

**Summit Germany Limited**  
**(the “Company”)**

**Terms of Reference for the Audit Committee**

In these Terms of Reference the following terms shall have the following meanings:

**Board** shall mean the Board of Directors of the Company;

**Committee** shall mean the Audit Committee; and

**QCA Corporate Governance Code** shall mean the 'Corporate Governance Code for Smaller and Mid-Size Quoted Companies' published by the Quoted Companies Alliance in May 2013, as amended from time to time.

## **1 Introduction**

These Terms of Reference have been produced to identify and formalise the roles, tasks and responsibilities of the Committee for compliance with the QCA Corporate Governance Code and to assist the Committee in achieving best practice in corporate governance for the Company and its subsidiaries (the “**Group**”).

## **2 Membership and Attendance**

- 2.1 The Committee shall be appointed by the Board in consultation with the chairman of the Committee (other than in respect of the initial members of the Committee as set out in paragraph 2.2 below) and shall comprise at least two members, each of whom shall be independent non-executive directors of the Company. At least one member of the Committee shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- 2.2 The members of the Committee shall be Harry Abraham Hyman, Quentin Spicer and Christopher Spencer.
- 2.3 The Board shall appoint the Committee chairman who shall be an independent non-executive director. The chairman of the Committee shall be Christopher Spencer with effect from 1 January 2015. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of them to chair any meeting of the Committee. The chairman of the Board can be a member of the Committee, provided he or she was considered independent on appointment.

# SUMMIT Germany

- 2.4 Only members of the Committee shall have the right to attend and vote at Committee meetings. However, the external auditor and the Company's Chief Finance Officer will be invited to attend meetings of the Committee on a regular basis and other individuals such as the chairman of the Board, the Chief Executive Officer of the Company, other directors, the heads of risk management, compliance and internal audit, and representatives from the finance function of the Company may be invited to attend for all or part of any meeting as and when appropriate and necessary.
- 2.5 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.
- 2.6 Notwithstanding any provisions to contrary in the Company's articles of incorporation, 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.
- 2.7 The Committee shall invite the external auditor to attend meetings of the Committee on a regular basis.
- 2.8 Members of the Committee shall be appointed by the Board for a period of up to three years. Such appointment may then be extended by no more than two additional periods of three years, provided the member continues to be independent.

## **3 Secretary**

- 3.1 The Company secretary or his or her nominee shall act as the secretary of 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.
- 3.2 The Secretary shall also act as a co-ordinating intermediary between the Board and the Committee.

## **4 Quorum**

The quorum necessary for the transaction of business shall be 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 Frequency of Meetings**

- 5.1 The Committee shall meet at least twice a year at appropriate intervals in the reporting and auditing cycle and at other such times as the chairman of the Committee shall require. Meetings should be organised so that attendance is maximised.
- 5.2 Outside of the formal meeting programme, the Chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the Board, the Company's Chief Executive Officer or Chief Finance Officer, the external audit lead partner and the head of internal audit.

## **6 Notice of Meetings and Proceedings at Meetings**

- 6.1 Meetings of the Committee shall be summoned by the Secretary at the request of any of its members or at the request of the Company's external audit lead partner or head of internal audit 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 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 of the Company, no later than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 6.3 Meetings of the Committee may be conducted when the members are physically present or in the form of either video or audio conferences.
- 6.4 The Committee shall meet only outside the United Kingdom and any decision reached or resolution passed by the members of a committee meeting held within the United Kingdom shall be invalid and of no effect.

## **7 Minutes of Meetings**

- 7.1 The Secretary shall minute the proceedings and decisions of all Committee meetings (including the names of those present and in attendance) and shall ensure that the Committee has received information and papers in a timely manner to enable proper consideration of the relevant issues.
- 7.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

- 7.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once approved, to all other members of the Board, unless it would be inappropriate to do so in the opinion of the chairman of the Committee.

## **8 Annual General Meeting**

The chairman of the Committee shall attend the Company's Annual General Meeting, to answer any shareholder questions on the Committee's activities.

## **9 Duties**

- 9.1 The Committee should carry out the duties below for the Company's parent company, major subsidiary undertakings and the Group as a whole, as appropriate.
- 9.2 The Committee shall, in conducting all of its duties in accordance with these Terms of Reference, act in a way it considers in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Committee must have regard (among other matters) to:
- (a) the likely consequences of any decision in the long term;
  - (b) the interests of the Company's employees;
  - (c) the need to foster the Company's business relationships with suppliers, customers and others;
  - (d) the impact of the Company's operations on the community and the environment;
  - (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
  - (f) the need to act fairly as between the members of the Company.

### **Financial Reporting**

- 9.3 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 announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to the matter communicated to it by the auditor.
- 9.4 In particular, the Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Group;
  - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (c) whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external auditor;
  - (d) the clarity and completeness of disclosure in the Group's financial reports and the context in which statements are made; and
  - (e) all material information presented with the financial statements, such as the business review/operating and financial review and any corporate governance statements relating to the audit and risk management.
- 9.5 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Board.

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

- 9.6 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.
- 9.7 The Committee shall:
- 9.7.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
  - 9.7.2 review and approve the statements to be included in the annual report concerning internal controls and risk management;
  - 9.7.3 maintain and consider at meetings of the committee a risk register to include an assessment of all risks facing the Company, including, but not limited to, economic, political, financial and operational risk, the relevant level of risk anticipated (high, medium, low) and effectiveness of existing or proposed mitigating or corrective actions or controls on respect of key areas (the Risk Register);
  - 9.7.4 consider and agree upon mitigating or corrective actions to be undertaken in respect of key risks, including where existing actions or controlled are considered inadequate relative to the relevant risk;

9.7.5 regularly update the Risk Register in order to:

1. identify new risks and any existing or proposed mitigating or corrective actions or controls in respect of key risk areas;
2. reflect, in respect of existing risks, any corrective action undertaken in the intervening period between committee meetings and the results of such action;
3. forecast any changes to the Company's risk profile.

The board retains responsibility for the review of the effectiveness of the Company's systems of internal controls and risk management and must form its own opinion despite aspects of that review being delegated to the committee.

9.8 The Committee shall review and approve the statements to be included in the Company's annual report concerning internal controls and risk management.

#### **Compliance, whistleblowing and fraud**

9.9 The Committee shall review the adequacy and security of the Group's arrangements for its employees and contractors 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. The Committee shall also review the Group's procedures for detecting fraud, review the Group's systems and controls for the prevention of bribery, and receive reports on non-compliance.

#### **Internal Audit**

9.10 The Company does not currently have an internal audit function and the absence of such a function shall be explained in the Company's annual report. The decision on whether or not to set up an internal audit function will be made by the Board, on the recommendation of the Committee (which shall consider annually whether there is a need for an internal audit), based on the growth of the Company, the scale, diversity and complexity of the Company's activities and the number of employees, as well as cost/benefit considerations. If the Board recommends the appointment of an internal audit function it shall do the following;

9.11 The Committee shall:

- (a) approve the appointment or termination of appointment of the head of the internal audit function;

- (b) review and approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (c) ensure that the internal auditor has direct access to the chairman of the Board and to the Committee chairman, and is accountable to the Committee;
- (d) review and assess the annual internal audit work plan;
- (e) receive a report on the results of the internal auditor's work on a periodic basis;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (g) meet the head of internal audit at least once a year, without management being present; and
- (h) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

## **External Audit**

- 9.12 The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, as regards the appointment, re-appointment and removal of the Company's external auditor.
- 9.13 The Committee shall 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 external auditor 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.
- 9.14 If an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 9.15 The Committee shall oversee the relationship with the external auditor including (but not limited to):
  - (a) recommendations on their remuneration, whether fees for audit or non-audit services, and ensure 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 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 external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
- (e) agreeing with the Board a policy on the employment of former employees of the Company's external auditor and monitoring the implementation of that policy;
- (f) monitoring the external 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 external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (h) seeking to ensure co-ordination with the activities of the internal audit function;
- (i) 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 the Company's present auditor from the market in that evaluation.

9.16 The Committee shall meet the external auditor regularly, 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 the external auditors' remit and any issues arising from the audit.

9.17 The Committee shall review and approve the annual audit plan and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

9.18 The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to discussing any major issues which arose during the audit, key accounting

and audit judgements and levels of errors identified during the audit. The Committee shall also review the effectiveness of the audit process.

- 9.19 The Committee shall also review any representation letter(s) requested by the external auditor before they are signed by management, and review the management letter and management's response to the external auditor's findings and recommendations.
- 9.20 The Committee shall 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.

## **10 Reporting Responsibilities**

- 10.1 The Committee chairman 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. 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 recommendation on the appointment or reappointment of the external auditor; 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. The Committee's report shall include:
- (a) the significant issues the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor;
  - (b) an explanation of how the Committee has addressed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and
  - (c) an explanation of how auditor objectivity and independence is safeguarded if the external auditor provides non-audit services.

10.4 In compiling the reports referred to in paragraphs 10.1 and 10.3, the Committee should exercise judgment in deciding which of the issues it considers in relation to the financial statements are significant, but should at least include those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

10.5 The Committee shall make available to shareholders these Terms of Reference by placing them on the Company's website.

## **11 Other Matters**

11.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required.

11.2 The Committee shall 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.

11.3 The Committee shall give due consideration to relevant laws and regulations, the provisions of the QCA Corporate Governance Code, the applicable requirements of the Disclosure and Transparency Rules, the London Stock Exchange's AIM Rules for Companies and any other applicable rules, as appropriate.

11.4 The Committee shall be responsible for co-ordination of the internal and external auditors.

11.5 The Committee shall oversee any investigation of activities which are within these Terms of Reference.

11.6 The Committee shall work and liaise as necessary with all other committees of the Board.

11.7 The Committee should arrange for periodic reviews of its own performance, and, at least annually, review its constitution and these Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

11.8 The Committee should consider such other matters as the Board may from time to time refer to it.

## **12 Authority**

12.1 The Committee is authorised by the Board to:

- (a) examine any activity within its Terms of Reference;

# SUMMIT Germany

- (b) seek any information it requires from any employee or director of the Group, and all such employees or directors will be directed to co-operate with any request made by the Committee in order to perform its duties;
- (c) call any employee or director to be questioned at a meeting of the Committee as and when required; and
- (d) have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so and 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.