

**Card Factory plc**  
**(the “Company”)**

**Terms of Reference: Audit and Risk Committee**

as adopted by the Board of Directors of the Company in September 2024

Reference to the “**Committee**” shall mean the Audit and Risk Committee.

Reference to the “**Board**” shall mean the Board of Directors of the Company.

Reference to the “**Code**” shall mean the UK Corporate Governance Code.

## **1. Membership**

**1.1.** Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee of the Company and in consultation with the Chair of the Committee (the “**Committee Chair**”). The Committee shall be made up of at least three members and, as a whole, shall have competence relevant to the sector in which the Company operates.

**1.2** All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. Neither the Chair of the Board nor any former executive director of the Company shall be a member of the Committee.

**1.3** Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, the Chief Executive Officer, Chief Financial Officer, other directors, officers, or employees including members of the Company’s internal audit and finance functions and external auditor may be invited to attend all or part of any meeting as and when appropriate and necessary.

**1.4** The Board shall periodically review the membership of the Committee to ensure that membership is refreshed, and undue reliance is not placed on particular individuals.

**1.5** Subject to the annual re-election of directors, appointments to the Committee shall be for an initial period of up to three years, which may be extended by no more than two additional three-year periods provided the director continues to be independent and meet the criteria for membership of the Committee.

**1.6** The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

## **2. Secretary**

The Company Secretary or their nominee shall act as the secretary of the Committee (the “**Committee Secretary**”) and shall attend all its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees, as appropriate) all information and papers in a

timely manner to enable them to give full and proper consideration to the issues to be considered at the relevant meeting.

### **3. Quorum**

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

**3.2** 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. All reasonable efforts shall be made to give notice of meetings of the Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

### **4. Frequency of Meetings**

**4.1** The Committee shall meet as frequently as the Committee Chair shall require and also at regular intervals to deal with routine matters and, in any event, not less than three times in each financial year. Any member of the Committee, the Company's auditor or its internal auditor may request a meeting if they consider that one is necessary or expedient.

**4.2** Meetings shall be arranged to coincide with key dates within the Company's financial reporting and audit cycle where appropriate.

**4.3** Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner, and the head of internal audit.

### **5. Notice of Meetings**

**5.1** Meetings of the Committee shall be called by the Committee Secretary at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

**5.2** Unless otherwise agreed, notice of each meeting confirming the venue, time, and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, usually no later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### **6. Minutes of Meetings**

**6.1** The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. The Committee Secretary shall also ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

**6.2** Draft minutes of Committee meetings shall be circulated promptly to the Committee Chair. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chair.

### **7. Engagement with shareholders / Annual General Meeting**

The Committee Chair shall attend the Company's annual general meeting 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's areas of responsibility.

## **8. 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, as appropriate.

### **8.1. Financial Reporting**

**8.1.1** The committee shall 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 significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor. In addition, the committee should review summary financial statements and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

**8.1.2** The Committee shall review and challenge where necessary:

- (i) the application and appropriateness of significant accounting policies and any changes to them both on a year-on-year basis and across the Company/Group.
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible.
- (iii) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the Company's external auditor on the financial statements.
- (iv) the clarity and completeness of disclosure in the Company's financial statements and the context in which statements are made to determine whether they provide the information necessary for shareholders and others to assess the Company's performance, business model and strategy and whether it is fair, balanced, and understandable (when taken as a whole).
- (v) 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.
- (vi) any significant adjustments resulting from the audit.
- (vii) the going concern assumption.
- (viii) compliance with accounting standards, taking into account the views of the Company's external auditor.
- (ix) compliance with stock exchange and other legal and regulatory requirements.

**8.1.3** The Committee shall 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 under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

**8.1.4** 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.

## **8.2. Narrative Reporting**

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 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 Code.

## **8.3. Internal Controls and Risk Management Systems**

The Committee shall:

**8.3.1** Keep under review the company's internal financial controls systems that identify, assess, manage, and monitor financial risks, and other internal control and risk management systems.

**8.3.2** Review and approve the statements to be included in the Company's annual report concerning internal controls, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

## **8.4. Compliance, Speaking Up (Whistleblowing) and Fraud**

The Committee shall routinely review:

**8.4.1** The adequacy and security of the Company's arrangements for its employees and 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.

**8.4.2** The Company's procedures for detecting fraud; and

**8.4.3** The Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

## **8.5. Internal Audit**

The Committee shall:

**8.5.1** Approve the appointment and removal of the person holding responsibility as head of the internal audit function or an external party carrying out the internal audit function, as may be appropriate from time to time.

**8.5.2** Review and approve the role and mandate of internal audit, monitor, and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation.

**8.5.3** 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.

**8.5.4** Ensure that the internal audit function has unrestricted scope, 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.

**8.5.5** Ensure the internal auditor has direct access to the board chair and to the committee chair, providing independence from the executive and accountability to the committee.

**8.5.6** Carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment.

**8.5.6.1** meet the head of internal audit, or the external party carrying out the internal audit function, at least once a year, without management being present, discuss the effectiveness of the function and any issues arising from the internal audits carried out.

**8.5.6.2** review and assess the annual internal audit work plan.

**8.5.6.3** receive a report on the results of the internal auditor's work on a periodic basis.

**8.5.6.4** determine whether it is satisfied that the quality, experience, and expertise of internal audit is appropriate for the business.

**8.5.6.5** review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.

**8.5.7** Monitor and assess the role and effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and the work of compliance, finance, and the external auditor.

**8.5.8** Consider whether an independent, third-party review of processes is appropriate.

## **8.6 External Audit**

The Committee shall, taking into account applicable law, professional requirements and ethical guidance:

**8.6.1** Consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.

**8.6.2** Ensure that the Company's external auditor's contract is put out to tender at least every ten years and to rotate auditors every twenty to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those at other audit firms. The tendering process should be led by the Audit & Risk Committee this includes:

- initiating a tender process ensuring that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process and should be conducted far enough in advance of appointment for firms to exit relationships which may cause a conflict of interest;
- All members of the Audit & Risk Committee to be included in the tendering process; and
- the choice of auditor should be based on quality, including independence, challenge and technical competence, not price or perceived cultural fit. Public reports published by the FRC and where relevant other regulators, including those overseas, on the quality of each firm's audit should be scrutinised as part of the process. The Committee should also review audit quality indicators published by firms and / or the FRC;

- influencing the appointment of an engagement partner, negotiating the fee and scope of the audit, and making formal recommendations to the board on the appointment, reappointment and removal of the external auditors;
- The Committee should submit two possible audit firm options for the engagement to the Board, together with a justified preference for one of them and should consider running a price-blind tender;
- If a tender process has taken place within the year, the Audit Committee should explain the criteria used to make the selection and the process followed in the Annual Report and Accounts; and
- The Audit & Risk Committee may, of course, make use of the entity's employees for research and evaluation.

**8.6.3** Oversee the relationship with the external auditor as a whole including (but not limited to):

- (i) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate 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) assessing annually their independence and objectivity taking into account relevant law, regulation, the Ethical standards and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence (including the provision of any non-audit services) and the safeguards to mitigate those threats.
- (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- (v) 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 then monitoring the implementation of this policy.
- (vi) monitoring the auditor's processes for maintaining independence, its compliance with relevant law, regulation other professional requirements and the Ethical Standards including guidance on the rotation of audit partners and staff, the level of fees paid by the Company 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.
- (vii) assessing annually 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 its own internal quality procedures.
- (viii) seeking to ensure co-ordination with the activities of the internal audit function.
- (ix) obtaining and 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 consideration of the need to include the risk of the withdrawal of the Company's present auditor from the market in that evaluation. The committee should also discuss with the auditor the key audit firm and network level controls the auditor relied on to address the identified risks to audit quality and enquire about the findings from internal and external inspections of their audit and their audit firm.

- (x) Review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks.
- (xi) develop and recommend 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 preapproved, 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:
  - threats to the independence and objectivity of the external auditor and any safeguards in place
  - the nature of the non-audit services
  - whether the external audit firm is the most suitable supplier of the non-audit service
  - the fees for the non-audit services, both individually and in aggregate, relative to the audit fee
  - the criteria governing compensation.

**8.6.4** 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 management being present, to discuss their remit and any issues arising from the audit.

**8.6.5** Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise, and experience of the audit team. The Audit Committee should satisfy itself that the quality of the audit is of a sufficiently high standard supported by evidence and be able to justify how the Committee arrived at its conclusion and should review the FRC's annual report on the auditor. It should discuss the report with the auditor and obtain an understanding of how any issues identified are being addressed.

**8.6.6** 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) any key accounting and audit judgements.
- (iv) the auditor's view of their interactions with senior management.
- (v) levels of errors identified during the audit.
- (vi) the effectiveness of the audit 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.

**8.6.7** Review any representation letter(s) requested by the external auditor before they are signed by management.

**8.6.8.** Review and monitor the content of the external auditor's management letter, and other communications with the audit committee, to assess whether it is based on a good understanding of the company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.

**8.6.9** The Audit Committee should also obtain evidence of the effectiveness of the external audit and the auditor from those impacted by the audit/auditor. The following approaches may be suitable, and should be documented if used:

- Evidence of occasions where the auditor has challenged management and the result of those challenges.
- How the auditor has responded to its previous assessments of the audit quality and whether any concerns expressed by the Audit Committee have been addressed satisfactorily.
- The auditor's own assessments of the quality of the audit, and its quality assurance systems more broadly.
- Engagement level Audit Quality Indicators agreed with the Audit Committee against which the auditor will report on a regular basis.
- If the company's audit has been subject to a review by the FRC, the auditor's response to the findings and details of any action it plans to take in response.
- Tailored surveys of a sample of those subject to audit to gain their perspective.
- Feedback from external sources including investors.

**8.6.10** In the course of its assessment of effectiveness, the Audit Committee should Obtain feedback about the conduct of the audit from key people involved, for example the finance director and the head of internal audit, including consideration of the external auditor's reliance on internal audit.

## **9. Reporting Responsibilities**

**9.1** The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

**9.1.1** the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed.

**9.1.2** its assessment of the effectiveness of the external audit process (required under paragraph 8.6.4) the approach taken to the appointment or reappointment of the external auditor length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans.

**9.1.3** any other issues on which the Board has requested the Committee's opinion.

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

**9.3** The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include:

**9.3.1** the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed and communicated to it by the auditor.

**9.3.2** An explanation of the application of the entity's accounting policies.

**9.3.3** an explanation of how the Committee has assessed the independence and effectiveness of the external audit process.

**9.3.4** an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor all other information requirements set out in the Code.

**9.3.5** Where a regulatory inspection of the quality of the company's audit has taken place, information about the findings of that review, together with any remedial action the auditor is taking in the light of these findings.



**9.3.6** In the case of a board not accepting the Audit Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Audit Committee explaining its recommendation and that of the board, and the reasons why the Board has taken its different position (this should also be supplied in any papers recommending appointment or reappointment).

**9.3.7** Where shareholders have requested that certain matters be covered in an audit and that request has been rejected, an explanation of the reasons why.

**9.3.8** Details of how effective oversight has been achieved throughout the year should be documented and the Audit Committee should consider reporting on this where appropriate.

**9.4** In compiling the reports referred to in 9.1 and 9.3, 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

**9.5** The Audit Committee should report on the activities it has undertaken to meet the requirements of the Standard.

## **10. Other Matters**

The Committee shall:

**10.1** Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required.

**10.2** Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

**10.3** Give due consideration to laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules Prospectus Rules and Disclosure guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.

**10.4** Be responsible for co-ordination of the internal and external auditors.

**10.5** Supervise the Company's policy in respect of tax planning and the Company's tax strategy.

**10.6** Oversee any investigation of activities which are within its terms of reference.

**10.7** 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.

**10.8** 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 for approval.

## **11. Authority**

The Committee is authorised by the Board:

**11.1** To seek any information it requires from any employee or director of the Company, or any consultant or other provider of services to the Company, in order to perform its duties.

**11.2** To obtain, at the Company's expense, independent legal, accounting, or other professional advice on any matter if it believes it necessary to do so.

**11.3** To call any employee to be questioned at a meeting of the Committee as and when required.

**11.4** 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. If the board has not accepted the committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the board has taken a different position.

**11.5** Although the Committee can seek the advice and assistance of the executive management, it must ensure that their role in this respect is clearly separated for their role within the business.

Approved by the Audit & Risk Committee & the Board: 19 September 2024