

THE CHARACTER GROUP plc

AUDIT AND RISK 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 and Risk 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 for all or part of any meeting, as and when considered by the Chair to be 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

8.1 Audit and Financial Reporting

The duties of the Committee shall be:

- (a) to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- (b) 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;
- (c) to review the half year and annual consolidated financial statements of the Company and of the Company and its subsidiaries (the "**Group**") independently of the full Board, focusing particularly on:
- (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the assumptions or qualifications in support of the going concern;
 - (v) compliance with accounting standards;

- (vi) compliance with Stock Exchange and legal requirements;
- (vii) the legality of any proposed dividend and the Company's ability to pay it and remain a going concern;
- (d) to review, and discuss (as appropriate) with management, any other formal statements relating to the Group's financial performance, if carrying out a review before board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules;
- (e) to discuss problems and reservations arising from the audit and any matters the external auditor raises in its management letter to the Board following an audit (the "**Management Letter**") or may wish to discuss (in the absence of management where considered necessary or appropriate);
- (f) to review the management's response to the Management Letter;
- (g) to review the Company's statement on internal control systems prior to endorsement by the Board;
- (h) (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;
- (i) to consider the major findings of any internal investigations relating to financial issues and management's response;
- (k) to monitor compliance with financial reporting standards and the AIM Rules and related guidance and other applicable financial and governance reporting requirements;
- (l) to review all material information presented with the financial statements, such as the strategic report and the corporate governance statement, insofar it relates to audit and risk management; and
- (m) where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, to report its views to the board.

8.2 **Risk management systems**

The Committee shall on behalf of the board (which shall retain overall responsibility for risk management), review and monitor the Group CFO's assessment of the effectiveness and suitability of the Company's risk management systems and overall risk framework and processes, which shall be undertaken by the Group CFO at least bi-annually and, in particular:

- (a) undertake a review of the Group CFO's assessment of the emerging and principal risks facing the Company (including those risks that would threaten its business model, future performance, solvency or liquidity and reputation) and of the adequacy of the procedures in place to provide the effective management and mitigation of those risks;

- (b) consider the Group CFO's assessment of the Company's risk appetite across all its major activities, taking into account the overall strategy of the Company, its future plans and other internal information;
- (c) consider the Group CFO's risk assessment in relation to all major decisions of and major transactions by the Company, including but not limited to mergers and acquisitions, disposals, joint ventures, significant expenditure on property, plant and equipment and material multi-year service contracts;
- (d) where material events have occurred that have exposed the Group to a given material risk/risks, including those involving breaches of the Company's procedures, the Group CFO shall carry out a root cause analysis and make recommendations as to suitable amendments of the risk management system to mitigate the Group's future exposure to such risk(s).

8.3 **Internal Controls**

The Committee shall:

- (a) at least annually, review and consider the auditors' report on the effectiveness of the Company's internal financial controls and internal control systems; and
- (b) review any report and/or recommendations from the auditor and/or others on the effectiveness of the Group's internal control.

8.4 **Disclosures**

The Committee shall:

- (a) review and approve the statements to be included in the annual report concerning internal controls and risk management;
- (b) review the reporting of key risks in the annual report and accounts, ensuring it is consistent with the internal reporting of key risks; and
- (c) consider the findings of any internal investigations into risk and control weaknesses, fraud, or misconduct and management's response and also consider whether any such matters are significant and therefore require disclosure and what disclosure should be made.

8.5 **Internal Audit Function**

At the date of the adoption these amended terms of reference, the Company does not have internal audit function The Committee shall undertake an annual review of the need for an internal audit function and report its findings and/or make any recommendation to the board.

8.6 **Whistleblowing**

The Committee shall review the effectiveness, adequacy and security of the Company's arrangements for its workforce to raise concerns, in confidence about possible wrongdoing in financial reporting or other matters.

The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

8.7 Fraud

The Committee shall annually review the Company's procedures for detecting fraud.

8.8 Other matters

The Committee shall:

- (a) consider other topics, as required by the Board;
- (b) to ensure its Chair is available at AGMs to answer questions concerning the Committee's work.

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 the scope of 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 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 and 11 May 2026*)