing lessons learnt from the COVID-19 pandemic and further development of Business Impact Analyses mapping out critical activities and processes, to help understand what is needed to protect the resources we are dependent on to run the business and these results have been used to refine further or create new BCPs.

The Committee reviewed the Whistleblowing Policy, toolkit and escalation process during the year. The Whistleblowing Policy outlines the ways the Group's employees can report concerns about suspected impropriety or wrongdoing (whether financial or otherwise) on a confidential basis, and anonymously if preferred. This includes an independent third-party chatbot that employees can use to raise problems and report concerns, completely anonymously and confidentially. Any matters reported are investigated by either the General Counsel & Company Secretary or the Director of Internal Audit & Risk (the Company's Whistleblowing Officers) and are escalated to the Committee as appropriate. Whistleblowing is a standing item on the Committee's agenda, with a report summarising notifications received during the prior quarter submitted to the Committee before each meeting. Additionally, the Committee discussed the implications of the new EU Whistleblowing Directive and considered whether the Group's whistleblowing policies and procedures were sufficient to meet the standards required by the EU Whistleblowing Directive. The Committee also reviewed whistleblowing and grievance mechanisms within our supplier factories.

During the year, the Committee continued to monitor our progress in strengthening and developing the Group's cyber security measures and conducted a deep dive into our ransomware attack plans. Our approach to cyber security continues to be elevated. The level of security controls and processes that have been put in place over the last few years have been essential to our fast-moving, high-growth business and our adaptation to working from home more often. The Committee also monitored the physical security measures that

have evolved to counter risks to our physical supply chain and offices. A Fraud Risk Assessment exercise was completed which included a cross-functional fraud risk identification workshop, risk scoring exercise, and follow-up discussions to identify key controls over selected ASOS fraud risks. The results of the exercise were reported to the Committee and are being used by management to further strengthen existing fraud risk controls. The Committee is satisfied that the risk management and internal controls systems for all parts of the business operated effectively for the financial year to 31 August 2022 and up to and including the date of this report.

ASOS is committed to conducting business in an ethical and honest manner and implementing and enforcing systems to prevent bribery. ASOS has zero-tolerance for bribery and corrupt activities and does not condone bribery, be it direct or indirect with any person or organisation. We are committed to acting professionally, fairly, and with integrity, in all business dealings and relationships, wherever in the world we operate.

Internal Audit

The primary role of our Internal Audit function is to support the Board to protect the assets, reputation and sustainability of the Group. The Internal Audit function provides independent assurance as to the adequacy and effectiveness of the Group's internal controls and risk management systems. During the year, the Committee oversaw the in-housing of the Internal Audit function, led by our Director of Internal Audit & Risk, and in January 2022 approved a new in-house Internal Audit & Advisory Charter, as well as key changes to the in-house methodology and updated risk-based internal audit approach. The Committee considers the Internal Audit function to be operating effectively and the quality, experience and expertise of the function is appropriate for the business.

The Committee reviewed and approved the proposed schedule of planned internal audits to be undertaken at the start of the financial year. The plan was based on Internal Audit's assessment of key financial, operational and strategic risks to the business. The following key internal audits were completed during the year: Transformation Delivery, Cyber Governance, Key financial controls-Accounts Payable, Financial Crime-Fraud Risk Assessment, Data Privacy Key Controls, Commercial Controls (Product Setup), and Shadow IT. The following internal audits are in-flight: Fashion with Integrity-Own Brand Supplier Monitorings, UK Fulfilment Centres>Returns, Partner Fulfils, Payroll, Cloud Resilience follow-up, and Key Fraud Controls. Summaries of all key internal audit reviews, activity and resulting reports are shared with the Committee for review and discussion. Following each review, an Internal Audit report is provided to the management responsible for the area reviewed and the relevant Executive Committee member. These reports outline Internal Audit's opinion of the management control framework in place, together with actions indicating improvements proposed or made as appropriate. The Executive Committee has responsibility for ensuring the timely implementation of any recommendations and actions resulting from the completion of an audit, monitored by the Committee.

A revised schedule of internal audit review projects for the financial year to 31 August 2023 was approved by the Audit Committee in July 2022.