

THE CHARACTER GROUP plc

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

TERMS OF REFERENCE

1. Constitution

- 1.1 The Board hereby resolves to establish a Committee of the Board to be known as "the Audit Committee" (the "**Committee**").
- 1.2 The Committee has the delegated authority of the Board in respect of the functions, duties and authorities set out in these terms of reference.

2. Membership

- 2.1 The Committee shall be appointed by the Board solely from amongst the Independent 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 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 or his or her deputy, shall act as secretary to the Committee and provide all necessary support to the Committee, including recording of Committee minutes.

4. Frequency of meetings

Meetings shall be held not less than twice a year. The Committee may meet at other times during the year as agreed between the members of the Committee or as otherwise requested. The external auditors may request a meeting if they consider that one is necessary.

5. Voting arrangements

- 5.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 5.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 5.3 Save where he/she has a personal interest, the Chair will have a casting vote.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members.
- 6.2 Unless otherwise agreed or where the circumstances do not allow, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and other attendees (as appropriate) at the same time.

7. Authority

- 7.1 The Committee is authorised by the Board to examine any activity within its terms of reference.
- 7.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its terms of reference if it considers this necessary.
- 7.3 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.
- 7.4 The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

8. Duties

The duties of the Committee shall be:

- 8.1 to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
- 8.2 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;
- 8.3 to review the half year and annual financial statements independently of the full Board, focusing particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental 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;

- 8.4 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);
- 8.5 to review the external auditor's management letter and the management's response;
- 8.6 to review the Company's statement on internal control systems prior to endorsement by the Board;
- 8.7 (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;
- 8.8 to consider the major findings of internal investigations and management's response;
- 8.9 to oversee the identification of the current and prospective risks faced by the Group (including risk to the Company's business model and solvency and liquidity risks);
- 8.10 to oversee the development of an appropriate risk management policy framework by the Board in implementing appropriate risk management practices throughout the Company's operations, practices and systems;
- 8.11 periodically to review the effectiveness and suitability of the Group's risk management systems;
- 8.12 to consider other topics, as defined by the Board;
- 8.13 to ensure its Chair is available at AGMs to answer questions.

9. Reporting procedures

- 9.1 The Chair of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted by the Company Secretary. Draft minutes of each meeting will be circulated to all members of the Committee with the notice of and agenda and papers for the next meeting. Once approved, the minutes of each meeting will be submitted to the Board as a formal record of the decisions of the Committee on behalf of the Board unless it would be inappropriate to do so.
- 9.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.4 If required, the Committee shall produce an annual report about its activities. The report should include a statement of its progress on achieving its objectives.

10. General matters

- 10.1 The Chair of the Committee should make herself/himself available at each annual general meeting of the Company to answer questions concerning the Committee's work.

10.2 The Committee shall arrange for periodic reviews of its own performance and, at least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Dated: 9 May 1995 (*revised 21 September 2018 and further revised 1 December 2022*)