

ELEMENTIS PLC - AUDIT COMMITTEE TERMS OF REFERENCE

Membership

The Audit Committee ('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.

Committee appointments shall be made by the Board on the recommendation of the Nomination Committee and in consultation with the Committee Chairman.

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.

The Chairman of the Committee shall be appointed from time to time by the Chairman of the Board in consultation with other Board members.

Meetings

Meetings will be held at least three times per annum and a quorum for each meeting shall be two members.

No one other than the Committee Chairman and members is entitled to be present at a meeting of the Committee, but others may attend at the invitation of the Committee. A standing invitation is in place for the Chairman of the Board, CEO, CFO and representatives of both the Internal Audit service providers and external auditors to attend all Committee meetings, although this may be amended or withdrawn at any time by the Committee Chairman in consultation with the Committee.

In addition the Group Financial Controller shall attend meetings as required at the invitation of the Committee, together with such other persons as the Committee shall deem appropriate. At least once a year the Committee will convene or offer to convene a meeting, or part thereof, where the external auditors and internal auditors attend without management present.

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.

Authority

The Committee shall be authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees shall be directed to co-operate with a request by the Committee.

The Committee shall be authorised by the Board to obtain outside legal, financial or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Relationship with the Board

The Board shall determine the role of the Committee and review its authority, terms of reference and scope of activity.

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

The Board shall review the effectiveness of the Committee on an annual basis.

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.

Role and Responsibilities

The role and responsibilities of the Committee shall be:

- a) To review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
 - i) critical accounting policies and practices, and any changes in them;
 - ii) decisions requiring a major element of judgement;
 - iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - iv) the clarity of disclosures;
 - v) significant adjustments resulting from the audit;
 - vi) the going concern assumption;
 - vii) compliance with accounting standards;
 - viii) compliance with stock exchange and other legal requirements; and
 - ix) reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company.
- b) Where requested by the Board to do so, to advise the Board on whether the annual report and accounts taken as a whole is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.
- c) To recommend to the Board the appointment or dismissal of the Internal Audit Service providers.
- d) To approve the annual internal audit programme (and associated fees) prepared by the Internal Audit Service providers, in conjunction with the CFO, and to authorise the CFO to manage and oversee the implementation of the programme, as well as, within an agreed framework such as when it is necessary for practical reasons, to make and agree changes within the programme as approved by the Committee (including the associated changes to costs as a result of such changes to the programme).
- e) To enable Internal Audit to have adequate resources, unrestricted scope and appropriate standing to fulfil its role, including an additional reporting line direct to the Committee, to further enhance its independence and objectivity.
- f) To monitor and review the effectiveness of the internal audit programme and to ensure that the programme is aligned to the key risks facing the Group and that the effectiveness of the risk, compliance and finance functions are evaluated as part of the programme.
- g) To consider management's response to any major internal audit recommendations.

- h) To have the primary responsibility for negotiating the fee and scope of the audit, initiating a tender process, influencing the appointment of an engagement partner and making formal recommendations to the Board on the a appointment, re-appointment and removal of the external auditors.
- i) To assess, review and monitor the external auditor's independence and objectivity, including the rotation of key partners at appropriate intervals when necessary.
- j) To assess, review and monitor the effectiveness of the external audit.
- k) To discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- l) To review with the external auditors, in a timely manner, the findings of their work and the auditor's report taking into account any major issues that arose during the course of the audit and how these were resolved; significant risks to audit quality; key accounting and audit judgements; interactions with management; and errors identified during the audit
- m) To review the external auditor's representation/management letter and management's response.
- n) To assess management's response to any major external audit recommendations.
- o) To develop, implement and review the policy on the engagement of the external auditor regarding the provision of non-audit services, ensure that the provision of non audit services does not impair the external auditor's independence or objectivity and report to the Board on any matters which require consideration or improvement with the recommended steps to be taken to rectify such matters. Ensure that a statement appears in the annual report describing how auditor objectivity and independence is achieved when non-audit services are carried out by the current external auditor.
- p) To monitor and keep under review compliance with the Group's Code of Business Conduct and Ethics, including as part of that the Company's anti-bribery and anti-corruption compliance programmes, as well as assessing and reviewing the Company's procedures for handling allegations from whistleblowers including ensuring that sufficient resources are made available and that the results of any independent investigations are reported to the Board along with any follow-up actions.

Reporting Procedures

The Secretary shall prepare the agenda and minutes of meetings of the Committee for circulation to all members of the Board, and the Chairman of the Committee or, as a minimum, another member of the Committee, shall attend the Board Meeting at which the accounts are approved. Any Director who is not a member of the Committee or who does not have a standing invitation to attend Committee meetings shall only be entitled to receive a copy of the agenda for any Committee meeting.

The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board. These may be made available by placing the information available on the Company's website.

The Committee members shall conduct an annual review of their work and, on a periodic basis, these terms of reference and make recommendations to the Board, as appropriate.

The Committee's duties and activities during the year shall be reported to the Board and will specifically include how it has discharged its responsibilities.

The Committee has a role in ensuring that shareholder interests are properly protected in relation to financial reporting and internal control. The Committee should consider the clarity of its reporting and be prepared to meet investors. The Committee will also ensure a statement is included in the Annual Report to describe its work in discharging its responsibilities, including any significant issues considered by it in relation to the financial statements and how these were addressed, as well as concerning the reappointment of the external auditors, their objectivity and any non audit services provided by them.

The Chairman of the Committee shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Committee's activities and their responsibilities.

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