

AUDIT AND RISK COMMITTEE CHARTER

Purpose of Charter

1. This Charter sets out the authority, role, membership and operation of the Audit and Risk Committee (“the Committee”) of Friendly Society Medical Association Limited (“FSMA”, “the Company”).

Authority

2. The Committee is authorised to perform activities within the scope of the responsibilities set out in this Charter and to make appropriate recommendations to the Board of Directors of FSMA (“the Board”) for consideration.

Membership

3. The Committee is appointed by the Board in accordance with Clause 52 of the Company’s Constitution.
4. The People, Culture and Rewards Committee will review the composition of the Committee on an annual basis and present recommendations to the Board on its membership.
5. The Committee is comprised of a minimum of three independent non-executive Directors. The Chairman of the Board is not eligible to be a member of the Committee but may attend Committee meetings in an ex-officio capacity. The Chief Executive Officer will attend Committee meetings in an ex-officio capacity.
6. All members of the Committee should be financially literate, that is able to read and understand financial statements. At least one member should have relevant qualifications and experience, that is, should be a qualified accountant or other financial professional with experience of financial and accounting matters, including being up to date with any continuing professional development requirements of their qualification, and some members should have an understanding of the industry in which FSMA operates.
7. All Directors have a standing invitation to attend the Committee meetings in an ex-officio capacity.

Responsibilities and Duties of the Committee

8. The responsibilities and duties of the Committee include but are not limited to the following matters:

Corporate Reporting

- Review the integrity of FSMA’s financial and external reporting.
- Review and make recommendations to the Board regarding significant financial, accounting and reporting issues.

- Review the annual financial statements with management and the external auditor.
- Review the annual financial statements to ensure that the accounting policies applied by management comply with the recognition, measurement and disclosure requirements of relevant accounting standards and corporate reporting regulations and recommend whether the annual financial statements should be signed.

External Audit

- Annually consider the appointment of the external auditor. As required, provide a recommendation that an audit tender should be performed to ensure that the procedures for the selection and appointment of the external auditor are conducted by management.
- Annually review and approve the terms of engagement and fees of the external auditor prior to the commencement of the audit.
- Assess the external auditor's activities, scope and independence and provide recommendations where appropriate.
- Review the findings of the audit with the external auditor and management's responses to the recommendations of the external auditor. Monitor the implementation of recommendations made by the external auditor
- Review the effectiveness of the annual audit and the performance of the external auditor, taking into account the opinion of management.

Internal Audit

- Oversee the quality and effectiveness of the internal audit function.
- Review and assess the adequacy of internal control structures and processes, including the corporate risk register.
- Review and approve the scope, plan, terms and budget for internal audit activities and initiatives.
- Review the findings of internal audit reports and management's responses to recommendations made. Monitor the implementation of recommendations made by the internal audit function.

Risk Management

- Review the adequacy and effectiveness of FSMA's risk management program.
- Annually review the Company's corporate risk register and consider whether management's activities to reduce risks to an acceptable level are adequate.
- Annually review the design and effectiveness of controls implemented by management to mitigate fraud risks. Consider emerging fraud risks and confirm that controls are in place to mitigate these emerging risks.
- Monitor cybersecurity and system controls in accordance with the requirements of the Information Security Policy.
- Review the Crisis Management Framework, annually or more regularly if required/



Other Matters

- Oversee tax compliance and governance.
- Oversee the organisation's compliance with relevant legislation and statutory reporting requirements.
- Oversee the organisation's ESG framework and review climate and sustainability reporting.
- Undertake special reviews and investigations as requested by the Board.
- Regularly review wage controls to ensure all employees are being paid correctly.
- Maintain a list of Committee tasks and ensure compliance with that list on a timely basis.

Meetings

9. The Committee meets at least three times a year, or more frequently as required.
10. Management must supply the Committee with information in a form, timeframe and quality that will enable the Committee to discharge its duties effectively. Committee Members are entitled to request additional information at any time when they consider it appropriate.
11. The Agenda for the meeting will be provided to the Chairman of the Committee for approval prior to the distribution of the papers for the meeting.
12. The Committee will report on its meetings to the Board, including a copy of the draft minutes of the meeting and any relevant papers requiring Board approval or oversight.
13. As required by the FSMA Constitution a quorum for a Committee is a majority of Committee members.
14. Without the presence of management, the Chairman of the Committee meets at least annually with the external auditor and separately with any internal auditor as may be appointed from time to time. Additionally, the Committee sets aside time at each meeting for private discussion with the external auditor present.
15. The Committee may request any employee to attend any meeting as it considers appropriate. However, if an employee has a material personal interest in a matter that is being considered at a meeting, they must not be present for consideration of that matter.

Minutes

16. The Minutes of the Committee are to be forwarded to the Chairman within one week of the meeting. The Chairman must review and advise of approval or any changes within one week. The Chairman approved minutes are then forwarded to the rest of the Board or Committee. All Committee Members are to respond with any changes to the minutes once received within one week. Assent received by at least half of the Committee at the end of the week will provide acceptance of the minutes, unless the Chairman considers it appropriate for the minutes to be assented to by all Committee Members. The times and details of the issue of the minutes, and confirmation received, are to be recorded in the minute book, and the final minutes are to be entered into the minute book once final confirmation is received.



Access to Independent Professional Advice

17. Each Director is able to seek independent professional advice at the Company's expense, with the prior approval of the Chairman of the Board. Any such advice received is made available to all members of the Board.
18. The Committee may conduct or direct any investigation to fulfil its responsibilities and may retain, at the Company's expense, any legal, accounting or other services that it considers necessary from time to time to perform its duties.

Committee Performance

19. The Audit and Risk Committee Charter will be reviewed on a biennial basis, (or more regularly if required) and any proposed changes will be presented to the Board for approval.

This Charter is effective 2 March 2026 and supersedes any Charter previously in force.

