



## FULLER, SMITH & TURNER P.L.C.

### TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

As amended by the Board on 11 November 2024

#### 1. CONSTITUTION

- 1.1 The audit and risk committee (**Committee**) is a duly constituted Committee of the board of directors (**Board**) of Fuller, Smith & Turner P.L.C. (**Company**) in accordance with the articles of association of the Company.
- 1.2 The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the company secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

#### 2. ROLE

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- 2.1 The integrity of the financial information provided to shareholders.
- 2.2 The Company's system of internal controls and risk management.
- 2.3 The internal and external audit process and auditor.
- 2.4 The processes for compliance with laws, regulations and ethical codes of practice.

#### 3. DUTIES

The Committee shall have oversight for the Company and its subsidiaries (the **Group**) as a whole and carry out the following duties as appropriate:

##### 3.1 Financial reporting

The Committee shall:

- (a) Monitor and discuss with management the integrity of the financial statements of the Company and the Group, including the annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance.
- (b) Review and report to the Board significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain having regard to matters communicated to it by the external auditor.

- (c) Review and challenge where necessary:
  - (i) The consistency, quality and appropriateness of the accounting policies, including any changes to accounting policies both on a year on year basis and across the Company and the Group.
  - (ii) Whether the Company has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements.
  - (iii) The clarity and completeness of disclosures in the financial statements and the context in which statements are made.
  - (iv) The methods used to account for significant or unusual transactions (including any off-balance sheet arrangements) where different approaches are possible.
  - (v) Significant adjustments resulting from the external audit.
  - (vi) The assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer-term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period).
- (d) Monitor compliance with financial reporting standards and any recognised investment exchange and other financial and governance reporting requirements.
- (e) Review all material information presented with the financial statements, such as the strategic report and the corporate governance statements, insofar as it relates to audit and risk management.
- (f) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board.

### 3.2 **Narrative reporting**

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, the Committee believes that 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.

### 3.3 **Risk management systems and internal controls**

The Committee shall:

- (a) **Risk management**
  - (i) On behalf of the Board (which retains overall responsibility for risk management), review and monitor the Company's risk management system and, at least annually, carry out a review of its effectiveness, and review and approve the statement to be included in the annual report concerning risk management.
  - (ii) On behalf of the Board, undertake a robust assessment of the principal and emerging risks facing the Company (including those risks that would

threaten its business model, future performance, solvency or liquidity) and provide advice on the management and mitigation of those risks.

(b) **Internal controls**

Review the Company's internal financial controls and internal control systems and, at least annually, carry out a review of its effectiveness and approve the statement to be included in the annual report concerning internal control in accordance with Provision 29 of the 2018 UK Corporate Governance Code; and prepare for changes being introduced from 1 January 2026 to ensure compliance with Provision 29 of the 2024 UK Corporate Governance Code.

(c) **On-going viability**

On behalf of the Board, provide advice on how, taking into account the Company's position and principal and emerging risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

(d) **Management and internal and external audit reports**

- (i) Review the assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal and retail auditors, the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively.
- (ii) Review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal and retail audit recommendation.

### 3.4 **Internal audit**

Where the Company has no internal audit function, the Committee shall consider at least annually the need for an internal audit function, make any recommendation to the Board and explain the reasons for the absence of such a function to the Board for disclosure in the annual report. In determining their view, the Committee shall assess whether the processes applied by management to ensure that the internal controls systems are functioning as intended provide sufficient and objective assurance.

### 3.5 **External audit**

The Committee shall, taking into account any applicable law and legislation:

(a) **Appointment, reappointment and resignation**

- (i) Consider and make recommendations to the Board, to be put to shareholders for approval at the Company's AGM, on the appointment, reappointment or removal of the Company's external auditor.
- (ii) Ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those

of other audit firms; and, in respect of such tender, develop and oversee the selection process for the appointment of the audit firm in accordance with applicable Code and regulatory requirements, and ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process.

- (iii) If any auditor resigns, other than as a result of being unsuccessful in a tender process, investigate the issues leading to this and decide whether any action is required.
- (iv) In conjunction with management approve their remuneration and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted.
- (v) Approve their terms of engagement, including any engagement letter issued at the start of each audit and scope of the audit.

**(b) Independence and expertise**

- (i) Review and assess on an annual basis:
  - (A) The external auditor's independence and objectivity taking into account the relevant UK law, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.
  - (B) The qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.
- (ii) Seek assurance from the external auditor and their staff that they have no relationships with the Company which could adversely affect the auditor's independence and objectivity and, at least annually, seek information from the external audit firm about policies and processes for maintaining independence and monitoring compliance.
- (iii) Agree a policy on the employment of former employees of the external auditor, taking into account the relevant ethical guidelines, and monitor the application of this policy;

**(c) Non-audit services**

- (i) Ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity, satisfying itself that there are no relationships between the auditor and the Company outside the ordinary course of business (including the level of non-audit fees) that could adversely affect the auditor's independence and objectivity, or the audit process.
- (ii) Develop and approve a policy on the supply of non-audit services by the external auditor, to avoid any threat to auditor objectivity and independence taking into account any relevant ethical guidance and legal requirements on the matter.

**(d) Audit cycle**

- (i) Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- (ii) 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, without the executive directors and management

being present, to discuss the auditor's remit and any issues arising from the audit.

- (iii) Consider communications from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor.
- (iv) Review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate.
- (v) Review, prior to its consideration by the Board, the external auditor's report to the directors and their management letter, including management's response to the auditor's findings and recommendations.
- (vi) At the end of the audit cycle, assess the effectiveness of the audit process including:
  - (A) Reviewing whether the auditor has met the agreed audit plan and whether the external auditor identified any risks to audit quality and, if so, how these were addressed.
  - (B) Understanding reasons for changes to the audit plan.
  - (C) Considering the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions.
  - (D) Obtaining feedback from key people on the conduct of the audit.
  - (E) Reviewing and monitoring the content of the external auditor's management letter and reporting to the Board on the effectiveness of the audit process.

### 3.6 **Whistleblowing and Fraud**

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 and report to the Board, at least annually, on the operation of these arrangements. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Committee shall review the Company's procedures for detecting fraud.

### 3.7 **Compliance**

The Committee shall review the Company's systems and controls for ethical behaviour and the prevention of bribery and modern slavery and receive reports on non-compliance. The Committee shall keep under review the adequacy and effectiveness of the Company's compliance activities.

## 4. **MEMBERSHIP**

- 4.1 At all times the Committee shall comprise a chair and a minimum of two members, and the Committee as a whole shall have competence relevant to the sector in which the Company operates. Each Committee member shall be an independent non-executive director as determined by the Board (in accordance with the principles of the UK Corporate

Governance Code), at least one of whom shall have recent and relevant experience working with financial and accounting matters.

- 4.2 The Board shall appoint members of the Committee, on the recommendation of the Nomination Committee, in consultation with the Committee chair.
- 4.3 The chair of the board shall not be a Committee member but may be invited to attend its meetings.
- 4.4 The Board shall appoint the chair of the Committee. In the absence of the Committee chair and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.
- 4.5 Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.
- 4.6 The company secretary, or his or her nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

## **5. ATTENDANCE AT MEETINGS**

- 5.1 The Committee shall meet at least three times a year at appropriate times in the Company's financial reporting and audit cycle.
- 5.2 Outside of the formal meeting programme, the Committee chair shall maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive, the Finance Director and the external audit lead partner.
- 5.3 Only Committee members have the right to attend and vote at Committee meetings. However, the external auditor, the Board Chairman, Chief Executive, Finance Director and Head of Risk will be invited to attend and address meetings of the Committee, and other individuals may be invited to attend all or part of any meetings as and when appropriate and necessary.
- 5.4 Meetings of the Committee may be conducted when the members are physically present together or linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other.

## **6. NOTICE OF MEETINGS**

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair or any of its members or at the request of the finance director or external audit lead partner.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and to other attendees, as appropriate, no

later than five working days before the date of the meeting (or at shorter notice with the approval of the Committee chair).

## **7. QUORUM**

- 7.1 The quorum necessary for the transaction of business shall be two members.
- 7.2 A duly convened Committee meeting 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.

## **8. VOTING ARRANGEMENTS**

- 8.1 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 8.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3 Except where he or she has a personal interest, the Committee chair shall have a casting vote.

## **9. MINUTES OF MEETINGS**

- 9.1 The company secretary (or his or her nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The secretary of the Committee shall also ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 9.2 Draft minutes of Committee meetings shall be circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other Board members unless in the opinion of the Committee chair it would be inappropriate to do so.
- 9.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

## **10. ANNUAL GENERAL MEETING**

- 10.1 The Committee chair shall attend the annual general meeting to answer shareholder questions on the Committee's activities. In addition, the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **11. REPORTING RESPONSIBILITIES**

The Committee shall:

- 11.1 Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 Prepare a formal report to shareholders on its activities to be included in the Company's annual report, which shall include:
- (a) Details of the membership of the Committee, number of meetings held and attendance over the course of the year.
  - (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 external auditor.
  - (c) Confirmation that the Board has carried out a robust assessment of the principal risks and emerging risks facing the Company, a description of those risks and an explanation as to how they are being managed and mitigated.
  - (d) An explanation of its assessment of the effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company and the Group, auditor objectivity and independence is safeguarded) and its recommendation on the appointment or reappointment of the external auditor, including length of incumbent auditor's tenure, when a tender was last conducted, advance notice of any retendering plans and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services.
  - (e) An explanation of how the Committee has addressed the effectiveness of the internal audit process.
  - (f) All other information requirements set out in the UK Corporate Governance Code.
  - (g) Any other issues on which the Board has requested the Committee's opinion.
- 11.3 In compiling the above report, exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the longer term viability statement.
- 11.4 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.5 Publish these terms of reference on the Company's website.

## **12. GENERAL MATTERS**

The Committee shall:

- 12.1 Consider other duties determined by the Board from time to time.
- 12.2 Have access to sufficient resources in order to carry out its duties, including access to the company secretary for advice and assistance as required.
- 12.3 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members. Any individual training to be discussed and agreed with the company secretary.

- 12.4 Give due consideration to all applicable laws and regulations, in particular the directors duties contained in the Companies Act 2006, the provisions of the UK Corporate Governance Code and published guidance, the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- 12.5 Work and liaise as necessary with all other Board committees taking particular account of the impact of risk management and internal controls being delegated to different committees.
- 12.6 Arrange for periodic reviews of its own performance and, at least annually review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**13. AUTHORITY**

The Board authorises the Committee to:

- 13.1 Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate professional advice on any matter within its terms of reference as it considers necessary.
- 13.2 Seek any information it requires from any employee of the Company or any of the Company's subsidiaries to performs its duties.
- 13.3 Collectively and individually have direct access to the Chief Executive, Finance Director and the Company's external auditor.
- 13.4 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.

**14. APPROVALS HISTORY**

| <b>Date</b>      | <b>Approved by</b> | <b>Details</b>  |
|------------------|--------------------|---|
| 2 July 2021      | Board              | Adoption of new terms of reference  |
| 25 January 2022  | Board              | Minor amendments  |
| 13 June 2023     | Board              | Annual review – Committee name change and and Head of Tax added as regular attendee                                   |
| 11 November 2024 | Board              | Annual review - changes to reflect the Corporate Governance Code (updated in January 2024) and other minor amendments |