

CARCLO PLC
(the Company)

TERMS OF REFERENCE

FOR THE AUDIT AND RISK COMMITTEE

1 Membership and attendance

- 1.1 The Audit and Risk Committee shall be appointed by the Board (on the recommendation of the Nomination Committee and in consultation with the Committee's chair), and shall comprise a chair and at least one other member, all of whom should be independent Non-Executive Directors, and, where possible, one member of the Remuneration Committee. The Chair of the Company shall not be a member of the Committee.
- 1.2 At least one member of the Committee should have recent and relevant financial experience and with competence in accounting and/or auditing. The Committee chair shall be an independent Non-Executive Director. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.3 The Board shall appoint the Committee chair. In the absence of the Committee chair the remaining members present shall elect one of their number present to chair the meeting.
- 1.4 The Committee may ask the Chair of the Company, Chief Executive Officer, Chief Financial Officer and any relevant senior management to attend meetings either regularly or by invitation, but the invitees have no right of attendance.
- 1.5 The Committee shall ask a representative of the external and internal auditors to attend meetings where appropriate.

2 Secretary

The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3 Quorum

The quorum necessary for the transaction of business shall be two members. 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.

4 Meetings and Notice of Meetings

- 4.1 The Committee shall meet not less than four times a year and at such other times as the chair of the Committee shall require.
- 4.2 Meetings will be arranged at appropriate intervals to coincide with key dates in the Company's financial reporting and audit cycle.
- 4.3 Meetings can be requested by the external or internal auditors through the Secretary/Committee chair if they consider one is necessary.

- 4.4 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any Committee member.
- 4.5 Outside of the formal meeting programme, the Committee chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Company, Chief Executive Officer, Chief Financial Officer, the external audit lead partner and the head of internal audit.
- 4.6 Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Committee member no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members at the same time. Notices, agendas and supporting papers can be sent in electronic form.

5 Minutes of Meetings

- 5.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names and roles of those present and in attendance.
- 5.2 In advance of or at the beginning of each meeting, each member of the Committee and those in attendance should indicate the existence of any conflicts of interest, which shall be minuted accordingly.
- 5.3 Draft minutes of Committee meetings shall be agreed with the Committee chair and then circulated promptly to all members of the Committee, unless it would be inappropriate to do so in the opinion of the Committee chair.

6 Annual General Meeting

- 6.1 The chair of the Committee shall attend the Annual General Meeting in order to respond to any shareholder questions on the Committee's activities. In addition the Committee chair should seek engagement with shareholders on significant matters related to the Committee.

7 Duties

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole.

Risk Appetite, Tolerance and Strategy

- 7.1 The Committee shall advise the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the company is willing to take in order to achieve its long-term strategic objectives.
- 7.2 Seek assurance on the risks the Company identifies as those to which the business may be exposed.
- 7.3 Advise the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or impact.
- 7.4 Advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is

undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the company, and taking independent external advice where appropriate and available.

Internal Controls and Risk Management Systems

- 7.5 The Committee shall oversee and seek suitable assurance regarding the risk exposures of the Company, including risk to the Company's business model, and solvency and liquidity risks.
- 7.6 The Committee shall keep under review the adequacy and effectiveness of the Company's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems.
- 7.7 The Committee shall oversee and seek suitable assurance regarding the ability of the Company's risk management and internal control systems to identify the risks facing the Company and enable a robust assessment of principal risks. The Committee shall monitor the Company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
- 7.8 The Committee shall oversee the Company's capability to identify and manage new and emerging risks.
- 7.9 The Committee shall keep under review the effectiveness and relative costs of particular controls.
- 7.10 The Committee shall oversee and seek suitable assurance regarding the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken where necessary.
- 7.11 The Committee shall oversee the appropriateness of the Company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Company.
- 7.12 The Committee shall keep under review the Company's risk management and internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. An annual review of their effectiveness should be carried out, and a report on that review provided in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.
- 7.13 The Committee shall review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.

Internal Audit

- 7.14 The Committee shall review and approve the role and mandate of internal audit, monitor and review the effectiveness of the function and its work.
- 7.15 The Committee shall approve the appointment or termination of appointment of the Internal Auditor (where the internal audit function is to be performed by an employee) or the appointment or removal of any external agency contracted to perform the internal audit function.
- 7.16 The Committee shall review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out.

- 7.17 The Committee shall ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 7.18 The Committee shall ensure the internal auditor has direct access to the Chair of the Company and to the chair of the Committee, providing independence from the executive and accountability to the Committee.
- 7.19 The Committee shall monitor and carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment (a) meet with the head of internal audit without the presence of management to discuss the effectiveness of the function; (b) review and assess the annual internal audit work plan; (c) receive a report on the results of the internal auditor's work; (d) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and (e) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.
- 7.20 The Committee shall consider whether an independent, third party review of processes is appropriate.

External Audit

- 7.21 The Committee shall conduct the audit tender process and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, regarding the appointment and re-appointment and removal of the Company's external auditor, and shall ensure that key partners within the appointed firm are rotated in accordance with professional guidance and other regulations.
- 7.22 The Committee shall develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- 7.23 If an external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 7.24 The Committee shall oversee the relationship with the external auditor including (but not limited to):
- (a) approval of their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (c) reviewing any representation letter(s) requested by the external auditor before they are signed by management;
 - (d) reviewing the management letter and management's response to the auditor's findings and recommendations;

- (e) reviewing the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee;
- (f) assessing annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- (g) satisfying itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (h) agreeing with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, and monitoring the application of this policy;
- (i) monitoring the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard including the guidance on the rotation of audit partner and staff;
- (j) monitoring the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- (k) assessing annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (l) seeking to ensure coordination of the external audit with the activities of the internal audit function;
- (m) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee; and
- (n) developing, implementing and recommending to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters: (a) threats to the independence and objectivity of the external auditor and any safeguards in place; (b) the nature of the non-audit services; (c) whether the external audit firm is the most suitable supplier of the non-audit service; (d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; (e) taking into account the relevant regulation and ethical guidance; and (f) the criteria governing compensation.

7.25 The Committee shall meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage), and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.

- 7.26 The Committee shall discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 7.27 The Committee shall review the findings of the audit with the external auditor. This shall include, but not be limited to the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) the auditor's explanation of how the risks to audit quality were addressed;
 - (c) key accounting and audit judgements;
 - (d) the auditor's view of their interactions with senior management; and
 - (e) levels of error identified during the audit.

Financial Reporting

- 7.28 The Committee shall monitor the integrity of the financial statements of the Company, including its annual half-yearly reports, preliminary announcements and any other formal announcements relating to its financial performance, and review and report to the Board on any significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
- 7.29 The Committee shall monitor the statutory audit of the annual and consolidated accounts.
- 7.30 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- 7.31 The Committee shall review and, where necessary, challenge (before submission to the Board):
- (a) the application of significant accounting policies and any changes to them and the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
 - (b) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
 - (c) the extent to which the financial statements are affected by any unusual transactions and the methods used to account for them;
 - (d) the clarity and completeness of disclosure in the financial reports and the context in which statements are made;
 - (e) significant adjustments resulting from the audit;
 - (f) the going concern assumption;
 - (g) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management;
 - (h) compliance with Stock Exchange and other legal requirements; and

- (i) the Company's statement on internal control systems prior to endorsement by the Board, the policies and process for identifying and assessing the business' emerging and principal risks and the management of those risks by the Company, and the strategic review and the corporate governance statements (insofar as it relates to the audit and risk management). Primary responsibility will, however, remain with the full Board.

Narrative Reporting

- 7.32 Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code.
- 7.33 The Committee shall carry out the following duties to assist the Board in fulfilling its reporting responsibilities in the annual report and accounts:
- (a) monitor and review the effectiveness of the Company's risk management and internal control systems;
 - (b) review the Company's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks;
 - (c) review and assess the Company's risk appetite and associated stress testing;
 - (d) evaluate the Company's principal risks, to be taken into account by the Board when assessing the Company's prospects; and
 - (e) review and approve the statements to be included in the annual report and accounts concerning internal controls and risk management.

Compliance, Whistleblowing and Fraud

- 7.34 The Committee shall review the adequacy and security of the Company's arrangements for its employees and contractors 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.
- 7.35 The Committee shall review the Company's procedures for detecting fraud.
- 7.36 The Committee shall review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

Reporting Responsibilities

- 7.37 The Committee chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
- the significant issues that it considered in relation to the financial statements and how these were addressed;

- its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any re-tendering plans; and
 - any other issues on which the Board has requested the Committee's opinion.
- 7.38 The Committee shall provide advice to the Remuneration Committee on any risk weightings to be applied to performance objectives incorporated in the incentive structure for executive remuneration and make recommendations to the Remuneration Committee on clawback provisions.
- 7.39 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.40 The Committee shall compile a report on its activities to be included in the Company's annual report. The Audit Committee's section of the annual report shall include a description of the work of the Committee in discharging its responsibilities. The report shall include, as a minimum:
- (a) how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, including information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any re-tendering plans;
 - (b) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor;
 - (c) in the case of the Board not accepting the Committee's recommendation on the external auditor appointment, re-appointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position;
 - (d) in relation to the provision of non-audit services by the auditor, an explanation of how auditor objectivity and independence is safeguarded;
 - (e) where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and
 - (f) all other information requirements set out in the UK Corporate Governance Code.

The Audit and Risk Committee shall report to the Board on the above matters and provide it with the basis for its advice. It shall also provide its recommendation on the appointment or reappointment of the external auditor, including the steps taken in deciding whether or not to recommend that the audit be put out to tender.

In compiling the reports referred to above, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern, identification of any material uncertainties, and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

Other Matters

- 7.41 The Committee shall be responsible for ensuring the effective co-ordination of the internal and external auditors and for considering management's response to any major external or internal audit recommendations.
- 7.42 The Committee shall arrange for periodic reviews of its own performance and, at least annually, 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.
- 7.43 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on a continuing basis for all members.
- 7.44 The Committee should agree the procedures for reviewing claims for expenses from the Chair and other Board members.
- 7.45 The Committee shall, where practicable, review all proposed announcements to be made by the Company to the extent that they contain material financial information.
- 7.46 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 7.47 The Committee shall give due consideration to relevant laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- 7.48 The Committee shall oversee any investigation of activities which are within its terms of reference.
- 7.49 The Committee shall work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.

8 Authority

The Committee is authorised:

- 8.1 to request the attendance of any employee at a meeting of the Committee and/or seek any information it requires from any employee of the Company and Group in order to perform its duties and all employees are directed to co-operate with any request made by the Committee (including attendance at a Committee meeting);
- 8.2 to obtain, at the Company's expense, external independent legal, accounting or other professional advice on any matter it believes it necessary to do so; and
- 8.3 to have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

Approved by the Board on 31 January 2023

Version control

Version	Date Approved	Approved By	Description
1	28 January 2020	Board	Annual Review
2	1 February 2021	Board	Annual Review
3	31 January 2022	Board	Annual Review
4	23 June 2022	Board	Move to Audit and Risk Committee
5	31 January 2023	Board	Annual Review