

KEW SODA LTD

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

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1. PURPOSE

The purpose of the Committee is to provide formal and transparent arrangements for considering how to apply financial reporting, risk management and internal control principles and to maintain an appropriate relationship with the Company's auditors.

2. CONSTITUTION

The Committee was established by a resolution passed by the Board on 8 February 2023 and is to be known as the Audit & Risk Committee.

3. MEMBERSHIP

3.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. If the Board decides that a member of the Committee is no longer independent, that member will cease to be a member of the Committee. At least one member shall have been determined by the Board to have recent and relevant financial experience and competence in accounting and/or auditing and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.

3.2 Members of the Committee shall be appointed by the Board in consultation with the Committee Chair. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.

3.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer, the internal auditor (whether outsourced or the head of internal audit) and external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.

3.4 The Board shall appoint the Committee Chair who must be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

3.5 If any member of the Committee is unable to act for any reason, subject to paragraph 3.1, the Committee Chair may appoint any other independent non-executive director of the Company to act as his or her alternate.

3.6 Decisions of the Committee will be made by majority vote. In the event of an equality of votes, except where he or she has a personal interest, the Committee Chair shall have a casting vote.

4. SECRETARY

The Company Secretary or their nominee shall act as the Committee Secretary and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

5. QUORUM

5.1 The quorum necessary for the transaction of business shall be two members (and at least one of the members present in any quorum shall have significant recent and relevant financial experience).

5.2 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.

6. FREQUENCY OF MEETINGS

6.1 The Committee shall meet regularly and at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Committee may hold meetings at a physical place or by means of any electronic facility (or both in respect of the same meeting).

6.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the internal auditor (whether outsourced or the head of internal audit).

7. NOTICE OF MEETINGS

7.1 Meetings of the Committee shall be called by the Secretary at the request of the Committee Chair or any of its members, or at the request of the external audit lead partner or internal auditor (whether outsourced or the head of internal audit) if he or she considers it necessary.

7.2 Unless otherwise agreed by the Committee, 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 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.

8. MINUTES OF MEETINGS

8.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

8.2 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.

9. DUTIES

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the Company, its major subsidiary undertakings, and the Group as a whole, as appropriate.

9.1 Financial reporting

(a) The Committee shall monitor the integrity of the financial statements of the Company and its Group, including its annual and half-yearly reports and any other formal statements 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.

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

(i) the consistency and application of significant accounting policies and any changes to them both on a year-to-year basis and across the Company and the Group;

(ii) the methods used to account for significant or unusual transactions where different approaches are possible;

- (iii) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
 - (iv) the clarity and completeness of disclosure in the financial statements and the context in which statements are made, including the review of any correspondence between the Company and its external auditor;
 - (v) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit, internal control and to risk management;
 - (vi) any significant adjustments or unadjusted audit differences resulting from the audit;
 - (vii) the basis on which the Company has been determined as a going concern and the basis for the Company's long term viability statement, and make the corresponding recommendations to the Board;
 - (viii) compliance with accounting standards taking into account the view of the external auditor; and
 - (ix) the assumptions or qualifications in support of the going concern statement including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements, and the longer term viability statement, including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period.
- (c) 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.
 - (d) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

9.2 Risk appetite, tolerance and strategy

The Committee shall:

- (a) advise the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives;
- (b) seek assurance on the risks the Company identifies as those to which the business may be exposed;
- (c) advise the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact; and
- (d) advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Company, and taking independent external advice where appropriate and available.

9.3 Narrative reporting

- (a) 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, position, business model and.
- (b) In addition, the Committee shall carry out the following duties to assist the Board in fulfilling its responsibilities in the annual report:
 - (i) monitor and review the adequacy and effectiveness of the Company's risk management and internal control systems;
 - (ii) review the Company's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks;
 - (iii) review and assess the Company's risk appetite and associated stress testing;
 - (iv) evaluate the Company's principal risks, to be taken into account by the Board when assessing the Company's prospects; and
 - (v) review and approve the statements to be included in the annual report concerning internal controls and risk management.

9.4 Internal controls and risk management systems

The Committee shall:

- (a) keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, specifically:
 - (i) ensuring both qualitative and quantitative metrics are used;
 - (ii) reviewing regularly and approving the parameters used in these measures and the methodology adopted; and
 - (iii) setting a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- (b) advise and assist the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities including the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority and other authoritative sources that may be relevant for the Company's risk policies;
- (c) review and approve the statements to be included in the annual report concerning internal controls, risk management, including the assessment of principal risks and emerging risks, and the viability statement;
- (d) oversee and seek suitable assurance regarding:
 - (i) the risk exposures of the Company, including risk to the Company's business model, and solvency and liquidity risks;

- (ii) the adequacy and effectiveness of the Company's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems;
 - (iii) the ability of the Company's risk management and internal control systems to identify the risks facing the Company and enable a robust assessment of principal risks;
 - (iv) the Company's ability to identify and manage new and emerging risks;
 - (v) the effectiveness and relative costs and benefit of particular controls;
 - (vi) the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary;
 - (vii) the Company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise; and
- (e) the appropriateness of the Company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Company.

9.5 Compliance, speaking-up and fraud

The Committee shall:

- (a) 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;
- (b) review the Company's procedures for preventing and detecting fraud and receive from the executive directors of the Company a report of all significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or employees who have a significant role in the Company's internal controls;
- (c) review the Company's systems and controls for the prevention of bribery, corruption, money laundering and modern slavery and receive reports on non-compliance;
- (d) review and monitor significant findings from major investigations, including those arising from the group's whistleblowing policy and management's response to such matters;
- (e) review the adequacy and effectiveness of the Company's anti-money laundering systems and controls and review regular reports from management and the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (f) review regular updates from the Chief Legal Officer and keep under review the adequacy and effectiveness of the Company's compliance function.

9.6 Internal audit

The Committee shall:

- (a) approve the appointment or termination of appointment of the internal auditor (whether outsourced or the head of internal audit);
- (b) review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
- (c) 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 the work carried out. The Committee shall pay particular attention to the areas in which the work of the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and overseeing these relationships to ensure they are coordinated and operating effectively to avoid duplication;
- (d) review and discuss with management, internal auditors and external auditors the Company's system of internal controls, its financial and critical accounting practices, policies relating to risk assessment management, and the effects of alternative International Financial Reporting Standards ("IFRS") methods, off-balance sheet structures and regulatory and accounting initiatives;
- (e) approve the appointment and removal of the head of the internal audit function;
- (f) ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, 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, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (g) ensure the internal auditor has direct access to the Chair of the Board and to the Committee Chair, providing independence from the executive and accountability to the Committee;
- (h) carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment:
 - (i) meet with the internal auditor (whether outsourced or the head of internal audit) without the presence of management to discuss the effectiveness of the function;
 - (ii) review and assess the annual internal audit work plan;
 - (iii) receive a report on the results of the internal auditor's work;
 - (iv) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - (v) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
- (i) monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor;
- (j) meet the internal auditors at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out;

- (k) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (l) consider whether an independent, third-party review of processes is appropriate.

9.7 External audit

The Committee shall:

- (a) consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditors;
- (b) develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- (c) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the relationship with the external auditors including (but not limited to):
 - (i) approving their remuneration, including both fees for audit or non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (e) assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the FRC Ethical Standard for Auditors and other professional requirements and the group's 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;
- (f) 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 auditors with those of other audit firms; and in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (g) satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (h) agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the FRC Ethical Standard for Auditors and legal requirements, and monitor 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;
- (i) monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the FRC Ethical Standard for Auditors, including the guidance on the rotation of audit partner and staff;

- (j) monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the FRC Ethical Standard for Auditors;
- (k) assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures, any material issues raised by the independent auditor's internal quality control review, peer review or any governmental or other professional inquiry performed within the past five years, and any remedial actions implemented by the firm, taking into consideration professional and regulatory requirements;
- (l) seek to ensure coordination of the external audit with the activities of the internal audit function;
- (m) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- (n) develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements taking into account applicable law, regulation and the FRC Ethical Standard for Auditors. The Committee should regularly monitor the implementation of the policy, report to the Board on any improvement or action required. The policy should include consideration of the following matters:
 - (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;
- (o) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (p) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (q) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed;

- (iii) key accounting and audit judgments;
 - (iv) the auditor's view of their interactions with senior management; and
 - (v) levels of errors identified during the audit;
- (r) review and monitor management's responsiveness to the external auditor's findings and recommendations;
 - (s) review any representation letter(s) requested by the external auditor before it is (they are) signed by management;
 - (t) review the management letter and management's response to the auditor's findings and recommendations; and
 - (u) review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

10. REPORTING RESPONSIBILITIES

10.1 The Committee Chair shall report formally to the Board on the Committee's 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:

- (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 (required under paragraph 9.7(k)), the approach taken to the appointment or reappointment 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 issues on which the Board has requested the Committee's opinion.

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

10.3 The Committee shall compile a report on its activities to be included in the Company's annual report to shareholders. The report should describe the work of the Committee, including:

- (a) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
- (b) an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditors, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and
- (c) an explanation for how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor.
- (d) the Company's risk management and strategy regarding the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity and how these risks are being managed and mitigated;

- (e) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditors;
- (f) in the case of the Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position) this should also be supplied in any papers recommending appointment or reappointment);

10.4 In compiling the reports referred to in 10.1 and 10.3, the Committee should exercise judgment in deciding which of the issues in relation to the financial statements it considers 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 a cross-reference to that information.

10.5 The directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.

11. OTHER MATTERS

11.1 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties including access to the Company Secretary 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 on-going basis for all members;
- (c) give due consideration to laws and regulations, section 172 of the Companies Act 2006, any UK government guidance on sustainability reporting, and any other applicable rules, guidance or requirements, as appropriate;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) provide any input required in respect of (i) tax planning and compliance; (ii) treasury and cash management; and (iii) the financing of the Company;
- (g) work and liaise as necessary with other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- (h) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or accounting matters;
- (i) ensure that a periodic evaluation of the Committee's performance is carried out;
- (j) 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; and

- (k) perform any other activities consistent with the Company’s articles of association and governing law of the Company as the Board or the Committee shall deem appropriate.

12. AUTHORITY

The Committee is authorised by the Board to:

- (a) seek any information it requires from any employee, contractor, consultant or other provider of services to the Company in order to perform its duties and all employees are directed to co-operate with any request made by the Committee;
- (b) obtain, at the Company’s expense, independent legal, accounting or other professional advice on any matter it believes is necessary to do so, and determine compensation for such advisors;
- (c) determine appropriate funding needs for its own ordinary administrative expenses that are necessary and appropriate to carrying out its duties;
- (d) call any employee to be questioned at a meeting of the Committee as and when required;
- (e) delegate any of its powers to one or more of its members or the Company Secretary; and
- (f) 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. If the Board has not accepted the Committee’s recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Committee’s recommendation and the reasons why the Board has taken a different position.

Change Control	
Approved by the Board on:	8 February 2023
Updated and approved by the Board on:	13 September 2023
To be reviewed and, if necessary, updated by:	31 December 2023