

## **POLYMETAL INTERNATIONAL PLC (THE *COMPANY*)**

### **AUDIT & RISK COMMITTEE – TERMS OF REFERENCE**

The terms of reference follow the UK Corporate Governance Code (the '*Code*') and recommend the audit committee comprises a minimum of three independent non-executive directors and that the Board chair shall not be a member. At least one member should have recent and relevant financial experience. Although not a provision in the Code, it is good practice for the company secretary, or their nominee, to act as secretary to the Committee, and the FRC Guidance on Audit Committees says the Committee should have access to the services of the company secretariat. The secretary should ensure the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues. The FRC Guidance on Audit Committees states that it is for the Audit Committee chair to decide the frequency of meetings in consultation with the company secretary. There should be as many meetings as the Committee's role and responsibilities require. It recommends at least three meetings a year.

The terms of reference provide that the quorum necessary for the transaction of business shall be two members and that notice and supporting papers must be sent at least five working days before a meeting, unless all Committee members agree otherwise.

**POLYMETAL INTERNATIONAL PLC (THE “COMPANY”)  
AUDIT & RISK COMMITTEE – TERMS OF REFERENCE**

**1. BACKGROUND**

1.1 The Board of Directors of the Company (the *Board*) has resolved to establish an Audit & Risk Committee (the *Committee*). These terms of reference replace any previous terms of reference for any audit committee of the Board.

1.2 The Board has delegated to the Committee responsibility for:

- (a) overseeing the financial and corporate reporting, internal audit and internal financial controls of the Company and its subsidiaries (collectively, the *Group*);
- (b) reviewing the Group’s internal control and risk management systems and overseeing the Company’s attitude to and appetite for risk and its future risk strategy;
- (c) reviewing and overseeing the Group’s procedures for detecting and preventing bribery, fraud, money laundering and other financial crime;
- (d) managing both internal and external audit procedures; and
- (e) maintaining an appropriate relationship with the external auditor of the Group.

**2. DUTIES OF THE COMMITTEE**

The Committee shall carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

**Financial Reporting**

2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results’ announcements and any other formal announcements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor. The Committee shall also review significant financial returns to regulators and any significant financial information contained in other documents.

2.2 The Committee shall review and challenge where necessary:

- (a) the consistency and application of, and any changes to, accounting and treasury policies on a year on year basis, across the Company and the Group;
- (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 views of the external auditor;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management) and the statement in relation of internal control and management of risk.

2.3 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

2.4 The Committee shall assess the effectiveness of the Company's financial reporting procedures. Where the Committee is not satisfied with any aspect, it shall report its views to the Board.

### **Narrative reporting**

2.5 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 these matters that is required under the Code.

### **Internal Controls and Risk Management Systems**

2.6 The Committee shall:

- (a) review the adequacy and effectiveness of the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and the Group's other internal controls and risk management systems; and in particular:
  - (i) the policies and overall process for identifying and assessing business risks and managing their impact on the Company and the Group;
  - (ii) regular assurance reports from management, internal audit, external audit and others on matters related to risk and control, in particular as to the effectiveness and testing of risk management and internal control systems (including financial controls); and
  - (iii) the timeliness of, and reports on, the effectiveness of corrective action taken by management;

- (b) review and approve the disclosures to be made in the annual report concerning internal control, risk management and the viability statement;
- (c) advise the Board on the Company's overall risk appetite, tolerance and strategy;
- (d) assess the emerging and current principal risk exposures of the Company and the Group, and oversee and advise the Board on those risk exposures and future risk strategy;
- (e) review the Company's capability to identify and manage new risk types, including setting triggers for reporting and escalation of significant emerging risks which may be critical to the Company; and
- (f) provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the Group.

### **Whistleblowing, fraud, bribery and other compliance**

2.7 The Committee shall:

- (a) review the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible improprieties in financial reporting or other matters. The objective shall be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action;
- (b) review the Group's policies and procedures for preventing and detecting fraud, the systems and controls for preventing bribery, its code of corporate conduct/business ethics and its policies for ensuring that the Group complies with relevant regulatory and legal requirements, receive reports and consider appropriate action.

### **Internal Audit**

2.8 The Committee shall:

- (a) carry out an annual assessment of the effectiveness of the internal audit function, monitor and assess the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system, review and annually approve the internal audit charter ensuring the quality, experience and expertise of the function is appropriate for the current needs of the Group, and consider whether an independent, third party review of processes is appropriate;
- (b) approve the appointment and removal of the head of the internal audit function;
- (c) consider and approve the remit of the internal audit function, ensure it has unrestricted scope, adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, and that the function has adequate standing and is free from management or other restrictions;

- (d) ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan;
- (e) review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (g) review reports to the Committee from the internal auditor and meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audit reviews carried out ensuring the internal auditor has direct access to the Board and Committee chair, and is accountable to the Committee; and
- (h) where external auditors are being considered to undertake aspects of the internal audit function, to consider the effect this may have on the effectiveness of the Company's overall arrangements for internal control and investor perceptions.

### **External Audit**

2.9 The Committee shall:

- (a) have primary responsibility for appointing the auditor, including negotiating the fee and scope of the audit, conducting a tender process, influencing the appointment of an engagement partner and consider and make recommendations to the Board, to be put to the shareholders to consider at the annual general meeting, in relation to the appointment, re-appointment, resignation or removal of the Group's external auditor;
- (b) ensure that at least once every ten years the audit services contract is put out to tender 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 initiate and oversee any competitive tender process undertaken by the Company for the provision of external audit services and ensure that all tendering firms have the necessary access to information and individuals throughout the tendering process;
- (c) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) review and monitor management's responsiveness to the findings and recommendations of the external auditor;
- (e) oversee the relationship with the external auditor, including (but not limited to):
  - (i) approval of their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

- (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually and monitoring their independence and objectivity, and the effectiveness of the audit process, taking into account relevant legal, professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
  - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group which adversely affect the external auditor's independence and objectivity;
  - (v) discussing with the external auditor threats to independence and how those threats are mitigated;
  - (vi) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, taking account of relevant ethical standards, and monitoring the application of this policy, including the Committee's own safeguards relating to independence, and considering whether there has been any impairment or appearance of impairment of the external auditor's independence and objectivity;
  - (vii) monitoring the auditor's compliance with relevant ethical and professional guidance on independence, rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the external audit firm, office and partner and other related regulatory requirements;
  - (viii) assessing annually their qualifications, expertise and resources, independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements, which shall include a report from the external auditor on their own internal quality control procedures, and reporting to the Board with a recommendation on whether to propose to shareholders that the external auditors be reappointed;
  - (ix) seeking to ensure co-ordination with the activities of the internal audit function;
  - (x) considering the risk of the withdrawal of the Company's present external auditor from the market.
- (f) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at least once a year without management being present, to discuss their remit and any issues arising from the audit;

- (g) review and approve the annual audit plan at the start of each annual audit cycle and ensure that it is consistent with the scope of the audit engagement, having regard to materiality, resources and the seniority, expertise and experience of the audit team;
- (h) review the findings of the audit with the external auditor, including but not limited to:
  - (i) a discussion of any significant issues which arose during the audit;
  - (ii) how the external auditor addressed risks to audit quality;
  - (iii) key accounting and audit judgements;
  - (iv) any actual or alleged fraud and significant financial exposures;
  - (v) the level of errors identified during the audit;
  - (vi) interactions between the external audit team and senior management and other members of the finance team;
  - (vii) the basis for the going concern assumption; and
  - (viii) compliance with relevant financial reporting standards and relevant financial and governance reporting requirements;
- (i) discuss any difficulties, reservations or other matters arising from the external auditors' audits (in the absence of management where necessary);
- (j) review any representation letter(s) requested by the external auditors before they are signed by management, considering in particular any representation on a non-standard matter;
- (k) review the management letter and management's response to the external auditor's findings and recommendations. The Committee shall be responsible for reviewing and resolving any disagreements between the Company's management and the auditors regarding financial controls or financial reporting;
- (l) assess the effectiveness of the audit process, including but not limited to:
  - (i) understanding how risks to audit quality are identified and addressed;
  - (ii) reviewing the external auditor's compliance with the audit plan;
  - (iii) taking the views of key Group officers and employees on the conduct of the audit of the, including the reliance the external auditor placed on the internal audit; and
  - (iv) reviewing and monitoring the external auditor's management letter and its other communications with the Committee;

- (m) develop, apply and keep under review a policy on the supply of non-audit services by the external auditor (including any non-audit services for which the use of the external auditor is pre-approved, from which the external auditor is excluded and for which the specific approval of the Committee is required), taking into account any relevant ethical guidance and legal requirements on the matter. The policy may cover:
  - (i) threats to the independence and objectivity of the external auditor and any safeguards in place;
  - (ii) the nature of the non-audit services;
  - (iii) whether the external audit firm is the most suitable supplier of the non-audit service;
  - (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - (v) the criteria governing compensation;
- (n) approving non-audit services provided by the external auditor, with the aim of preserving the external auditor's independence and objectivity;
- (o) setting and maintaining a policy on the Committee's assessment of the auditor's independence and the effect of non-audit services on audited financial statements; and
- (p) evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communications with the Committee.

### **Contracts and Expenditure**

2.10 The Committee shall, save for intragroup transactions and contracts, arrangements or transactions entered into by the Company or another member of the Group in the ordinary course of business, including but not limited to bullion and concentrate sales at market terms irrespective of amount (hereinafter "ordinary transactions"), approve certain contracts, arrangements or transactions, which are material strategically or by reason of size, entered into by the Company or another member of the Group (unless specifically stated to the contrary in the text of this document) listed in Schedule 1.

2.11 Approval of matters within the above categories which also require approval by the Company's shareholders, is reserved to the Board.

### **3. COMPOSITION**

3.1 Members of the Committee shall be appointed by the Board on the recommendation of the nomination committee in consultation with the chair of the Committee. The Committee shall be made up of at least three members. All members



of the Committee shall be independent non-executive directors. The chair of the Board shall not be a member of the Committee. Any member who is determined by the Board no longer to be independent shall cease to be a member of the Committee.

3.2 At least one member of the Committee shall have been determined by the Board to have recent and relevant financial experience and with competence in accounting and/or auditing. Each member of the Committee must be able to read and understand fundamental financial statements, and the Committee as a whole should have competence relevant to the sector in which the Group operates.

3.3 The Committee chair should maintain a dialogue with key individuals involved in the Company's governance (including, the chair of the Board, Group CEO, finance director, external audit lead partner and the head of internal audit).

3.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting. The finance director, head of internal audit and external audit lead partner will be invited to attend meetings of the Committee on a regular basis.

3.5 Appointments to the Committee shall be for a period of up to three years, extendable for two further three-year periods, provided the director still meets the criteria for membership of the Committee.

3.6 The Board shall appoint one member of the Committee to act as its chair who shall be an independent non-executive director (excluding for the avoidance of doubt, the chair of the Board) with experience evaluating financial statements with a level of complexity similar to the Company's financial statements. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

#### **4. QUORUM**

4.1 The quorum necessary for the transaction of business shall be two members, provided that the majority of directors participating (whether by means of electronic communication or otherwise) are located outside the United Kingdom, or the Republic of Kazakhstan, or the Russian Federation.

4.2 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. MEETING ADMINISTRATION**

5.1 The Committee shall meet as often as it deems necessary but in any case at least three times per year, at appropriate times in the financial reporting and audit cycle, at such times and places as determined by the Committee chair, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by any of the Committee members or its chair. The Committee shall approve

the annual calendar of its meetings. The Committee may hold meetings by telephone or using any other method of electronic communication.

5.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

5.3 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date and dial-in details (if required), together with an agenda of the 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, as soon as practicable and in any event no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

## **6. SECRETARY**

6.1 The company secretary or such person as the company secretary nominates shall act as the secretary of the Committee.

6.2 The secretary must ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

6.3 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

6.4 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes shall be circulated to all other members of the Board, unless it would be inappropriate to do so.

## **7. SELF-EVALUATION**

The Committee shall, at least once a year, review its own performance, composition and terms of reference and recommend any changes it considers necessary to the Board for approval.

## **8. REPORTING RESPONSIBILITIES**

8.1 The Committee chair shall report formally 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. Such reporting will occur from time to time or whenever so requested by the Board, but twice annually at Board meetings as a minimum. 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 recommendations on the appointment and re-appointment of the external

auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and

- (c) any other issue on which the Board has requested the Committee's opinion, identifying any matters in respect of which it considers that improvement is needed, whether the subject of a specific request by the Board or not, and make recommendations as to the steps to be taken.

8.2 The Committee shall make such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is desirable.

8.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report. The report should include:

- (a) a summary of the role and work of the Committee;
- (b) an explanation of how the Committee composition requirements have been met, identifying the names and qualifications of its members;
- (c) the number of Committee meetings that have been held in the relevant period;
- (d) an explanation of how the Committee's performance evaluation has been conducted;
- (e) an explanation of the approach taken to the appointment or reappointment of the external auditor;
- (f) the length of tenure of the current external auditor, the current audit partner name and for how long the person has acted as audit partner and when a tender was last conducted;
- (g) advance notice of any plans to retender the external audit;
- (h) the information that the report is required to contain in relation to a financial year in which there has been no competitive tender process for the appointment of the external auditor;
- (i) if the external auditor provides non-audit services, an explanation of (1) the Committee's policy for approval of non-audit services and how auditor objectivity and independence are safeguarded; (2) the audit fees for the statutory audit of the Company's consolidated financial statements paid to the external audit firm and its network firms for audit-related services and non-audit services, including the ratio of audit to non-audit fees; and (3) for each significant engagement or category of engagements, what service is provided and why the Committee decided that it was in the Company's interests to buy them from the external auditor;
- (j) any statement of compliance required by law or regulations;

- (k) an explanation of how the Committee has addressed the effectiveness of the external audit process;
- (l) the significant issues that the Committee considered in relation to (i) the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and (ii) the nature and extent of any interaction with the Financial Reporting Council's Corporate Reporting Review team; and
- (m) all other information requirements set out in the Code.

8.4 In compiling the reports to the Board and shareholders, the Committee should exercise judgment in deciding which of the issues 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

8.5 The Committee chair shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's report to shareholders under para 8.3 above and the Committee's activities.

## **9. OTHER MATTERS**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) 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;
- (c) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- (d) be responsible for co-ordination of the external and internal auditors;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) 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.

9.2 The Committee chair should engage with shareholders on significant matters related to his or her areas of responsibility.

## 10. AUTHORITY

10.1 The Committee is authorised by the Board to:

- (a) undertake any activity within its terms of reference;
- (b) seek any information that it requires from any Group employee or contractor in order to perform its duties;
- (c) obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and to invite those persons to attend meetings of the Committee;
- (d) call any Group employee or contractor to be questioned at a meeting of the Committee, as and when required;
- (e) publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board;
- (f) delegate any of its powers (including its powers under (g) below) to one or more of its members or the secretary, subject to such limitations or conditions (if any) it may specify; and
- (g) in connection with any transaction or arrangement which has been generally approved by it (a **Transaction**), and subject to such limitations or conditions (if any) as it may specify, authorise any person (whether or not an officer of the Company or a member of the Committee) (each, an **Authorised Signatory**), whether acting singly or jointly with another Authorised Signatory, to execute (whether under hand, as a deed under English law, or in any other manner whatsoever) and deliver on behalf of the Company any and all instruments, notes, deeds, agreements, contracts, letters, notices, certificates, acknowledgements, instructions, fee letters and other documents (whether of a like nature or not) (**Documents**) which he/she/they consider in his/her/their sole and absolute discretion to be necessary or desirable in connection with any Transaction, and to take such actions and steps and give such notices or instructions on behalf of the Company which he/she/they consider in his/her/their sole and absolute discretion to be necessary or desirable in connection with any Document or any Transaction (together, the **Actions**) the fact that such Authorised Signatory considers the same to be so necessary or desirable in each case being conclusively evidenced by his/her as the case may be signing the relevant Documents or taking the relevant Actions.