

**DIALOG SEMICONDUCTOR PLC**

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

Revised: February 2019

## 1. **MEMBERSHIP**

- 1.1 The committee shall be appointed by the board, on the recommendation of the Nomination committee and in consultation with the Chairman of this committee, from amongst the non-executive directors of the Company. The committee shall consist of not less than three members. All members of the committee shall be independent non-executive directors. A quorum shall be two members.
- 1.2 The Chairman of the committee shall be an independent non-executive director appointed by the board and shall not be the Chairman of the Company. At least one committee member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the Company operates.

## 2. **COMPANY SECRETARY**

The Company Secretary or his nominee shall act as the secretary of the committee.

## 3. **ATTENDANCE AT MEETINGS**

- 3.1 The CEO, CFO, Director of Internal Audit and other presenters, as required, will normally attend meetings. A representative of the external auditors will attend the relevant sections of the meetings per the agenda. The committee shall meet the auditors to discuss all financial results (in person at least twice a year, to include the audit and in other circumstances by telephone conference). At the meeting to discuss the audit there shall be a separate session without management in attendance.
- 3.2 The committee Chairman should attend the annual general meeting to answer shareholder questions.

## 4. **FREQUENCY OF MEETINGS**

Meetings shall be held quarterly to review the Company's results prior to announcement. The external auditors may request a meeting if they consider that one is necessary. Ad-hoc meetings may be held to cover special topics, such as specific technical accounting areas, and mergers and acquisitions.

## 5. **AUTHORITY**

- 5.1 The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and to call any employee to be questioned at a meeting of the committee as and when required.
- 5.2 The committee is authorised by the board to obtain outside legal or other independent professional advice at the expense of the Company and/or to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## 6. **RESPONSIBILITIES**

The committee shall, in its capacity as a committee of the board of directors:

- 6.1 be directly responsible for and will determine (and the Company will pay for), subject to board and/or shareholder approval as appropriate and having due regard to any relevant legislation and/or guidance, the selection process, appointment, compensation, retention, resignation or dismissal and oversight of any external auditor engaged to prepare or issue an audit report or to perform other audit, review or attest services for the Company or its subsidiaries;

- 6.2 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 and approve in advance any non-audit services;
- 6.3 ensure the independence of any external auditor, and in carrying out this duty shall:
  - 6.3.1 assess annually the auditor's independence and objectivity taking into account relevant regulatory and professional requirements and the relationship between the Company and the auditor as a whole;
  - 6.3.2 satisfy itself that there are no relationships between the auditor and Company (to be confirmed in writing by the Auditor);
  - 6.3.3 actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor;
  - 6.3.4 agree with the board a policy on the employment of former employees of the Company's auditor and monitoring its implementation;
  - 6.3.5 monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners; and
  - 6.3.6 assess annually the auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on its own internal quality procedures.
- 6.4 discuss with the external auditor before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- 6.5 review the findings of the audit and discuss any issues or reservations arising from the audit, including any accounting and audit judgements; levels of errors identified during the audit, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- 6.6 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 auditor's findings and recommendations;
- 6.7 monitor the integrity of and review (and challenge where necessary) the financial statements of the Company, significant returns to regulators and any financial information contained in announcements of the Company, prior to approval by the board and in the process focus particularly on:
  - 6.7.1 the application of and any changes in accounting policies and practices;
  - 6.7.2 methods used to account for significant or unusual transactions where different approaches are possible;
  - 6.7.3 significant adjustments resulting from the audit;
  - 6.7.4 the going concern assumption;
  - 6.7.5 compliance with accounting standards and whether the Company has made appropriate estimates and judgements taking into account the views of the external auditor;

- 6.7.6 compliance with stock exchange and Companies Act legal requirements; and
- 6.7.7 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.
- 6.8 keep under review the effectiveness of the Company's internal controls and risk management systems and review the Company's statement on internal control systems prior to endorsement by the board;
- 6.9 in relation to internal audit:
  - 6.9.1 monitor and review the effectiveness of the Company's internal audit function;
  - 6.9.2 meet the Director of Internal Audit at least twice a year without management being present, to discuss his remit and any issues arising from the internal compliance audit carried out. In addition, the Director of Internal Audit shall be given the right of direct access to the committee Chairman; and
  - 6.9.3 review the results of the internal compliance audit and monitor management's responsiveness to the results of the audit; and
- 6.10 establish procedures for ascertaining any related party transactions and the ongoing review and oversight of such related party transactions.

## **7. COMPLIANCE AND WHISTLEBLOWING**

- 7.1 The committee shall:
  - 7.1.1 establish and review procedures for the receipt, retention and treatment of complaints or concerns regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters; and
  - 7.1.2 ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

## **8. REPORTING PROCEDURES**

- 8.1 The committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.2 The minutes of meetings of the committee shall be available to all members of the board.
- 8.3 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. OTHER MATTERS**

- 9.1 The committee shall give due consideration to relevant laws and regulations and compliance with stock exchange and Companies Act legal requirements. The committee in carrying out its duties under these terms of reference will also have regard to the Company's Corporate Governance Code.

9.2 At least once a year the committee shall review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

10. **COMPENSATION**

The committee members will be reimbursed for usual out of pocket expenses incurred. The Chairman of the committee and committee members will receive a fee as determined by the board from time to time in addition to their directorship fee.