



ANGLO PACIFIC GROUP PLC
AUDIT COMMITTEE (the “Committee”)

TERMS OF REFERENCE

Adopted by the Board of Anglo Pacific Group PLC (the “Company”) on 24 March 2020

1. Purpose

The objective of the Committee is to assist the Board in discharging governance responsibilities in respect of external audit, internal audit, risk and internal control and to oversee the integrity of the Company’s and its subsidiaries’ (the “Group”) financial reporting and associated narrative statements.

2. Scope

The Committee shall be responsible for overseeing:

- (a) financial reporting processes, including internal control over financial reporting;
- (b) the systems of risk management and internal control;
- (c) the internal audit function;
- (d) external audit and the relationship with the external auditors; and
- (e) compliance with relevant laws and regulations, the provisions of the Code and the requirements of the Financial Conduct Authority’s Listing Rules, Prospectus Rules, and the Disclosure Guidance and Transparency and Corporate Governance Rules and any other applicable rules, as appropriate

3. Membership and Appointment

- 3.1 The Committee shall comprise three or more independent non-executive directors.
- 3.2 Appointments to the Committee should be made by the Board on the recommendation of the Nomination Committee, in consultation with the Committee Chair.
- 3.3 Appointments to the Committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 3.4 Committee members will be financially literate and at least one member of the Committee will have recent and relevant financial, accounting and audit experience. The Committee as a whole shall have competence relevant to the sector in which the Group operates.
- 3.5 The Committee Chair shall be an independent non-executive director appointed by the Board, on the recommendation of the Nomination Committee. In the Committee Chair’s temporary absence, one of the other Committee members,

either nominated by the Committee Chair or elected by the Committee, will act as Committee Chair.

3.6 The Chairman of the Board shall not be a member of the Committee but may attend Committee meetings by invitation.

3.7 Only members of the Committee shall have the right to attend Committee meetings. It is expected that the Chief Financial Officer, the Group Financial Controller and the external audit lead partner will be invited to attend meetings on a regular basis.

4. Secretary

4.1 The Company Secretary, or a nominee, shall be the secretary of the Committee.

5. Quorum

5.1 A quorum of the Committee shall comprise any two Committee members.

5.2 Members of the Committee may attend in person or participate by other means, including teleconference or video conference.

6. Meetings

6.1 The Committee shall meet at not less than three times a year, to coincide with key dates within the financial reporting and audit cycle, and at other such times as any member, or the secretary of the Committee, shall require.

6.2 In addition, the Committee Chair, and to a lesser extent the other members, will be expected to keep in touch on a continuing basis with the key people involved in the Group's governance, including the Chairman of the Board, the Chief Executive, the Chief Financial Officer, the Group Financial Controller and the external audit lead partner as needed.

6.3 The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.4 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

6.5 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all other members of the Board, unless in the opinion of the Committee Chairman it would be inappropriate to do so.

7. Notice of Meetings

7.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair, or at the request of the external audit lead partner if they consider it necessary.

7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be circulated to each

member of the Committee. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time, unless the Committee Chair, determines that it would be inappropriate for any one or more individuals to receive them.

- 7.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

8. Reporting Procedures

- 8.1 The Committee Chair shall report to the Board after each meeting on the matters discussed and the minutes of each Committee meeting shall be received by the Board.

- 8.2 The Committee will report to the Board on its work in discharging its responsibilities during the year, including:

- a) the significant issues that it considered relating to the Group's financial reporting and associated narrative statements and how these issues were addressed;
- b) its assessment of the effectiveness and independence of the external audit process and its recommendation on the appointment or reappointment of the external auditor;
- c) any other issues on which the Board has requested the Committee's opinion on, and in doing so, it should identify any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken;
- d) the outcomes of its evaluation of the effectiveness of the Group's internal controls and risk management processes; and
- e) the outcomes of the annual effectiveness evaluation of the Committee.

- 8.3 Where there is 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.

- 8.4 Where there is a disagreement between the Committee and the Board which cannot be resolved, the Committee has the right to report the issue to the shareholders as part of the report on its activities in the annual report.

- 8.5 The Committee shall compile a report on its activities to be included in a separate section of the Group's annual report. The report should include:

- a) a summary of the role and work of the Committee;
- b) how the Committee composition requirements have been addressed, and the names and qualifications of all members of the Committee during the period, if not provided elsewhere;

- c) the number of Committee meetings;
- d) how the Committee's performance evaluation has been conducted;
- e) an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and of the approach taken to the appointment or reappointment of the external auditor; information on the length of tenure of the current audit firm; the current audit partner name, and for how long the partner has held the role; when a tender was last conducted; and advance notice of any retendering plan;
- f) the Committee's policy for approval of non-audit services; how auditor objectivity and independence is safeguarded if the external auditor provides non-audit services; the audit fees for the statutory audit of the Group's consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work; and for each significant engagement, or category of engagements, an explanation of what the services are and why the Committee concluded that it was in the interest of the Group to purchase them from the external auditor;
- g) an explanation of how the Committee has assessed the need for an internal audit function and why such a function was not required, or how the Committee has monitored, reviewed and assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the business;
- h) confirmation that the Board has carried out a robust assessment of the Company's principal and emerging risks, a description of its principal risks, the procedures in place to identify emerging risks and an explanation as to how these are being managed or mitigated;
- i) the significant issues that the Committee has considered, including issues in relation to the Group's financial reporting and associated narrative statements and how these were addressed, having regard to matters communicated to it by the auditors;
- j) the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team;
- k) disclosures relating to significant findings and proposed actions following review by the FRC Audit Quality Review Team; and
- l) any other information requirements set out in the Code, or the FRC Guidance on Audit Committees.

8.6 The Committee should exercise judgement in deciding which of the issues it considered in relation to the Group's financial reporting and associated narrative statements were significant and should describe them in a concise and understandable form (except where prejudicial to the interests of the Group).

- 8.7 The Committee Chair should seek engagement with shareholders on significant matters related to their area of responsibility. The Committee Chair (or another Committee member nominated by the Committee Chair) will attend the annual general meeting of the Company to respond to any shareholder questions on the Committee's activities or the Group's Annual Report. The Committee members should be prepared to meet investors.

9. Delegation

- 9.1 The Committee has the delegated authority of the Board in respect of the functions and powers in these terms of reference. The Committee may sub-delegate any or all of its powers an authority as it thinks fit, including, without limitation the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 9.2 Where appropriate to ensure the ongoing operating efficiency of the Committee, the Committee may delegate responsibility to the Committee Chair to execute decisions on its behalf. In these instances, the Committee Chair would, where appropriate, solicit the views of fellow Committee members.

10. Resources

- 10.1 The Committee shall have full authority and resources to investigate all matters falling within its Terms of Reference and accordingly, the Committee may:
- (a) obtain, at the Group's expense, any external independent professional or expert advice, as it considers necessary in connection with its purpose and, if required, secure the attendance of such advisors at its meetings;
 - (b) have such direct access to the Group's resources as it may reasonably require including access to management and to external auditors (and internal auditors, where appointed) with or without management present; and
 - (c) oversee the provision of an induction programme following the appointment of members and determine the ongoing training and development of its members taking into account individual requirements.

11. Review and Evaluation

The Committee will undertake a formal annual review of its effectiveness, including the role and responsibilities of the Committee, its organisation and effectiveness and the qualifications of its members. This shall include a review of these Terms of Reference.

Appendix – Committee Responsibilities

Financial Reporting

- Monitor with management and the external auditors the integrity of the Group's financial reporting and associated narrative statements including annual and interim reports, preliminary results announcements and any other formal announcements relating to the Group's financial performance and report to the Board on significant issues which they contain.

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

- a) significant accounting policies and practices adopted by the Group (and compliance with financial reporting standards, listing rules and relevant legislation) and any changes to them;
- b) whether the Group has adopted appropriate accounting standards and policies and made appropriate estimates and judgements;
- c) the methods used to account for significant or unusual transactions where the accounting treatment is open to different approaches;
- d) the clarity and completeness of disclosures in the Group's financial reporting and associated narrative statements and consider whether the disclosures made are set properly in context;
- e) all related information presented with the Group's financial reporting and associated narrative statements, including the strategic report and corporate governance report; and;
- f) management's assessment of going concern and longer-term viability, taking into account the views of the external auditor where appropriate.

Where the Committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to the Board.

- Recommend to the Board that the financial information in the annual and interim reports, and other public documents be approved.
- Advise the Board on whether the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Internal control, including internal control over financial reporting

- Review the Group's internal controls, including financial, operational and compliance controls.
- Review the effectiveness of management processes and internal control over financial reporting, including the estimation and reporting of ore reserves and mineral resources.

Risk management

- Review procedures and systems established by management to identify, assess, monitor and manage risk.

- Review and approve the viability statement included in the annual report.
- Review at least annually periodic reports from management:
 - a) identifying the Group's material business risks within the Committee's scope; and
 - b) assessing the effectiveness of risk management systems applied to these risks and the conclusions of any testing carried out by internal or external audit functions.
- Assess whether the level of assurance it receives on risk management and internal controls is sufficient to establish whether the controls are operating effectively.
- Consider whether the Group has adequate internal controls over risk and whether there are clear procedures and triggers in place to elevate risks to the Board quickly.

Internal Audit Function

- Assess the Company's need for an internal audit function on an annual basis, and where concluded that such a function is necessary, ensure the function has the necessary resources to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- Review and approve either the internal auditors' or the Committee's agreed delegate's work plans to ensure that these are aligned to reflect the Group's key risks and such parties as applicable, evaluate the effectiveness of the risk, compliance and finance functions as part of its work plan.
- Monitor and review on an annual basis, the effectiveness of the Group's evaluation of its internal controls. In undertaking this review the Committee should:
 - a) review and assess the annual work plan;
 - b) receive a report on the results of the work performed;
 - c) monitor and assess the role and effectiveness of either the internal auditors or the Committee's delegate in the overall context of the Group's risk management system, including whether an independent third-party review of the processes is appropriate;
 - d) confirm it is satisfied that the quality, experience and expertise of the function is appropriate for the business; and
 - e) consider the actions management has taken to implement the recommendations arising from the work performed.
- Approve the appointment of any internal audit resource.

External Audit

- Oversee the Group's relations with the external auditor.

Appointment and tendering

- Assess on an annual basis, and report to the Board on, the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process.

- Make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the external auditors.
- Conduct a thorough and fair tender process, at least once every 10 years to:
 - a) oversee the selection process for possible new appointees; and
 - b) ensure that all tendering firms have access to necessary information and individuals during the tendering process.
- If the external auditor resigns, investigate the issues giving rise to such resignation and consider whether any action is required.
- Evaluate the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communications with the Committee.

Terms and remuneration

- Approve the terms of engagement and approve the remuneration paid to the external auditors for audit services, the Committee having satisfied itself that the level of fees payable in respect of the audit services provided is appropriate and that an effective, high quality audit can be conducted for such a fee.
- Review and agree the engagement letter issued by the external auditor at the start of each audit, ensuring that it has been updated to reflect changes in circumstances arising since the previous year.
- Review with the external auditors the scope of their audit and, if not satisfied as to its adequacy, arrange for additional work to be undertaken.

Independence, including the provision on non-audit services

- Review and monitor the independence and objectivity of the external auditor annually, taking into consideration legal, regulatory and professional requirements. The assessment should consider:
 - a) the annual disclosure from the statutory auditor;
 - b) all relationships between the Group and the audit firm and with the audit firm's network firms, and any safeguards established by the external auditor;
 - c) whether, taken as a whole and having regard to the views, as appropriate, of the external auditor, management and internal audit, those relationships appear to impair the auditor's independence and objectivity;
 - d) discussions with the auditor about the threats to their independence and the safeguards applied to mitigate those threats;
 - e) the audit firm's policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff; and
 - f) the audit firm's compliance with relevant UK professional and regulatory requirements, the level of fees that the Group pays in proportion to the overall fee income of the firm, or relevant part of it, and other related regulatory requirements.

- Agree with the Board the Group's policy for the employment of former employees of the external auditor, and monitor application of the policy.
- Recommend to the Board the policy for the rotation of the external audit partners and disclose to shareholders, if the audit partner does not rotate after five years.
- Review and approve a policy on the engagement of the external auditor to supply non-audit services, and ensure there is prior approval of any non-audit services provided, considering the impact any such services may have on the external auditor's independence taking into account the relevant regulations and ethical guidance in this regard and reporting to the Board on any improvement or action required.

Annual audit cycle

- Ensure that appropriate plans are in place for the audit at the start of each audit cycle. The Committee should consider whether the auditor's overall work plan, including planned levels of materiality and proposed resources to execute the audit plan, appears consistent with the scope of the audit engagement, having regard also to the seniority, expertise and experience of the audit team.
- Review with the external auditors the findings of their audit. This shall include:
 - a) a discussion of major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved;
 - b) how the auditor addressed the risks to audit quality;
 - c) weighing the evidence received in relation to each of the areas of significant judgment and review key accounting and audit judgements;
 - d) auditor perception of their interactions with senior management and other members of the finance team; and
 - e) levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted.
- Review and monitor the responsiveness of management to the external auditor's findings and recommendations.
- Review letters of management representations requested by the external auditors in relation to the financial and narrative statements in the annual and interim reports and other public documents. Prior to signature, the Committee should consider:
 - a) matters where the representation has been requested that relate to non-standard issues; and
 - b) whether the information provided is complete and appropriate based on its own knowledge.
- Review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements; mind-set and culture; skills, character and knowledge; quality control; and judgement, including the robustness and perceptiveness of the auditors in handling key judgements, responding to questions from the Committee, and in their commentary where appropriate on the systems of internal control.

In the course of the review, the Committee should:

- a) discuss with the external auditor how risks to audit quality are identified and addressed and key audit firm and network level controls the auditor relied on to address the identified risks to audit quality and the findings from internal and external inspections of their audit and their audit firm;
 - b) review whether the external 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;
 - c) obtain feedback about the conduct of the audit from key people involved, for example the Chief Financial Officer and the Group Financial Controller and consider the external auditor's reliance on internal audit;
 - d) review and monitor the content of the external auditor's management letter, and other communications with the Committee, to assess whether it is based on a good understanding of the Group's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon; and
 - e) review the significance of any findings arising from a review of the Group's audit by the FRC Audit Quality Review team.
- Periodically meet with the external auditors, independently of management, to discuss the quality of the Group's accounting principles, material judgments and any other matters that the Committee or external auditors deem appropriate.

Whistleblowing

- The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting and other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Approval History

Date	Version	Approved By	Details
24/03/2020	1.0	The Board of Directors	Inclusion of substantive changes agreed by the Audit Committee on 10 December 2019 and revisions to incorporate new 2018 UK Code