

ELEMENTIS PLC
AUDIT COMMITTEE TERMS OF REFERENCE
(approved by the Board on 23 September 2020)

1. PURPOSE

- 1.1 The purpose of the Audit Committee ('the Committee') is to assist the Board by establishing, reviewing and monitoring the financial and narrative reporting, the company's internal controls framework and risk management.
- 1.2 The Committee shall act independently from management and will seek to safeguard the interests of the Company's shareholders.

2. MEMBERSHIP

- 2.1 The Committee shall consist of at least three Non-Executive Directors of the Company. In compliance with the UK Corporate Governance Code, the Chairman of the Board may not become a member of the Committee.
- 2.2 The Board shall ensure that the Committee as a whole has competence relevant to the sector in which the Group operates and that there is always at least one Committee member who has recent and relevant financial experience
- 2.3 Appointments to the Committee shall be made by the Board on the recommendation of the Nomination Committee and in consultation with the Committee Chairman.
- 2.4 The Chairman of the Committee shall be appointed from time to time by the Chairman of the Board in consultation with other Board members.
- 2.5 Only members of the Committee have the right to attend Committee meetings. However, the Committee may in its discretion invite any other persons to attend all or part of its meeting as appropriate.
- 2.6 The Chief Financial Officer, Group Financial Controller, Group Head of Tax, Internal Audit lead partner and External Audit lead partner will be invited regularly to attend meetings, although this may be amended or withdrawn at any time by the Committee Chairman in consultation with the Committee. Others may also be invited for a particular meeting or a particular agenda item as and when the Committee deems it appropriate or necessary.
- 2.7 The attendance of the Chairman is subject to invitation by the Committee Chairman.
- 2.8 In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.

3. SECRETARY

- 3.1 The Company Secretary shall be the Secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

4. QUORUM

- 4.1 The quorum necessary for the transaction of business for each meeting shall be two members.

5. FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least three times per annum and may be held in person or by telephone or videoconference.
- 5.2 The Auditor, or the Chair on behalf of the Committee, may request a private meeting, without any executives being present, if either considers that one is necessary. In any event the committee will meet at least annually the external and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.
- 5.3 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the company's governance, including the Board Chair, the Chief Executive, the Chief Financial Officer, Group Financial Controller, the external audit lead partner and the internal audit lead partner.

6. NOTICE OF MEETINGS

- 6.1 Meeting of the Committee shall be called by the Secretary of the Committee at the request of any of its members.
- 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 and any other person required to attend, in sufficient time to allow the Committee to consider the papers. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7 MINUTES OF MEETINGS

- 7.1 The Secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.
- 7.2 The Secretary shall ascertain at the beginning of each meeting of the committee, the existence of any conflicts of interest and minute them accordingly.
- 7.3 Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

8. ANNUAL GENERAL MEETING

- 8.1 The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

9. RELATIONSHIP WITH THE BOARD

- 9.1 The Board shall determine the role of the Committee and review its authority, terms of reference and scope of activity.
- 9.2 The Committee should consider key matters of its own initiative rather than relying solely on the work of the external auditors. It must satisfy itself that the sources of assurance and information it has used to carry out its roles to review, monitor and provide assurance or recommendations to the Board are sufficient and objective

- 9.3 The Board shall review the effectiveness of the Committee on an annual basis.
- 9.4 Where there is a disagreement between the Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreements cannot be resolved, the Committee shall have the right to report the issue to the shareholders as part of the report on its activities in the annual report.

10. DUTIES

The Committee should carry out the duties below:

10.1 Financial Reporting

10.1.1 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, reviewing significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the external auditor. The Committee shall review and challenge where necessary.

10.1.2 In particular, the Committee shall review and challenge where necessary:

- (a) the quality, appropriateness and consistency of, and any changes to, significant accounting policies;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the company has followed appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's view on the financial statements;
- (d) the clarity and completeness of disclosures in the Company's financial statements and the context in which statements are made; and
- (e) 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.

10.2 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 those matters that are required under the Code.

10.3 Internal controls and risk management systems

The Committee shall:

- 10.3.1 keep under review the adequacy and effectiveness of the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- 10.3.2 review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement; and

- 10.3.3 consider reports on the group's tax position and policy, which includes ongoing HMRC enquiries and areas of potential tax exposure.

10.4 **Compliance, speaking-up and fraud**

The Committee shall:

- 10.4.1 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;
- 10.4.2 review the Company's procedures for detecting fraud;
- 10.4.3 review the Company's policy, systems and controls for ethical behaviour and the prevention of bribery and receive reports on non-compliance; and
- 10.4.4 review regular reports from the General Counsel and Chief Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance and litigation function.

10.5 **Internal Audit**

The Committee shall:

- 10.5.1 approve the appointment or removal of the Internal Audit lead partner;
- 10.5.2 review and approve the role and mandate of Internal Audit and oversight of fees;
- 10.5.3 review and approve the annual internal audit plan and ensure it is aligned to the key risks of the business, receive regular reports on work carried out and ensure coordination of work between risk, compliance, finance, internal auditors and external auditors where appropriate;
- 10.5.4 ensure the Internal Audit lead partner has access to the Board Chair and to the Committee Chair, providing independence from the Executive and accountability to the Committee;
- 10.5.5 carry out an annual assessment of the effectiveness of Internal Audit and as part of this assessment:
 - (a) meet with the Internal Audit lead partner without the presence of management to discuss the effectiveness
 - (b) review and assess the annual Internal Audit work plan
 - (c) receive a report on the results of the work by Internal Audit
 - (d) determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the business
 - (e) review actions taken by management to implement the recommendations of internal audit and to support the effective working of Internal Audit
- 10.5.6 monitor and assess the role and effectiveness of Internal Audit in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor; and

10.5.7 consider whether an independent, third party review of processes is appropriate.

10.6 External Audit

- 10.6.1 assess annually the qualification, expertise, resources and independence of the external auditors and the effectiveness of the audit process which shall include a report from the external auditors on their own quality procedures.
- 10.6.2 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditors.
- 10.6.3 consider and initiate the tendering of the external audit services at least once every ten years and oversee the selection procedure for the appointment of the external auditor, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- 10.6.4 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 10.6.5 oversee the relationship with the external auditor, including (but not limited to):
- (a) approval of their remuneration, for audit and non-audit services, including establishing whether the level of fees is appropriate to enable an effective and high-quality audit to be conducted
 - (b) approve the terms of engagement of the external auditor, including reviewing and agreeing any engagement letter issued at the start of each audit and the scope of the audit
- 10.6.6 assess annually the external auditor's independence and objectivity taking into account relevant law, regulations and other professional requirements and the 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.
- 10.6.7 satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company outside the ordinary course of business which could adversely affect the auditor's independence and objectivity.
- 10.6.8 monitor the external auditor's processes for maintaining independence and compliance with relevant, ethical and professional requirements, including guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other regulatory requirements.
- 10.6.9 seek to ensure co-ordination of the external audit with the activities of the internal audit function.
- 10.6.10 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure consistency with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

10.6.11 review the findings of the audit with the external auditor. This shall include (but not limited to) the following:

- (a) a discussion of any major issues which arose during the audit;
- (b) the auditor's explanation of how the risks to audit quality were addressed;
- (c) key accounting and audit judgements; and
- (d) levels of errors identified during the audit

10.6.12 review the effectiveness of the audit process.

10.6.13 review any representation letter(s) requested by the external auditor before it is (they are) signed by management.

10.6.14 review the management letter and management's response to the auditor's findings and recommendations.

11. REPORTING RESPONSIBILITIES

11.1 the Committee Chair shall report 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:

11.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 10.1.1) and how these were addressed;

11.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 10.6.1), the approach taken to the appointment or re-appointment of the external auditor; and

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

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

11.3 the Committee shall compile a report on its activities during the year to be included in the Company's annual report. This report shall include:

11.3.1 the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;

11.3.2 an explanation of how the Committee has assessed the independence and effectiveness of the external audit process; and

11.3.3 all other information requirements set out in the UK Corporate Governance Code and other related guidance such as FRC guidance on Audit Committees as appropriate.

11.4 in compiling the reports referred to in 11.1 and 11.3, 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 and the inputs to the Board's viability statement.

12. OTHER MATTERS

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for advice and assistance as required.
- 12.2 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.
- 12.3 give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code (and published guidance) and the requirements of the UK Listing Authority's Listing, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.
- 12.4 be responsible for oversight of the co-ordination of the internal and external auditors.
- 12.5 oversee any investigation of activities which are within its terms of reference.
- 12.6 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.
- 12.7 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.

13. AUTHORITY

The Committee is authorised to:

- 13.1 seek any information it requires from any employee of the Company in order to perform its duties.
- 13.2 obtain, at the Company's expense, outside legal, financial or other independent professional advice on any matters within its terms of reference.
- 13.3 call any employee to be questioned at a meeting of the Committee as and when required.
- 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.

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