

CARCLO PLC
(the Company)

TERMS OF REFERENCE

FOR THE AUDIT AND RISK COMMITTEE

1 Membership and attendance

- 1.1 Members of 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 Board shall not be a member of the Committee.
- 1.2 At least one member of the Committee should have recent and relevant financial experience. 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 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, provided that members continue to be independent.
- 1.4 The Board shall appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 1.5 Only members of the Committee have the right to attend Committee meetings. However, the Committee may ask the Chair of the Board, Chief Executive Officer, Chief Financial Officer, any relevant senior management and representatives of the external and internal auditors (where appointed) to attend meetings either regularly or by invitation.

2 Secretary

The Company Secretary, or their 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.

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 required.
- 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 may be requested by the external or internal auditors (where appointed) through the Secretary of the Committee/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 The Committee may hold meetings by telephone or using any method of electronic communication and may take decisions without a meeting by unanimous written consent, when the Committee Chair considers this to be necessary or desirable.
- 4.6 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 Board, Chief Executive Officer, Chief Financial Officer, the external audit lead partner and the head of internal audit (where appointed).
- 4.7 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 of the Committee 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 Draft minutes of Committee meetings shall be agreed with the Committee chair and then circulated to all members of the Committee unless, exceptionally, 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 to answer 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

- 7.1 The Committee shall have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the Company, its major subsidiary undertakings and the Carclo Group as a whole.
- 7.2 The Committee shall

Internal Controls and Risk Management Systems

- (a) oversee and seek suitable assurance regarding 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.
- (b) review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

Internal Audit

- (c) review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work.

- (d) approve the appointment or termination of appointment of the Head of Internal Audit (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.
- (e) 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.
- (f) 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.
- (g) ensure the internal auditor (where appointed) has direct access to the Chair of the Board and to the chair of the Committee, providing independence from the executive and accountability to the Committee.
- (h) 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 (where appointed) 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.
- (i) monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system and the work of compliance, finance and the external auditor.
- (j) consider whether an independent, third party review of processes is appropriate.

External Audit

- (k) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, regarding the appointment, re-appointment and removal of the Company's external auditor.
- (l) develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable UK Corporate Governance Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- (m) If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- (n) oversee the relationship with the external auditor including (but not limited to):
 - (i) approval of their remuneration, including both fees for audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

- (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (iii) 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;
- (iv) 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 assessing these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- (v) reviewing any representation letter(s) requested by the external auditor before they are signed by management;
- (vi) reviewing the management letter and management's response to the auditor's findings and recommendations;
- (vii) reviewing the effectiveness of the audit process, 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;
- (viii) assessing annually the external auditor's independence and objectivity taking into account relevant 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;
- (ix) 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;
- (x) 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;
- (xi) 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;
- (xii) seeking to ensure coordination of the external audit with the activities of the internal audit function;
- (xiii) 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
- (xiv) developing 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; and (e) the criteria governing compensation.

- (o) 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.
- (p) 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.
- (q) review the findings of the audit with the external auditor. This shall include, but not be limited to the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iii) key accounting and audit judgements;
 - (iv) the auditor's view of their interactions with senior management; and
 - (v) levels of error identified during the audit.

Financial Reporting

- (r) monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary announcements and any other formal statements 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.
- (s) monitor the statutory audit of the annual and consolidated accounts.
- (t) where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board.
- (u) review and, where necessary, challenge (before submission to the Board):
 - (i) the application of significant accounting policies and any changes to them;
 - (ii) 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;
 - (iii) the extent to which the financial statements are affected by any unusual transactions and the methods used to account for them;

- (iv) the clarity and completeness of disclosure in the financial reports and the context in which statements are made;
 - (v) significant adjustments resulting from the audit;
 - (vi) the going concern assumption; and
 - (vii) 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.
- (v) review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements.

Narrative Reporting

- (w) Where requested by the Board, 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 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.

Compliance, Whistleblowing and Fraud

- (x) review the adequacy and security of the Company's arrangements for its employees, contractors and external parties 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.
- (y) review the Company's procedures for detecting fraud.
- (z) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

8. Reporting Responsibilities

8.1 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.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.3 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) an explanation of 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, information on the length of tenure of the current audit firm, 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 relation to the provision of non-audit services by the auditor, an explanation of how auditor objectivity and independence are safeguarded;
- (d) 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
- (e) all other information requirements set out in the UK Corporate Governance Code.

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, 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.

9. Other Matters

- 9.1 The Committee shall be responsible for oversight of the co-ordination of the internal and external auditors.
- 9.2 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.
- 9.3 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.
- 9.4 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.
- 9.5 The Committee shall give due consideration to relevant laws and regulations, the provisions of the UK Corporate Governance Code and published guidance, the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate.
- 9.6 The Committee shall oversee any investigation of activities which are within its terms of reference.
- 9.7 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.

10 Authority

10.1 The Committee is authorised:

- (a) 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);
- (b) 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

10.2 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. In the case of the Board not accepting the Committee's recommendation on the external auditor appointment, re-appointment or removal, the annual report should include a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position.

10.3 Nothing in these terms of reference will preclude the Board from assuming any of the Committee's duties or responsibilities.

Approved by the Board on 26 March 2025

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
6	8 February 2024	Board	Annual Review
7	26 March 2024	Board	Annual Review