

# Monotype

## Audit Committee Charter

<i>Adopted:</i>	March 15, 2007
<i>Amended:</i>	October 26, 2011
<i>Amended:</i>	October 23, 2013
<i>Amended:</i>	March 3, 2016
<i>Amended:</i>	February 15, 2017

### I. General Statement of Purpose

The purposes of the Audit Committee of the Board of Directors (the “Audit Committee”) of Monotype Imaging Holdings Inc. (the “Company”) are to:

- oversee the accounting and financial reporting processes of the Company and the audits of the Company’s financial statements and audits of internal control over financial reporting;
- review the performance of the Company’s internal audit function;
- take or recommend that the Board of Directors of the Company (the “Board”) take appropriate action to oversee the qualifications, independence and performance of the Company’s independent registered public accounting firm; and
- review the report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement.

### II. Composition

The Audit Committee shall consist of at least three (3) members of the Board, each of whom must (1) satisfy the independence standard of the Marketplace Rules of the National Association of Securities Dealers, Inc. (“NASD”); (2) meet the criteria for independence set forth in Rule 10A-3(b)(1) promulgated under Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act; and (3) not have participated in the preparation of the financial statements of the Company or a current subsidiary of the Company at any time during the past three years.

Notwithstanding the foregoing, one director who (1) does not satisfy the independence standard of the Marketplace Rules of the NASD; (2) satisfies the criteria for independence set forth in Section 10A(m)(3) of the Exchange Act and the rules thereunder; and (3) is not a current officer or employee or a Family Member of such officer or employee, may be appointed to the Audit Committee, if the Board, under exceptional and limited circumstances, determines that

membership on the Audit Committee by the individual is required by the best interests of the Company and its stockholders, and the Board makes provisions to disclose, in the next annual proxy statement subsequent to such determination (or, if the Company does not file a proxy statement, in its Form 10-K), the nature of the relationship and the reasons for that determination. A member appointed under this exception may not serve on the Audit Committee for more than two years and may not chair the Audit Committee.

Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. At least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. One or more members of the Audit Committee shall qualify as an "audit committee financial expert" under the rules promulgated by the SEC or, if not, the Company shall disclose its lack of an "audit committee financial expert" and the reasons why in its annual report.

The Nominating and Corporate Governance Committee shall recommend to the Board nominees for appointment to the Audit Committee annually and as vacancies or newly created positions occur. The members of the Audit Committee shall be appointed annually by the Board and may be replaced or removed by the Board with or without cause. Resignation or removal of a director from the Board, for whatever reason, shall automatically and without any further action constitute resignation or removal, as applicable, from the Audit Committee. Any vacancy on the Audit Committee, occurring for whatever reason, may be filled only by the Board. The Board shall designate one member of the Audit Committee to be Chairperson of the Audit Committee. All indemnification, exculpation, expense reimbursement and advancement provisions and rights available to members of the Audit Committee in their capacities as directors of the Company shall be fully applicable with respect to their service on the Audit Committee or any subcommittee thereof.

### **III. Compensation**

A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board or any other committee established by the Board, receive directly or indirectly from the Company any consulting, advisory or other compensatory fee.

#### **IV. Meetings**

The Audit Committee generally is to meet in person or by conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, as deemed necessary by the Audit Committee. A majority of the members of the Audit Committee shall constitute a quorum for purposes of holding a meeting and the Audit Committee may act by a vote of a majority of the members present at such meeting. In lieu of a meeting, the Audit Committee may act by unanimous written consent. The Chairperson of the Audit Committee, in consultation with the other committee members and the Chief Financial Officer, as he or she deems necessary, may determine the frequency and length of the Audit Committee meetings and may set meeting agendas consistent with this Charter.

#### **V. Responsibilities and Authority**

The following responsibilities are set forth as a guide to fulfilling the Audit Committee's purposes, with the understanding that the Audit Committee's activities may diverge as appropriate given the circumstances. The Audit Committee's purpose and responsibilities shall be as set forth below.

##### **A. Review of Charter**

The Audit Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any amendments or modifications to the Charter that the Audit Committee deems appropriate.

##### **B. Annual Performance Evaluation of the Audit Committee**

At least annually, the Audit Committee shall evaluate its own performance and report the results of such evaluation to the Board.

##### **C. Matters Relating to Selection, Performance and Independence of the Independent Registered Public Accounting Firm**

- The Audit Committee shall be directly responsible for the appointment, retention, termination, and to review and approve the compensation, of the Company's independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The Audit Committee may consult with management in fulfilling these duties.
- The Audit Committee shall be directly responsible for oversight of the work of the independent registered public accounting firm (including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

- The Audit Committee shall instruct the independent registered public accounting firm that the independent registered public accounting firm shall report directly to the Audit Committee.
- The Audit Committee shall pre-approve all auditing services and the terms thereof and non-audit services to be provided to the Company by the independent registered public accounting firm; provided, however, the pre-approval requirement is waived with respect to the provision of non-audit services for the Company if the “de minimus” provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied. This authority to pre-approve non-audit services may only be delegated to the Chairperson of the Audit Committee, who shall present all decisions to pre-approve an activity to the full Audit Committee at its first meeting following such decision.
- The Audit Committee will review and approve the scope and staffing of the independent registered public accounting firm’s annual audit plan(s).
- The Audit Committee shall evaluate the independent registered public accounting firm’s qualifications, performance and independence, including (1) requesting that the independent registered public accounting firm provide the Audit Committee with the written disclosures and the letter required by Public Company Accounting Oversight Board Rule 3526, as modified or supplemented, (2) requiring that the independent registered public accounting firm submit to the Audit Committee on a periodic basis a formal written statement delineating all relationships between the independent registered public accounting firm and the Company, (3) discussing with the independent registered public accounting firm any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm, (4) based on such disclosures, statement and discussion (and such other matters as the Audit Committee deems relevant), taking or recommending that the Board take appropriate action in response to the independent registered public accounting firm’s report to satisfy itself of the independent registered public accounting firm’s independence, (5) reviewing a report obtained at least annually from the independent registered public accounting firm describing the auditor’s internal quality-control procedures and any material issues raised, and (6) seeking the opinion of management and the internal auditors of the independent registered public accounting firm’s performance.
- The Audit Committee shall assure the regular rotation of the partners of its registered public accounting firm (including, without limitation, the lead and concurring partners) as required under the Exchange Act and Regulation S-X.

#### **D. Audited Financial Statements and Annual Audit**

- The Audit Committee shall review and discuss with management (including the Company’s Chief Financial Officer and/or principal accounting officer (the Chief Financial Officer and such other officer or officers are referred to herein collectively as the “Senior Accounting Executive”)) and with the independent registered public

accounting firm the Company's annual audited financial statements, including (1) all critical accounting policies and practices used or to be used by the Company, (2) the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" prior to the filing of the Company's Annual Report on Form 10-K, and (3) any significant financial reporting issues that have arisen in connection with the preparation of such audited financial statements.

- The Audit Committee may consider the ramifications of the use of any alternative disclosures and treatments on the financial statements, and the treatment preferred by the independent registered public accounting firm. The Audit Committee may also consider other material written communications between the registered public accounting firm and management, such as any management letter or schedule of unadjusted differences.
- The Audit Committee must review:
  - (i) major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of any material control deficiencies;
  - (ii) major issues regarding accounting principles and procedures and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
  - (iii) the effects of regulatory and accounting initiatives, as well as off-balance sheet transactions and structures, on the financial statements of the Company; and
  - (iv) the certifications made by the Company's Chief Executive Officer and Chief Financial Officer.
- The Audit Committee shall review and discuss with the independent registered public accounting firm (outside of the presence of management) how the independent registered public accounting firm plans to handle its responsibilities under the Private Securities Litigation Reform Act of 1995, and request assurance from the auditor that Section 10A(b) of the Exchange Act has not been implicated.
- The Audit Committee shall review and discuss with the independent registered public accounting firm any audit problems or difficulties and management's responses thereto. This review shall include (1) any difficulties encountered by the auditor in the course of performing its audit work, including any restrictions on the scope of its activities or its access to information, and (2) any significant disagreements with management.
- The Audit Committee shall discuss with the independent registered public accounting firm those matters brought to the attention of the Audit Committee by the auditors pursuant to the PCAOB Auditing Standard No. 16, "Communications with Audit Committees" ("Standard 16").
- The Audit Committee shall also review and discuss with the independent registered

public accounting firm the report required to be delivered by such auditors pursuant to Section 10A(k) of the Exchange Act.

- If brought to the attention of the Audit Committee, the Audit Committee shall discuss with the Chief Executive Officer and Senior Accounting Executive of the Company (1) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, within the time periods specified in the SEC's rules and forms, and (2) any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.
- Based on the Audit Committee's review and discussions (1) with management of the audited financial statements, (2) with the independent registered public accounting firm of the matters required to be discussed by Standard 16, and (3) with the independent registered public accounting firm concerning the independent registered public accounting firm's independence, the Audit Committee shall make a recommendation to the Board as to whether the Company's audited financial statements should be included in the Company's Annual Report on Form 10-K for the last fiscal year.
- The Audit Committee shall prepare the Audit Committee report required by Item 407(d) of Regulation S-K of the Exchange Act (or any successor provision) to be included in the Company's annual proxy statement.

#### **E. Unaudited Quarterly Financial Statements**

The Audit Committee shall discuss with management and the independent registered public accounting firm, prior to the filing of the Company's Quarterly Reports on Form 10-Q, (1) the Company's quarterly financial statements and the Company's related disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," (2) such issues as may be brought to the Audit Committee's attention by the independent registered public accounting firm pursuant to PCAOB AS 4105, "Interim Financial Information," and (3) any significant financial reporting issues that have arisen in connection with the preparation of such financial statements.

#### **F. Earnings Press Releases**

The Audit Committee shall discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, including, in general, the types of information to be disclosed and the types of presentation to be made (paying particular attention to the use of "pro forma" or "adjusted" non-GAAP information) prior to the release of such information to the public.

## **G. Procedures for Addressing Complaints and Concerns**

- The Audit Committee shall establish and oversee procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Audit Committee shall review at least quarterly with management, including the General Counsel and compliance manager, compliance with, the adequacy of and any requests for waivers under, the Company's code(s) of business conduct and ethics (including codes that apply to all employees as well as those applicable to directors, senior officers and financial officers and the Company's policies and procedures concerning trading in Company securities and use in trading of proprietary or confidential information) and approve any waiver sought with respect to any executive officer or director.
- The Audit Committee shall review and address conflicts of interest of directors and executive officers.

## **H. Regular Reports to the Board**

The Audit Committee shall regularly report to and review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent registered public accounting firm, the performance of the internal audit function and any other matters that the Audit Committee deems appropriate or is requested to review for the benefit of the Board.

## **VI. Conflicts of Interest**

The Audit Committee shall conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis, and the approval of the Audit Committee shall be required for all such transactions as required by the terms of the Company's Related Person Transaction Approval Policy.

## **VII. Risk Management – IT Security**

The Audit Committee shall receive a report at least quarterly from the Company with respect to monitoring and management of the Company's information technology security program and protocols and shall oversee the Company's management of any issues that may arise with respect to such program or protocols.

## **VIII. General**

- The Audit Committee may form and delegate authority to subcommittees consisting of one or more of its members as the Audit Committee deems appropriate to carry out its responsibilities and exercise its powers.
- The Audit Committee may perform such other oversight functions outside of its stated purpose as may be requested by the Board from time to time.
- The Audit Committee shall maintain minutes or other records of Audit Committee meetings and activities.
- In performing its oversight function, the Audit Committee shall be entitled to rely upon advice and information that it receives in its discussions and communications with management, the independent registered public accounting firm and such experts, advisors and professionals as may be consulted with by the Audit Committee. The Audit Committee may engage independent counsel and such other advisors it deems necessary or advisable to carry out its responsibilities and powers, and, if such counsel or other advisors are engaged, shall determine the compensation or fees payable to such counsel or other advisors.
- In discharging its role, the Audit Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Company. The Audit Committee is authorized to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent registered public accounting firm or any other professional retained by the Company to render advice to the Company attend a meeting of the Audit Committee or meet with any members of or advisors to the Audit Committee.
- The Audit Committee is authorized to incur such expenses as are necessary or appropriate in carrying out its duties.



Notwithstanding the responsibilities and powers of the Audit Committee set forth in this Charter, the Audit Committee does not have the responsibility of planning or conducting audits of the Company's financial statements or determining whether the Company's financial statements are complete, accurate and in accordance with GAAP. Such responsibilities are the duty of management and, to the extent of the independent registered public accounting firm's audit responsibilities, the independent registered public accounting firm. In addition, it is not the duty of the Audit Committee to conduct investigations or to ensure compliance with laws and regulations.