

ASOS Plc
TERMS OF REFERENCE – AUDIT COMMITTEE

1. Membership

- 1.1 The Committee shall comprise of a Chairman and at least two other members, each of whom shall be appointed by the Board of the Company. All members of the Committee shall be independent Non-Executive Directors of the Company. At least one member of the Committee shall have up to date, recent and relevant financial experience.
- 1.2 Appointments to the Committee shall be for a period of three years, extendable by no more than two additional three year periods, so long as the member of the Committee continue to be considered independent by the Company.
- 1.3 The Chairman of the Board will not be a member of the Committee but may be invited to attend meetings. Only members of the Committee have the right to attend committee meetings. The Chief Executive Officer, Chief Financial Officer, and the Finance Director may be invited to attend meetings, although they will withdraw for confidential sessions. Other Directors and other members of the finance function may be invited to attend all or part of meetings, as necessary or deemed appropriate. The external audit partner and the internal audit partner and supporting managers (in each case) will be invited to attend meetings of the Committee on a regular basis, as necessary or deemed appropriate.
- 1.4 The Company Secretary or other nominated person shall be the Secretary of the Committee, and shall be invited to attend meetings.
- 1.5 The Committee shall have the power to set up sub-committees to review and report on any specific matters which it shall, from time to time, deem necessary. These Terms of Reference shall apply to any such sub-committee, unless the sub-committee has its own terms of reference.

2. Meetings

- 2.1 The Committee shall meet formally at least three times a year and its meetings shall be held to coincide as far as reasonably practicable with the key dates within the financial and audit reporting cycle.
- 2.2 A meeting of the Committee may be called by any member of the Committee or by the Secretary.
- 2.3 Notice of each meeting of the Committee, confirming the venue, time and date, and enclosing an agenda of items for discussion, shall be forwarded to each member of the Committee and any other person required to attend at least 1 working day prior to the meeting by the Company Secretary or their nominee.
- 2.4 The quorum for meetings of the Committee shall be two. A duly convened meeting of the Committee at which a Quorum is present shall be fully competent to exercise all powers, authorities or discretions exercisable by the Committee.
- 2.5 In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting (provided that a quorum is still present).

- 2.6 The Committee should meet with the external auditors at least once a year in a private session without the Chief Executive Officer, Chief Financial Officer and Finance Director or any other Executive Director present.
- 2.7 Any member may participate in a meeting of the Committee by means of a conference telephone or similar communicating equipment whereby all persons participating in the meeting can hear each other. Resolutions and decisions of the kind normally made or taken at a physical meeting of the committee in accordance with these terms of reference can accordingly be made or taken even if no persons participating are physically present with each other. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting is located.
- 2.8 The Secretary shall keep appropriate records of all meetings of the Committee as well as minutes of the proceedings and all decisions made.
- 2.9 Copies of the minutes of each Committee meeting shall be circulated to all members of the Committee and to the Chairman of the Board as soon as reasonably practicable following the meeting.
- 2.10 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

3. Duties

The Committee shall carry out the duties below for the Company, as well as each and all of its subsidiary undertakings and the group as a whole, as appropriate.

3.1 Internal Controls and Risk Management System

The Committee shall:

- 3.1.1 keep under review the effectiveness of the Company's internal controls and risk management systems; and
- 3.1.2 review and approve the statements to be included in the Annual Report concerning internal controls and risk management.
- 3.1.3 review reports from Business Assurance on risk management.
- 3.1.4 consider, taking into account the Company's position and principal risks, the Company's prospects and how they have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

3.2 External Audit

The Committee shall:

- 3.2.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Company's Annual General Meeting ("AGM"), in relation to the appointment, reappointment and removal of the Company's external auditor;

- 3.2.2 ensure that at least once every ten years the external 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 auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have access to information and individuals as is required during the duration of the tendering process;
- 3.2.3 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;
- 3.2.4 oversee the relationship with the external auditor including (but not limited to):
 - 3.2.4.1 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;
 - 3.2.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 3.2.4.3 reviewing and 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) and making recommendations to the Board;
 - 3.2.4.4 developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
 - 3.2.4.5 approval of the engagement of the external auditor on the supply of non-audit services;
 - 3.2.4.6 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);
 - 3.2.4.7 agreeing with the Board a policy on the employment of former employees of the Company's auditors, then monitoring the implementation of this policy;
 - 3.2.4.8 seeking to ensure co-ordination with the activities of the internal audit function;
 - 3.2.4.9 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
 - 3.2.4.10 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;
- 3.2.5 meet regularly with the external auditor, 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 their remit and any issues arising from the audit;
- 3.2.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

- 3.2.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 3.2.7.1 a discussion of any major issues which arose during the audit;
 - 3.2.7.2 any accounting and audit judgments, and
 - 3.2.7.3 levels of errors identified during the audit;
- 3.2.8 review the effectiveness of the audit;
- 3.2.9 review any representation letter(s) requested by the external auditor before they are signed by management;
- 3.2.10 review the management letter and management's response to the auditor's findings and recommendations;
- 3.2.11 seek to ensure co-ordination with the activities of the internal audit function;

3.3 Internal Audit

The Committee shall:

- 3.3.1 monitor and review the effectiveness of the company's internal audit function;
- 3.3.2 review and approve the charter of the internal audit function;
- 3.3.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- 3.3.4 review reports addressed to the committee from the internal auditor
- 3.3.5 review and assess the annual internal audit plan;
- 3.3.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 3.3.7 meet the internal audit partner at least once a year without the presence of management; and
- 3.3.8 be responsible for co-ordination of the internal and external auditors.

3.4 Financial Reporting

The Committee shall:

- 3.4.1 monitor the integrity of the Company's financial statements and form of announcements relating to the Company's financial performance, reviewing significant financial judgments outlined in them.
- 3.4.2 The Committee shall review and challenge where necessary:
 - 3.4.2.1 the consistency of and any changes to accounting policies on a year on year basis across the Company;
 - 3.4.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 3.4.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 3.4.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - 3.4.2.5 all material information presented with the financial statements, such as the strategic report/operating and financial review, and the corporate governance statement
- 3.4.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

3.5 Narrative Reporting

The Committee should review the content of the Annual Report and Accounts to review and assess whether, taken as a whole, it is a fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

3.6 Compliance, whistleblowing, IT security and fraud

The Committee shall:

- 3.6.1 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 Committee shall ensure that these arrangements allow proportionate and independent investigations of such matters and appropriate follow up action;
- 3.6.2 review the Company's systems, processes and controls for ensuring compliance with applicable laws and standards, as well as the prevention of bribery, and receive reports on any instances of non-compliance;
- 3.6.3 Review the Company's procedures for detecting fraud and monitoring IT security.

4. Reporting Responsibilities

- 4.1 The Committee Chairman shall report to the Board on its proceedings at the first Board meeting after the Committee meeting. This report shall include:
 - 4.1.1 the significant issues that the Committee considered in relation to the financial statements and how they were addressed;
 - 4.1.2 its assessment of the effectiveness of both the external and internal audit processes; and
 - 4.1.3 any other issues on which the Board has requested the Committee's opinion.
- 4.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 4.3 The Committee shall compile a report on its activities to be included in the Annual Report. The report should include an explanation of how the Committee has monitored the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor.

5. Other Matters

- 5.1 The Committee shall:
 - 5.1.1 oversee any investigation of activities which are within its Terms of Reference and act as a court of the last resort;
 - 5.1.2 have the right to seek any information necessary to fulfil the above;
 - 5.1.3 have the right to access sufficient resources and the Company Secretary for assistance as required and to obtain outside legal help and any professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties;
 - 5.1.4 have the power to call any employee to be questioned at a meeting of the Committee as and when required;

- 5.1.5 give due consideration to laws and regulations and any other applicable rules, as appropriate;
 - 5.1.6 be responsible for co-ordination of the internal and external auditors;
 - 5.1.7 work and liaise as necessary with all other Board committees;
 - 5.1.8 be entitled to make recommendations to the Board as it deems appropriate;
 - 5.1.9 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.
 - 5.1.10 Arrange for a periodic review of its own performance, and at least annually, review its constitution and terms of reference and recommend any changes it considers necessary to the Board.
- 5.2 The Committee chairman shall attend the Annual General Meeting to answer shareholder questions on the Committee and its actions.

January 2017