

Audit Committee Terms of Reference

1. Constitution

The Board of Directors of Nominet UK (the "Company") hereby resolves to establish a Committee of the Board to be known as the Audit Committee (the "Committee").

2. Objective

2.1 The Committee shall monitor on the Board's behalf the appropriate processes and controls resulting from policies set by the Board; this will include particular focus on:

- (a) The scope, results and effectiveness of the external audit;
- (b) Careful review of any non-audit services provided by the external auditors;
- (c) Effectiveness of the processes of governance;
- (d) Effectiveness of spend/ value for money;
- (e) Compliance with policy and statutory requirements;
- (f) Internal controls including adherence to policy; and
- (g) Safeguarding of assets.

2.2 The Committee will depend on reporting from the Finance department, external audit and other reporting from management or from external advisers as appropriate in order to achieve this.

3. Membership

3.1 The Committee shall comprise of no fewer than three members, each being appointed by the Board.

3.2 The Committee shall be formed of non-executive directors and/or the Chairman of the Company who are independent of management and free from any business or other relationship that could interfere with the exercise of their independent judgement.

3.3 The Board should appoint the Committee Chairman and determine the period for which they shall hold office. The Chairman of the Company shall not be eligible to be appointed as Chairman of the Committee.

4. Frequency of Meetings

The Committee shall meet twice a year and at such other times as the Chairman of the Committee shall require.

5. Notice of Meetings

5.1 Meetings of the Committee shall be called by the Chairman of the Committee, or by request of the Board.

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 fewer than 5 working days prior to the date of the meeting.

6. Attendance at meetings

The Committee shall have the power to request any member of Senior Management to attend its meetings. Other persons, such as the Director of Finance, may also be called upon by the Chairman of the Committee to attend or to speak.

7. Secretary

The Committee shall at each meeting appoint a Secretary to the meeting by vote, and the Company Secretary shall be made available for this purpose.

8. Proceedings of Meetings

8.1 The quorum necessary for the transaction of business shall be two. 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 or exercisable by the Committee.

8.2 All or any of the members of the Committee may participate in a meeting of the Committee by means of conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

9. Minutes of Meetings

9.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

9.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to all members of the Board.

10. Authority

10.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any reasonable request made by the Committee.

10.2 The Committee is authorised by the Board to obtain, in connection with its duties, and at the Company's expense, any outside legal or other independent professional advice it considers to be necessary

10.3 The Committee is authorised by the Board to obtain appropriate and timely training, both in the form of an induction programme for new Committee members and on an ongoing basis.

11. Duties

11.1 Corporate Governance:

(a) To support the Board in reviewing the effectiveness of Nominet's processes of Corporate Governance to enable the organisation to implement best practice as set out in appropriate guidance where possible and appropriate (e.g. Combined Code).

11.2 Internal Control:

(a) To commission reviews of specific controls and procedures (financial and non-financial) where so requested by the Board.

11.3 Compliance with External Legislation and Internal Policies:

(a) To review adherence to management policies and directives.

(b) To verify that mechanisms are in place to ensure compliance with statutory requirements, financial and other.

11.4 Financial Statements:

(a) To review the annual report and accounts before submission to the Board, focusing particularly on:

- a. Any changes in accounting policies and practices
- b. Major judgemental areas
- c. Significant adjustments arising from the audit

- d. The going concern assumption
- e. Compliance with accounting standards
- f. Compliance with legal requirements
- g. Any presentational issues having particular significance to the public perception of the organisation

(b) To receive during the course of the year reports on any matters that may impact on the accounts and disclosure therein.

11.5 External Audit:

(a) To consider the appointment and performance of the external auditor, the audit fee, and any questions of resignation or dismissal.

(b) To discuss with the external auditor the long term approach to the audit of Nominet. On an annual basis, before the audit commences approve the Audit Plan with particular reference to its nature and scope, emphasis and priorities.

(c) To discuss any problems or reservations arising from the external auditors' work and any other matters that the external auditors may wish to bring to the attention of the Committee.

(d) To review the external auditors' management letter together with management's written response before presentation to the Board.

(e) To review the contents of any report issued by the external auditor along with management's written response, before its presentation to the Board and monitor the implementation of those external auditors' recommendations which are accepted by the Committee.

11.6 Risk:

(a) To review the effectiveness of systems for the assessment and management of material areas of risk within Nominet and monitor their maintenance and development.

(b) The Chair will report to the Board as appropriate on the areas covered by the above terms of reference.

11.7 Whistleblowing and Fraud:

(a) To 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;

(b) To review the Company's procedures for detecting fraud.

12. Annual General Meeting and Annual Reports

12.1 The Chairman of the Committee or, by agreement of the Committee, his nominee shall attend the Annual General Meeting prepared to respond to any member questions on the Committee's activities.

12.2 The Committee shall report the frequency of, and attendance by members at, Committee meetings in the annual reports.