

CALISEN PLC

TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

1. These terms of reference for the Audit and Risk Committee (the “**Committee**”) have been adopted by the Board of Directors (the “**Board**”) of Calisen plc (the “**Company**”).

2. **PURPOSE**

2.1. The purpose of the Committee is to assist the Board in its oversight of:

- (a) the integrity of the Company’s financial statements and all material information presented with the financial statements, including the accounting and financial reporting process of the Company and audit of the Company’s financial statements;
- (b) the Company’s system of internal controls, corporate reporting and risk management;
- (c) the external auditor’s qualifications and independence; and
- (d) the effectiveness of the Company’s internal and external auditors taking into consideration relevant UK professional and regulatory requirements.

2.2. In fulfilling its purpose, the Committee shall maintain free and open communication with the Company’s external auditors, internal auditors and management.

3. **DUTIES AND RESPONSIBILITIES**

3.1. In furtherance of this purpose, the Committee shall have the following duties and responsibilities:

General Review

3.2. To review major issues regarding accounting principles, policies, practices, and judgments and financial statement presentations, including:

- (a) any significant changes to the Company’s selection or application of accounting principles;
- (b) the adequacy and effectiveness of the Company’s internal controls and risk management systems;
- (c) any special audit steps adopted in light of material control deficiencies; and
- (d) the going concern and viability statement assumptions.

3.3. To review analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements of the Company.

3.4. To monitor the integrity of the financial statements of the Company, including its annual and half year reports, results announcements, dividend proposals and any other formal

announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.

- 3.5. To discuss with management and the external auditors, the external auditor's judgments about the quality and appropriateness of the Company's accounting principles and underlying estimates in its financial statements.
- 3.6. To review the content of the Company's 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 and performance, business model and strategy.
- 3.7. To review the viability statement included in the Company's annual report and accounts and provide advice on how, taking into account the Company's position and principal 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.

Risk appetite, tolerance and strategy

- 3.8. To 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.
- 3.9. To seek assurance on the risks the Company identifies as those to which the business may be exposed.
- 3.10. To 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 their impact.
- 3.11. To 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

- 3.12. To oversee and seek suitable assurance regarding:
 - (a) The risk exposures of the Company, including risk to the Company's business model, and solvency and liquidity risks.
 - (b) 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.
 - (c) 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.
 - (d) The effectiveness and relative costs and benefit of particular controls.

- (e) 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 when necessary.
 - (f) The Company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
 - (g) 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.
- 3.13. To monitor and review the effectiveness of the Company's outsourced and internal audit function. To review the annual internal audit programme, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- 3.14. To ensure the head of internal audit or representative of the internal audit firm has direct access to the Chair of the Board and the chair of the Committee (the "**Committee Chair**") and is accountable to the Committee.
- 3.15. To discuss with management and the external auditors the integrity of the Company's financial reporting processes and internal financial controls, including policies and guidelines with respect to risk assessment and risk management and the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- 3.16. To discuss periodically with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements and the adequacy and effectiveness of the Company's internal financial controls.
- 3.17. To discuss periodically with the Board:
- (a) all significant deficiencies and material weaknesses in the design or operation of internal controls and risk management systems which could adversely affect the Company's ability to record, process, summarise and report financial data;
 - (b) any significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses; and
 - (c) any fraud involving management or other employees who have a significant role in the Company's internal controls.

External Auditors

- 3.18. To review annually the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements.
- 3.19. To make recommendations to the Board, to be put to the shareholders for approval at a general meeting, in relation to the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, including the retention of the external auditor for any significant permissible non-audit services. The Committee may also take into account the opinions of management in its dealings with the external auditor.
- 3.20. To develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the

impact this may have on independence, taking into account relevant regulations, ethical guidance and legal requirements relating to the provision of non-audit services, and reporting to the Board on any improvement or action required. The policy statement for the provision of non-audit services is set out in the document entitled "The provision of non-audit services by the external auditor".

- 3.21. To conduct an audit tender process at least once every ten years 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 oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. If the external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 3.22. To evaluate annually the experience, qualifications, performance, objectivity and independence of the external auditor, including its lead partners. To ensure the regular rotation of the audit partners, as required by applicable laws, rules and regulations. The Committee may take into account relevant UK professional and regulatory requirements, the opinions of management and the internal auditors in its evaluation of the external auditor. The Committee will present its conclusions regarding the external auditor to the Board.
- 3.23. To satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity.
- 3.24. To review with the external auditor any audit problems or difficulties, together with management's responses, including any restrictions on the scope of the external auditor's activities or on access to requested information, and any significant disagreements with management.
- 3.25. To evaluate the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include risk of the withdrawal of the Company's present external auditor from the market in that evaluation.
- 3.26. To discuss the results of the year-end audit and interim review of the Company with the external auditor and any other matters required to be communicated to the Committee by the external auditor under generally accepted accounting standards.
- 3.27. To discuss with the external auditor before the audit and interim review commence, the nature and scope thereof.
- 3.28. To review the external auditor's management letter and management's response.
- 3.29. To review, on an annual basis, all relationships between the external auditor and the Company, and to seek to ensure co-ordination between the external and internal auditors.
- 3.30. To make recommendations to the Board regarding any proposed audit qualification of the accounts.

Reporting responsibilities

- 3.31. The Committee shall carry out the following duties to assist the Board in fulfilling its reporting responsibilities in the annual report:
 - (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.
- (e) Review and approve the statements to be included in the annual report concerning internal controls and risk management.

Legal Compliance and Complaints

- 3.32. To review with management and the external auditor any correspondence with regulators or governmental agencies and any published reports and employee complaints concerning financial matters which raise material issues regarding the Company's financial statements or accounting policies.
- 3.33. To establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters. The Company's Whistleblowing procedures are set out in the document entitled "Whistleblowing Policy".
- 3.34. To investigate and address any reports of evidence of breaches of fiduciary duties, reporting results to the Board, subject to any confidentiality issues.
- 3.35. To review the Company's procedures for detecting fraud.
- 3.36. To review the Company's system and controls for the prevention of bribery and receive reports on non-compliance.

Tax Compliance

- 3.37. To approve the framework of responsibilities and policies in regard to tax compliance and ensure that appropriate people and procedures are in place for managing tax compliance risk.
- 3.38. To scrutinise, monitor and review the effectiveness of the Group's tax arrangements and ensure that the risks to tax compliance are properly managed and enable returns to be prepared with an appropriate degree of confidence and compliance with tax legislation.
- 3.39. To review, in advance, any material tax structuring initiatives, or any tax enquiry, investigation or settlement (other than tax enquiries arising in the ordinary course of business).

Other Audit and Risk Committee Responsibilities

- 3.40. To agree with the Board a policy on the employment of former employees of the Company's external auditor taking into account ethical standards and legal requirements and monitor the application of this policy.
- 3.41. To conduct any investigation appropriate to fulfil its responsibilities, with the authority to have direct access to the external auditor as well as any employee of the Company.
- 3.42. To keep abreast of new accounting and reporting standards, and give due consideration to laws and regulations, the provisions of the Companies Act 2006, UK Corporate

Governance Code and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.

- 3.43. To consider and determine any proposal by management regarding the termination of the Company's contract with the outsourced internal audit resource.
- 3.44. To perform any other activities consistent with these terms of reference, as the Committee or the Board deems necessary or appropriate.

4. **MEMBERSHIP AND INDEPENDENCE REQUIREMENTS**

- 4.1. The Committee shall consist of at least three (3) members. All Committee members shall be independent non-executive directors of the Company, and the Committee as a whole shall have competence relevant to the sector in which the Company operates. At least one (1) member shall have recent and relevant financial experience.
- 4.2. Committee members shall be appointed by the Board on the recommendation of the Nomination Committee, in consultation with the Committee Chair (as defined below). The Chair of the Board shall not be a member of the Committee. Each prospective Committee member shall carefully evaluate existing time demands before accepting Committee membership. The Committee members may be removed, with or without cause, by a majority vote of the Board.
- 4.3. The Company Secretary or his or her nominee shall act as the secretary of the Committee (the "**Committee Secretary**").
- 4.4. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, Chief Financial Officer, Finance Director, the head of internal audit or representative of the internal audit firm, the external audit lead partner, or other directors may be invited to attend all or any part of any meeting, as and when appropriate.
- 4.5. As set out in the Relationship Agreement dated 7 February 2020 between Calisen plc and KKR Evergreen Aggregator L.P., (the "**Relationship Agreement**") for so long as the KKR Shareholder and/or any of its Associates, when taken together, hold 10 per cent or more of the Voting Rights of the Shares (and for the avoidance of doubt, Shares shall not, for so long as they are held in treasury by the Company, carry any Voting Rights), one KKR Director (or that Director's alternate) shall be entitled to receive an invitation to, and to attend as an observer (but not vote) at, all meetings of the Committee. The definitions used in this paragraph correspond to the definitions used in the Relationship Agreement.
- 4.6. The Committee Chair shall be appointed by the Board. The Committee Chair shall be entitled to chair all regular sessions of the Committee and add topics to the agenda. In the absence of the Committee Chair, the remaining members present (in person or by telephone or video conference) shall elect one of themselves to chair the meeting.
- 4.7. Appointments to the Committee shall be for a period of three (3) years, which may be extendable by no more than two (2) additional three (3) year periods, provided that the director still meets the criteria for membership of the Committee.

5. **MEETINGS**

- 5.1. The Committee shall meet, at least three (3) times a year, or more frequently as circumstances dictate, and all Committee members shall strive to be present at all Committee meetings. The Committee meetings shall follow a set agenda established by the Committee.

- 5.2. Two (2) Committee members, acting in person, linked by telephone or video conference facilities or by proxy, shall constitute a quorum and, where possible, at least one of the members present in any quorum shall have recent and relevant financial experience. 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.
- 5.3. Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit or representative of the internal audit firm.
- 5.4. The Committee should meet separately (without management being present), at least once a year, with (i) the internal auditor, to discuss the effectiveness of the function, and (ii) the external auditor, to discuss the auditor's remit and any issues arising from the audit.

6. NOTICE OF MEETINGS

- 6.1. Meetings of the Committee shall be convened by the Committee Secretary at the request of the Committee Chair or at the request of external or internal auditors if they consider it necessary.
- 6.2. 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 (if appropriate) no later than three working days before the date of the meeting. Supporting papers shall be sent to Committee members and to the attendees as appropriate, at the same time.

7. REPORTING PROCEDURES

- 7.1. The Committee Secretary shall prepare and circulate the minutes of the meeting of the Committee to all members of the Committee and maintain a minute book containing minutes of meetings signed by the chair of the meeting.
- 7.2. The Committee shall report its actions and recommendations to the Board after each Committee meeting, including reporting on how it has discharged its responsibilities, and, once agreed upon by the Committee, shall provide to the Board a copy of the minutes, unless in the opinion of the Committee Chair it would be inappropriate to do so. This report shall include:
 - (a) the significant issues that it considered in relation to the financial statements and how these were addressed;
 - (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 7.3. To consider the major findings of internal investigations and management's response:
 - (a) the Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
 - (b) the Committee will ensure that provisions regarding disclosure of information, as set out in the Companies Act 2006, the UK Corporate Governance Code and any other relevant laws, regulations and codes of practice, are fulfilled and shall compile a

report on its activities to be included in the Company's annual report. The report should include:

- (i) 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;
- (ii) 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 retendering plans;
- (iii) if the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position;
- (iv) where there is no internal audit function, an explanation of the absence, how internal assurance is achieved, and how this affects the work of the external audit;
- (v) an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services; and
- (vi) the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team; and where relevant, disclosures about the findings and the actions they and the auditors plan to take.

7.4. 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.

7.5. The Committee Chair should attend the Annual General Meeting prepared 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.

7.6. The terms of reference of the Committee will be made available on the Company's website.

8. ANNUAL PERFORMANCE EVALUATION

8.1. The Committee shall, at least once a year, review its own performance, 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.

8.2. To ensure the Committee remains up-to-date with developments, appropriate and timely training will be provided to the Committee from suitably qualified external advisers for new members and on an ongoing basis.

9. OUTSIDE ADVISERS

The Committee shall have the authority to retain, at the Company's expense, outside legal, accounting, or other advisers or experts it deems necessary to perform its duties. The Committee shall retain these advisers without seeking Board approval and shall have sole authority to approve related fees and retention terms. The Committee shall receive appropriate funding from the Company for payment of fees to outside advisers engaged by the Committee.

10. AUTHORITY

- 10.1. The Committee is authorised by the Board to (i) seek any information it requires from any employee of the Company in order to perform its duties, and (ii) call any employee to attend a meeting of the Committee as and when required.
- 10.2. The Committee shall oversee any investigation of activities which are within its Terms of Reference.

11. OTHER MATTERS

The Committee shall:

- 11.1. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 11.2. give due consideration to all relevant laws, regulations and codes of practice in relation to executive remuneration, including, but not limited to, the provisions of the UK Corporate Governance Code, the Companies Act 2006 and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 11.3. work and liaise as necessary with all other Board committees; and
- 11.4. consider other matters as referred to the Committee by the Board.

As approved by the Board on 30 July 2020.