

**Audit Committee Terms of Reference  
for Applied Graphene Materials plc (the “Company”)**

**1. Membership**

- 1.1. Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least 2 members.
- 1.2. All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Finance Director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 1.4. The external auditors will be invited to attend meetings of the Committee on a regular basis (as and when appropriate).
- 1.5. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
- 1.6. The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

**2. Secretary**

- 2.1. The Company Secretary of the Company or their nominee shall act as the secretary of the Committee except where the Company Secretary of the Company is an executive director and the Committee desires to hold meetings without the executive directors present.

**3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be 2 members. 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.

**4. Frequency of Meetings**

- 4.1. The Committee shall meet at least two times a year at appropriate times in the reporting and audit cycle and otherwise as requested.

**5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be summoned 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.

- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than 5 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. **Voting arrangements**

- 6.1. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 6.2. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 6.3. Save where he has a personal interest, the Chairman of the Committee will have a casting vote.

## 7. **Minutes of Meetings**

- 7.1. The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

## 8. **Annual General Meeting**

- 8.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## 9. **Duties**

The Committee shall carry out the duties below for the present company, major subsidiary undertakings and the group as a whole, as appropriate.

### 9.1. **Financial Reporting**

9.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements and significant financial returns to regulators .

9.1.2. The Committee shall review and challenge where necessary:

- 9.1.2.1. the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;

- 9.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
  - 9.1.2.3. whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 9.1.2.4. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
  - 9.1.2.5. all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management);
- 9.2. 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

9.3. **Internal Controls and Risk Management Systems**

The Committee shall:

- 9.3.1. keep under review the effectiveness of the Company's internal controls and risk management systems; and
- 9.3.2. review and approve the statements to be included in the annual report concerning internal controls and risk management.

9.4. **Whistleblowing/Fraud/Bribery**

- 9.4.1. The Committee shall review the Company's arrangements for its employees 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 investigations of such matters and appropriate follow up action.
- 9.4.2. review the Company's procedures for detecting fraud;
- 9.4.3. review the Company's systems and controls for the purposes of its compliance with the Bribery Act.

9.5. **Internal Audit**

At least annually, the Committee shall consider the need to constitute an internal audit function. In considering such matters, the Committee will take account of the size of the Company, its stage of development and complexity. At the point that the Committee considers that it is appropriate to constitute an internal audit function then the Committee shall:

- 9.5.1. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 9.5.2. approve the appointment and removal of the head of the internal audit function;
- 9.5.3. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 9.5.4. review and assess the annual internal audit plan;
- 9.5.5. review promptly all reports on the Company from the internal auditors;
- 9.5.6. review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 9.5.7. 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 audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

9.6. **External Audit**

The Committee shall:

- 9.6.1. consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 9.6.2. ensure that the audit services contract is put out to tender sufficiently often 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 oversee the selection process and further ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- 9.6.3. oversee the relationship with the external auditor including (but not limited to):
  - 9.6.3.1. approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

- 9.6.3.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 9.6.3.3. assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - 9.6.3.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
  - 9.6.3.5. agreeing with the Board a policy on the employment of former employees of the Company's auditor; then monitoring the implementation of this policy;
  - 9.6.3.6. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company;
  - 9.6.3.7. assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on the external auditor's own internal quality procedures;
  - 9.6.3.8. seeking to ensure co-ordination with the activities of the internal audit function; and
- 9.6.4. 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 auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
  - 9.6.5. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - 9.6.6. review the effectiveness of the audit;
  - 9.6.7. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
    - 9.6.7.1. a discussion of any major issues which arose during the audit;
    - 9.6.7.2. any accounting and audit judgements; and
    - 9.6.7.3. levels of error identified during the audit.
  - 9.6.8. review the management letter and management's response to the auditor's findings and recommendations; and

- 9.6.9. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

9.7. **Reporting Responsibilities**

- 9.7.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.7.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.7.3. The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report shall include an explanation of how the Committee has addressed the effectiveness of the external audit process, 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 auditor.

9.8. **Other Matters**

The Committee shall:

- 9.8.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.8.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 9.8.3. give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code for small and mid-sized quoted companies of the Quoted Companies Alliance and the requirements of the AIM Rules as appropriate;
- 9.8.4. be responsible for co-ordination and overseeing of activities which are within its terms of reference and act as a court of the last resort; and
- 9.8.5. arrange for periodic review of its own performance and, at least once a year, review its 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.
- 9.9. To consider such other matters as may be requested by the Board of directors.

9.10. **Authority**

The Committee is authorised:

- 9.10.1. to seek any information it requires from any employees, director or other officers of the company in order to perform its duties;
- 9.10.2. to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 9.10.3. to call any employee to be questioned at a meeting of the Committee as and when required.