
**EBIQUITY PLC
AUDIT COMMITTEE
TERMS OF REFERENCE**

**APPROVED BY THE BOARD ON
6 JUNE 2014**

EBIQUITY PLC (the "Company")
AUDIT COMMITTEE - TERMS OF REFERENCE

1. Constitution

The audit committee of the Company (the "**Audit Committee**") has been established as a board committee in accordance with the Company's articles of association by resolution of the board of directors (the "**Board**").

2. Duties and terms of reference

2.1 The Audit Committee shall monitor the integrity of the financial statements of the Company, including its annual and half yearly reports, any interim management statements, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor.

2.2 The Audit Committee shall review and challenge where necessary:

2.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and its group (and where used below "Company" shall include a reference to each group company, where appropriate);

2.2.2 the methods used to account for significant transactions where different approaches are possible;

2.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

2.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

2.2.5 all material information presented with the financial statements, such as the business review/operating and financial review and any corporate governance statement (insofar as it relates to the audit and risk management) and the strategic report in so far as it contains or relates to financial information systems and controls and related risk.

2.3 If the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

2.4 Where requested by the Board, the Audit 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.

2.5 The Audit Committee shall:

2.5.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and

2.5.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.

2.6 The Audit Committee shall:

2.6.1 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit

- Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 2.6.2 review the Company's procedures for preventing and detecting fraud, and
 - 2.6.3 review the Company's systems and controls for the prevention and detection of bribery and receive reports on non-compliance.
- 2.7 The Audit Committee shall once a year review the need for the Company to establish an internal audit function and make a recommendation to the Board.
- 2.8 The Audit Committee shall:
- 2.8.1 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. If an auditor resigns the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
 - 2.8.2 ensure that at least once every ten years the audit services contract is put out to tender to enable the Audit 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. At the date of adoption of these terms of reference the most recent occasion on which the audit services contract was put out to tender was in 2013;
 - 2.8.3 oversee the relationship with the external auditor including (but not limited to):
 - (a) recommendations on their remuneration, including fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (c) 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;
 - (d) 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) which could adversely affect the auditor's independence and objectivity;
 - (e) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - (f) 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;

- (g) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
 - (h) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market on that evaluation.
- 2.9 Meet regularly with the external auditor, including (a) once at the planning stage before the audit, (b) once after the audit at the reporting stage and (c) after the auditor's review of the interim/half yearly report. The Audit 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.
- 2.10 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 2.11 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 2.11.1 a discussion of any major issues which arose during the audit,
 - 2.11.2 any accounting and audit judgements raised in the auditor's findings,
 - 2.11.3 levels of errors identified during the audit and raised in the auditor's findings, and
 - 2.11.4 the effectiveness of the audit.
- 2.12 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 2.13 Review the management letter and management's response to the auditor's findings and recommendations.
- 2.14 Develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.
- 2.15 The Chairman of the Audit Committee 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. The report shall include:
 - 2.15.1 the significant issues that it had considered in relation to the financial statements and how these were addressed;
 - 2.15.2 the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor; and
 - 2.15.3 any other issues on which the Board has requested the Audit Committee's opinion.
- 2.16 The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 2.17 The Audit Committee shall if asked by the Board 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 Audit Committee has addressed the effectiveness of the external audit process, the significant issues that the Audit Committee considered in

relation to the financial statements and how these issues were addressed having regard to matters communicated to it by the auditor.

- 2.18 The Audit Committee shall:
- 2.18.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
 - 2.18.2 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;
 - 2.18.3 give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code (to the extent appropriate for a company of the size of the Company) and the requirements of the London Stock Exchange's Rules for AIM Companies as appropriate;
 - 2.18.4 oversee any investigation of activities which are within its terms of reference; and
 - 2.18.5 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.
- 2.19 To consider such other matters as may be requested by the Board.

3. **Membership**

- 3.1 The members of the Audit Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the chair of the Audit Committee. All of the members of the Audit Committee should be independent non-executive directors. For these purposes the Chairman of the Board will be considered independent if he is not independent solely by virtue of his position as Chairman of the Board.
- 3.2 The Audit Committee shall have at least two members, at least one of whom has recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- 3.3 A quorum shall be any two members of the Audit Committee. All or any of the members of the Audit Committee may participate in a meeting of the Audit Committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A member of the Audit Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.
- 3.4 Appointments to the Audit Committee shall be for such period as the Board determines, or if the Board determines of an indefinite period, provided the member continues to remain independent and meet the criteria for membership.
- 3.5 The Company secretary or his or her nominee or such other person as appointed by the Audit Committee shall act as the secretary of the Audit Committee (the "**Secretary**") and will ensure that the Audit Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. **Voting Arrangements**

- 4.1 Each member of the Audit 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 Audit Committee.

4.2 The members of the Audit Committee shall, at the beginning of each meeting declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly.

4.3 If a matter that is considered by the Audit Committee is one where a member of the Audit Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

4.4 Save where he has a personal interest, the Chairman of the Audit Committee will have a casting vote.

5. **Attendance at meetings**

5.1 The Audit Committee will meet at least three times a year. The Audit Committee may meet at other times during the year as agreed between the members of the Audit Committee or as required.

5.2 Outside of the formal meeting programme, the Audit Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Company's Chairman, Chief Executive Officer, Chief Financial Officer, the external audit lead partner and any head of internal audit.

5.3 The Company's Chairman, Chief Executive Officer and/or Chief Financial Officer and other directors and other individuals may be invited to attend and speak at all or part of any meeting as and when appropriate and at the invitation of the Audit Committee.

6. **Notice of meetings**

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

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend and all other non-executive directors no later than two working days before the date of the meeting (although such notice period may be waived or shortened with the consent in writing of all members of the Audit Committee for the time being). Any supporting papers shall be sent to each member of the Audit Committee and to other attendees (as appropriate) at the same time.

7. **Authority**

A duly convened meeting of the Audit 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 Audit Committee. The Audit 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. The Audit Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Audit Committee.

8. **Reporting**

The proceedings and resolutions of meetings of the Audit Committee, including the names of those present and in attendance, shall be minuted. Draft minutes of each meeting will be circulated promptly to all members of the Audit Committee. Once approved, the minutes of each meeting will be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Audit Committee Chairman.

9. **General matter**

- 9.1 The Audit Committee Chairman should make himself or herself available at each Annual General Meeting of the Company to answer questions concerning the Audit Committee's work.
- 9.2 The recommendations of the Audit Committee must be approved by the Board before they can be implemented.