



Frontier IP Group plc

Audit Committee Terms of Reference

August 2018

Adopted by the board on 22 August 2018

Reference herein to “the Committee” shall mean the Audit Committee; and to “the Board” shall mean the Board of Directors of the Company.

The Audit Committee aims to

1. Duties and terms of reference

- 1.1 The Committee sets out to adhere to best practice applicable to small and mid-size quoted companies and to the Audit Committee Guide produced by the QCA as part of its Corporate Governance Code for Small and Mid-Size Quoted Companies.
- 1.2 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and the judgements they contain before submission to the Board. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.
- 1.3 The Committee shall review and challenge where necessary:
 - (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and its 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 standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (d) the clarity of disclosure in the Company’s financial reports and the context in which statements are made;



- (e) all material information presented with the financial statements, such as the business review and any corporate governance statement (insofar as it relates to the audit and risk management); and
 - (f) significant adjustments resulting from the audit.
- 1.4 The Committee shall review the annual financial statements of the pension funds (if any) where not reviewed by the board as a whole.
- 1.5 The Committee shall:
 - (a) keep under review the effectiveness of the Company's internal controls and risk management systems; and
 - (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.
- 1.6 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 investigation of such matters and appropriate follow-up action.
- 1.7 The Committee shall consider annually whether there is a need for an internal audit function and (as applicable) make appropriate recommendations to the Board.
- 1.8 The Committee shall:
 - (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, 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; and
 - (b) oversee the relationship with the external auditor including (but not limited to):
 - (i) 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;
 - (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 their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the 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 Company (other than in the ordinary course of business);
 - (v) agreeing with the board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - (vi) 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 compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.
- 1.9 Meet regularly with the external auditor, including once at the planning stage before the audit to discuss the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved, 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.
- 1.10 Review and approve the half-year and annual audit plans and the financial statements before submission to the Board and ensure that they are consistent with the scope of the audit engagement.
- 1.11 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (a) a discussion of any major issues that arose during the interim and final audits and any matter that the auditor may wish to discuss,
 - (b) any accounting and audit judgements, and
 - (c) levels of errors identified during the audit.



- 1.12 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 1.13 Review the management letter and management's response to the auditor's findings and recommendations.
- 1.14 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.
- 1.15 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 1.16 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 1.17 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.
- 1.18 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 ongoing basis for all members;
 - (c) give due consideration to applicable laws and regulations; compliance with accounting standards; and compliance with stock exchange and other similar legal requirements;
 - (d) be responsible for co-ordination of the internal and external auditors;
 - (e) oversee any investigation of activities within its terms of reference and make determinations in relation to matters investigated; and
 - (f) 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.



- 1.19 The Committee shall consider such other matters as may be requested by the Board.

2. Membership

- 2.1 The members and the Chairman of the Committee shall be appointed by the board of directors.
- 2.2 The Committee shall have at least two members and at least one member should have recent and relevant financial experience. At least two members of the Committee should be non-executive directors.
- 2.3 The members of the Committee can be varied at any time by a majority resolution of the existing members of the Committee save that any additional appointment must be a non-executive director.
- 2.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further periods, provided the current non-executive director remains non-executive.

3. Voting arrangements

- 3.1 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.
- 3.2 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.
- 3.3 Save where he has a personal interest, the Chairman will have a casting vote.

4. Attendance at meetings

- 4.1 The Committee will meet at least twice a year at appropriate times in the reporting and audit cycle. The Committee may meet at other times during the year as agreed between the members of the Committee.



- 4.2 Individuals such as directors, appropriate nominated members of staff and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 4.3 The Company's external auditors may be required to attend committee meetings, but not in the presence of any of the executive directors of the Company if the Committee requires, with a view to consulting with the Committee.
- 4.4 The Company Secretary shall be the Secretary of the Committee.
- 4.5 The quorum of a meeting of the Committee is two 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.

5. Notice of meetings

- 5.1 Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of the external auditors, if they consider it necessary.
- 5.2 The Chairman of the Committee will set the agenda for each meeting of the Committee, setting out the matters to be discussed at such meeting.
- 5.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with the agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than ten days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee at the same time.

6. Authority

The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, professional advice on any matter within its terms of reference, to assist it in the performance of its duties. The Committee is authorised to seek any information it requires from, or call to be questioned at a meeting of the Committee, any employee or director or adviser or consultant to the Company, or any outsiders with relevant expertise and experience who are



able to provide appropriate information regarding the financial affairs of the Company. All such persons will be directed to co-operate with any request made by the Committee.

7. Reporting

- 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 The Secretary shall ascertain at the beginning of each meeting of the Committee the existence of any conflicts of interest and minute them accordingly.
- 7.3 Draft minutes of each meeting will be circulated to all members of the Committee. On finalisation and signature by the Chairman, the minutes of each meeting will be submitted to the board of directors as a formal record of the decisions of the Committee on behalf of the board of directors unless a conflict of interest exists.

8. General matters

- 8.1 Finalised minutes of the meetings of the Committee will be circulated to the members of the board of directors as part of the board papers for each full meeting of the board of directors.
- 8.2 The Chairman of the Company should make himself available at each Annual General Meeting of the Company to answer questions concerning the Committee's work during the preceding year.
- 8.3 The recommendations of the Committee minutes must be approved by the board of directors before they can be implemented.