

BATM ADVANCED COMMUNICATIONS LTD.

Audit Committee - Terms of reference

1. Appointing an Audit Committee

As a publicly listed company, BATM is in compliance with the provisions of Section 114 of the Israeli Companies Law -1999 (the "Law") which requires a public company to appoint an audit and risk committee (the – "Committee") whose composition must comply with section 115 of the Law and whose terms of reference and duties must comply with section 117 of the Law.

2. Composition of the Committee

- 2.1 The Committee will consist of a minimum of three members appointed by the Board out of which all the external (non-executive) directors must be members and the majority of its members must be independent directors;
- 2.2 all members must be independent of the management and free from any business or other relationship, apart from their fees and shareholding, which could materially interfere with the exercise of their independent judgement. As such, the Chairman of the Board and any director which has a controlling interest in the Company may not be members of the Committee;
- 2.3 at least one member of the Committee must have recent and relevant specialist financial knowledge;
- 2.4 appointments to the Committee will be for a period of up to three years, which may be extended for two further three year periods but only if the member remains independent;
- 2.5 the chairman of the Committee, who will also be an independent non-executive director, will be appointed by the Board;
- 2.6 the secretary to the Committee will be the Company secretary if such person is not a member of the Company's finance staff; and
- 2.7 members of the Committee shall be named in the Company's annual report.

3. Purpose and role of the Committee

Pursuant to section 117 of the Law and good corporate governance, the role and duties of the Committee are:

- 3.1 to monitor the integrity of the financial statements of the Company including its annual and interim reports, preliminary results announcements and any other formal announcements relating to its financial performance and to review significant financial reporting judgements contained in any such statements or announcements.
- 3.2 to review and identify any deficiencies in the proper conduct and management of the Company in coordination with the internal auditor and external auditor and find ways to deal with such deficiencies;

- 3.3 to overview the Company's internal financial controls and, unless expressly addressed by the board of directors of the Company (**Board**) or by a separate risk committee of the Board composed of independent directors, the Company's internal control and risk management systems;
- 3.4 to monitor and review the effectiveness of the Company's internal audit and risk function – including approving the annual work plans for carrying out internal audits and the subject matters of such internal audits;
- 3.5 to make recommendations to the Board (for it to put to the shareholders of the Company for their approval in general meeting) in relation to the appointment of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
- 3.6 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Israeli and UK professional and regulatory requirements;
- 3.7 to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and to make recommendations as to steps to be taken; and
- 3.8 to convene and approve those transactions between the Company and related parties (such as directors, controlling shareholders, etc) which require the Committee's approval pursuant to sections 270 – 276 of the Law;
- 3.9 to invite the Internal Auditor to all meetings of the Committee and, if the Chairman of the Committee is requested by the Internal Auditor to convene a meeting to discuss a matter detailed in such request – to convene such a meeting of the Committee;
- 3.10 report to the Board on how it has discharged its responsibilities.

4. Procedure

- 4.1 Meetings will be held at least twice a year at appropriate times in the reporting and audit cycle of the Company;
- 4.2 only members of the Committee will normally attend Committee meetings but other individuals such as the chairman of the Board, chief executive, finance director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited by the Chairman of the Committee to attend all or part of any meeting as and when appropriate;
- 4.3 the external auditors and Internal Auditor will be invited to attend meetings of the Committee on a regular basis;
- 4.4 the quorum of a meeting of the Committee shall be a majority of the members, provided that such majority is comprised of independent directors and at least one external director is in attendance;
- 4.5 each member of the Committee has one vote on all matters to be determined by the Committee;
- 4.6 meetings of the Committee will be summoned by the secretary of the Committee at the request of any of its members or at the request of the external or internal auditors if they consider it necessary;
- 4.7 the secretary of the Committee will minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance;

- 4.8 the secretary of the Committee must promptly circulate minutes of Committee meetings to all members of the Committee and, once agreed, to all members of the Board.

5. Duties

- 5.1 The Committee will carry out the duties set out in this paragraph 5 for the Company, its major subsidiary undertakings and the group as a whole, as appropriate.

Financial reporting

- 5.2 The Committee will monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee will also review summary financial statements and significant financial returns to regulators and any financial information contained in other documents, such as announcements of a price sensitive nature provided that such monitoring is not inconsistent with any requirement for prompt reporting under the Listing Rules and the Market Abuse Regulation
- 5.3 The Committee will review and challenge where necessary:
- 5.3.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and group;
 - 5.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 5.3.3 whether the Company has followed appropriate accounting standards and made proper estimates and judgements, taking into account the views of the external auditors;
 - 5.3.4 the clarity of disclosures in the Company's financial reports and the context in which statements are made; and
 - 5.3.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- 5.4 The Committee will review the annual financial statements of the pension funds (as applicable) where these are not reviewed by the Board as a whole.

Internal controls and risk management systems

- 5.5 The Committee will:
- 5.5.1 keep under review the effectiveness of the Company's internal controls and risk management systems; and
 - 5.5.2 review and approve the statements to be included in the annual report concerning internal controls and risk management unless this is done by the Board as a whole.

Whistleblowing

- 5.6 The Committee will review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- 5.7 The Committee shall review the Company's procedures for detecting fraud.

- 5.8 The Committee shall review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

Internal audit

- 5.9 The Committee will approve the appointment and removal of the Internal Auditor and 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

- 5.10 The Committee must give consideration and make recommendations to the Board (to be put to shareholders for approval at the annual general meeting) in relation to the appointment, reappointment and removal of the Company's external auditors. The Committee will oversee the selection process for new auditors and if the auditors resign the Committee will investigate the issues leading to this and decide whether any action is required.
- 5.11 The Committee will oversee the Company's relationship with the external auditors.

These Terms of Reference of the Audit Committee were adopted at the meeting of the Board of Directors held on 20th April 2017.

Dr. Gideon Chitayat, Chairman of the Board