

THE CHARACTER GROUP plc

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

TERMS OF REFERENCE

1. Constitution

The Board hereby resolves to establish a Committee of the Board to be known as "the Audit Committee".

2. Membership

2.1 The Committee shall be appointed by the Board solely from amongst the Non-Executive Directors of the Company and shall consist of not less than two members. A quorum shall be two members.

2.2 The Chair of the Committee shall be appointed by the Board.

3. Attendance at meetings

3.1 The Finance Director, the Head of Internal Audit (if any from time to time), and a representative of the external auditors shall normally attend meetings. Only members of the Committee have the right to attend Committee meetings but other directors and persons and external advisers may be invited or required to attend all or part of any meeting as and when appropriate.

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

4. Frequency of meetings

Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

5. Authority

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

5.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6. Duties

The duties of the Committee shall be:-

- 6.1 to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
- 6.2 to discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- 6.3 to review the half year and annual financial statements before submission to the Board, focusing particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgemental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) the going concern assumption;
 - (e) compliance with accounting standards;
 - (f) compliance with Stock Exchange and legal requirements;
- 6.4 to discuss problems and reservations arising from the internal and final auditing and any matters the auditor may wish to discuss (in the absence of management where necessary);
- 6.5 to review the external auditor's management letter and the management's response;
- 6.6 to review the Company's statement on internal control systems prior to endorsement by the Board;
- 6.7 (where an internal audit function exists) to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit question is adequately resourced and has appropriate standing within the Company;
- 6.8 to consider the major findings of internal investigations and management's response;
- 6.9 to consider other topics, as defined by the Board;
- 6.10 to ensure its Chair is available at AGMs to answer questions.

7. Reporting procedures

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

Dated: 9 May 1995 (*revised 21 September 2018*)