

# TAKE-TWO INTERACTIVE SOFTWARE, INC.

## AUDIT COMMITTEE CHARTER

February 2019

This Audit Committee Charter (this “Charter”) has been adopted by the Board of Directors (the “Board”) of Take-Two Interactive Software, Inc. (the “Company”).

### **1. Purpose; Limitations on Duties.**

The purpose of the Audit Committee (the “Committee”) is to oversee the accounting and financial reporting processes of the Company and audits of the financial statements of the Company and to prepare the annual report of the Audit Committee required by applicable Securities and Exchange Commission (“SEC”) rules. In addition, the Committee shall assist the Board in its review and oversight of the Company’s key investment objectives, strategies and policies.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles (“GAAP”) and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

### **2. Membership; Appointment; Financial Expert.**

The Committee will consist of three or more members of the Company’s Board. All members of the Committee must be directors who meet the financial sophistication requirements and the independence requirements of applicable law and the rules of the SEC and the NASDAQ in effect from time to time, subject to any exception allowed by such rules and any waivers granted by such authorities. No Committee member shall simultaneously serve on the audit committees of more than two other public companies without discussion with and approval of the Chairman of the Board or the Chairman of the Executive Committee of the Board. All members of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. No member of the Committee may participate in the preparation of the financial statements of the Company or any current subsidiary of the Company, or have so participated for three years prior to joining the Committee.

The members of the Committee will be appointed by and serve at the discretion of the Board, upon the recommendations of the Company’s Corporate Governance Committee. Except as provided in this Charter, Committee members will be appointed annually for a term of one year or until their successors have been duly appointed and qualified. Committee members may be removed at any time, and vacancies may be filled, by a majority vote of the directors on the Board upon the recommendation of the Corporate Governance Committee. Unless a Chairman of the Committee is appointed by the Board, the members of the Committee shall designate a Chairman by majority vote of the full Committee.

A member shall promptly notify the Committee and the Board if the member is no longer an independent director under the listing standards of the NASDAQ, the SEC rules and applicable

law (an “Independent Director”) and such member shall automatically be removed from the Committee unless the Board determines that an exception to the independence requirement is available under the listing standards of the NASDAQ, SEC rules and applicable law with respect to such member’s continued membership on the Committee and that such exception should be made.

If practicable, at least one member of the Committee must qualify as an “audit committee financial expert” (as defined by the SEC). The Company will disclose in its annual report required by Section 13(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) whether or not it has at least one member who is an audit committee financial expert. In any event, the Committee must include at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the individual’s financial sophistication, such as being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

### **3. Specific Responsibilities and Duties.**

The Board delegates to the Committee the express responsibility and authority to:

#### **3.1 Independent Auditor**

- (a) Selection; Fees.** Be solely and directly responsible for the appointment, compensation, retention, evaluation and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company and, where appropriate, as determined by the Committee, the termination and replacement of such firm. Each such firm shall report directly to the Committee. The Committee has the ultimate authority to approve all audit engagement fees and terms, with the costs of all engagements to be borne by the Company.
- (b) Rotation of Independent Auditor.** Consider whether there should be regular rotation of the independent auditor.
- (c) Scope of Audit.** Review, evaluate and approve the annual engagement proposal of the independent auditor (including the proposed scope and approach of the annual audit).
- (d) Lead Audit Partner Review, Evaluation and Rotation.** Review and evaluate the lead audit partner of the independent auditor. Ensure that the lead audit partner having primary responsibility for the audit and the reviewing audit partner of the independent auditor are rotated at least every five years and that other audit partners (as defined by the SEC) are rotated at least every seven years.
- (e) Pre-Approval of Audit and Non-Audit Services.** Pre-approve all auditing services and all permitted non-audit services performed by the Company’s independent auditor in accordance with the Audit, Audit Related and Non-Audit Services Pre-Approval Policy. Such pre-

approval may be given as part of the Committee's approval of the scope of the engagement of the independent auditor or on an engagement-by-engagement basis or pursuant to pre-established policies. In addition, the authority to pre-approve permitted non-audit services to be provided by the independent auditor may be delegated by the Committee to one or more of its members, but such member's or members' non-audit service approval decisions must be reported to the full Committee at the next regularly scheduled meeting. The pre-approval requirement is not applicable with respect to the provision of non-audit services by the Company's independent auditor where (i) such services were not recognized by the Company at the time of the engagement to be non-audit services, (ii) the aggregate amount of all such non-audit services provided to the Company constitutes not more than 5% of the total amount paid by the Company to the Company's independent auditor during the fiscal year in which the non-audit services are provided, (iii) such services are approved in advance by a subcommittee consisting solely of the Chairman of the Committee (a "Sub-Committee") and (iv) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or a Sub-Committee. The Company shall disclose in its Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q any approval of non-audit services during the period covered by the applicable report.

**(f) Auditor Independence.**

- (i) Obtain Written Statement.** At least annually, obtain and review a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with the applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") regarding the independent auditor's communications with the audit committee concerning independence.
- (ii) Engage in Active Dialogue.** Actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and take, or recommend that the Board take, appropriate action to oversee the independence of the outside auditor.
- (g) Review Problems.** Review with the independent auditor any audit problems or difficulties the independent auditor may have encountered in the course of its audit work, and management's responses, including: (i) any restrictions on the scope of activities or access to requested information and (ii) any significant disagreements with management.
- (h) Related Party Transactions.** Conduct an appropriate review and oversight of all proposed related-party transactions (which term refers to transactions that would be required to be disclosed pursuant to SEC Regulation S-K, Item 404(a)) for potential conflict of interest situations on an ongoing basis. The Company shall not enter into any new related party transaction unless the Committee approves such transaction.
- (i) Material Communications.** Discuss with the independent auditor any communications between the audit team and the independent auditor's national office regarding auditing or accounting issues that the engagement presented.

- (j) **Accounting Adjustments.** Discuss with the independent auditor any accounting adjustments that were noted or proposed by the independent auditor but were passed on.
- (k) **Internal Audit Function.** Discuss with the independent auditor the responsibilities, budget and staffing of the Company's internal audit function (see below).
- (l) **Management or Internal Control Letters.** Discuss with the independent auditor any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company.
- (m) **Hiring.** Evaluate on case by case basis the permissibility of hiring employees and former employees of the independent auditor.

### 3.2 Financial Reporting

- (a) **Annual Financials.** Review and discuss with management and the independent auditor the Company's annual audited financial statements, (including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations"), including any unusual or non-recurring items, the adequacy of internal controls and other matters that the Committee deems material, prior to the public release of such information. Recommend to the Board whether to include the Company's audited financial statements in its annual report.
- (b) **Quarterly Financials.** Review and discuss with management and the independent auditor the Company's quarterly financial statements (including the Company disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations"), the results of the independent auditor's reviews of the quarterly financial statements, and other matters that the Committee deems material prior to the public release of such information.
- (c) **Accounting Principles.** At least annually, review with management and the independent auditor major issues regarding accounting principles and financial statement presentations, including any material changes in the selection or application of the principles followed in prior years and any items required to be communicated by the independent auditor in accordance with AICPA Statement of Auditing Standards ("SAS") 61 and the applicable requirements of the PCAOB.
- (d) **Judgments.** Review reports prepared by management or by the independent auditor relating to significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative GAAP methods on the Company's financial statements and a description of any transaction as to which management obtained an SAS 50 letter.
- (e) **Earnings Press Releases; Guidance.** Discuss earnings press releases with management (including the type and presentation of information to be included in earnings press releases), as well as financial information and earnings guidance provided to analysts and rating agencies, and approve the content of earnings press releases prior to their issuance by the

Company. In addition, the Committee shall discuss with management the process pursuant to which any earnings guidance is developed, as well as any subsequent changes to any previously issued earnings guidance, and make a recommendation to the entire Board of Directors with respect to such guidance. Discussions of earnings press releases as well as financial information and earnings guidance may be done generally (for example, through discussion of the types of information to be disclosed and the type of presentation to be made).

- (f) **Regulatory and Accounting Developments.** Review with management and the independent auditor the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the Company's financial statements.

### **3.3 Internal Audit and Risk Management.**

- (a) **Internal Audit.** With respect to the Company's internal audit function,

- (i) review the budget, qualifications, activities, effectiveness and organizational structure of the internal audit function;
- (ii) review and recommend to the Board action with respect to the appointment and replacement of the head of Internal Audit;
- (iii) review and approve the Internal Audit charter and any proposed amendments thereto;
- (iv) review the performance of the head of Internal Audit;
- (v) review and approve the annual internal audit plan for the upcoming year and discuss with the head of Internal Audit, the independent auditor and management, internal audit department responsibilities (including reporting responsibilities), and any recommended changes in the internal audit plan; and
- (vi) review summaries of significant internal audit reports and management's responses.

The head of Internal Audit shall report jointly to the Committee and to the General Counsel of the Company. The principal and administrative reporting responsibilities of the internal audit function shall be reviewed from time to time by the Committee and the Board.

- (b) **Risk Assessment and Risk Management.** Discuss policies with respect to risk assessment and risk management periodically with the management, internal audit staff and the independent auditor, and the Company's plans or processes to monitor, control and minimize such risks and exposures, including without limitation risks related to data privacy, data security, and cybersecurity.

### **3.4 Financial Reporting Processes; CEO and CFO Certifications.**

- (a) **Internal and External Controls.** Review with management, the Company and the independent auditor, as appropriate, the Company's internal controls over financial reporting.

- (b) **Consider Changes.** Review major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
- (c) **Reporting Systems.** Receive reports from each of (i) management, (ii) the independent auditor and (iii) the head of Internal Audit regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
- (d) **Reports from Independent Auditor.** Obtain and review timely reports from the independent auditor regarding:
  - (i) all critical accounting policies and practices to be used by the Company;
  - (ii) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
  - (iii) all other material written communications between the independent auditor and management, including any management letter or schedule of unadjusted differences.

Such reports may be oral or in writing, but must be provided to the Committee before any auditor's report is filed with the SEC.

- (e) **CEO and CFO Certifications.** Discuss with the Chief Executive Officer and the Chief Financial Officer the processes involved in, and any material disclosures required as a result of, the Annual Report on Form 10-K and Quarterly Report on Form 10-Q certification process concerning deficiencies in design or operation of internal controls or any fraud involving management or employees with a significant role in the Company's internal controls.

### 3.5 Legal and Regulatory Compliance

- (a) **SEC Report.** Review the preparation of the annual report to be included in the Company's proxy statement as required by the proxy rules under the Exchange Act.
- (b) **Code of Conduct; Waivers.** Review and approve the Company's Whistleblower Policy and Code of Business Conduct and Ethics and any proposed amendments thereto; receive periodic reports from the Company's General Counsel regarding the Company's monitoring of compliance with such Code; approve in advance any waivers of such Code for senior financial officers who are neither directors nor executive officers; and recommend to the Board for approval any waivers of such Code for directors and executive officers.
- (c) **Complaints.** Establish procedures for (including pursuant to the Company's Whistleblower Policy and Code of Business Conduct and Ethics):
  - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and

- (ii) the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

### **3.6 Investments**

- (a) **Investment Policy.** Review and approve the Company's investment policy (including, without limitation, any investment guidelines with regard to maturity, liquidity, risk and diversification) and any modifications thereto. The Committee will also review foreign currency strategy, including the use of hedging instruments.
- (b) **Investment Objectives and Strategies.** Review and advise the Board with respect to the Company's key investment objectives and strategies. Review of such strategies shall be in relation to the Company's debt and capital structure.
- (c) **Management Oversight.** Oversee management's administration of the Company's investments to ensure compliance with its investment policies, and periodically review the allocation and performance of the Company's investments.

### **3.7 Annual Evaluation of Committees and Charter.**

- (a) **Evaluation of Committee.** Annually evaluate the performance of the Committee, in cooperation with the Corporate Governance Committee.
- (b) **Review and Publication of Charter.** Review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board, as appropriate, and publish this Charter as required by applicable law, in cooperation with the Corporate Governance Committee.

## **4. Reports to Board; Meetings, Minutes.**

- 4.1 Recommendations; Reports.** Regularly report to the Board on the Committee's activities, and its conclusions with respect to the independent auditor, and make appropriate recommendations to the Board.
- 4.2 Executive Sessions.** The Committee shall meet periodically (with such frequency as it determines) with each of the independent auditor, head of Internal Audit (or other personnel responsible for the Company's internal audit function) and management in separate executive sessions.
- 4.3 Other Meetings.** Other meetings will be with such frequency, and at such times, as its Chairman or a majority of the Committee determines, but the Committee shall meet at least quarterly. Special meetings of the Committee may be called by the Chairman and will be called promptly upon the request of any two Committee members. The agenda of each meeting will be prepared by the Chairman and circulated, if practicable, to each member prior to the meeting date. Unless the Committee or the Board adopts other procedures, the provisions of the Company's Bylaws applicable to meetings of Board committees will govern meetings of the Committee.

- 4.4 Minutes.** The Committee will keep written minutes of its meetings, which minutes shall be provided to the Board and maintained with the books and records of the Company.
- 5. Subcommittees.** The Committee has the power to appoint and delegate matters to subcommittees, but no subcommittee will have any final decision-making authority on behalf of the Board or the Committee (except as expressly permitted pursuant to Section 3.1(e) above). The Committee may delegate to any member thereof such power and authority to execute documents and carry out actions on behalf of the Committee as the Committee deems appropriate.
- 6. Advisors and Counsel; Reliance; Investigations; Cooperation.**
- 6.1 Retention of Advisors and Counsel.** The Committee has the power, in its sole discretion, to obtain advice and assistance from, and the authority to engage at the Company's expense, such independent or outside legal counsel, accounting or other advisors and experts as it determines necessary or appropriate to carry out its duties, and in connection therewith to receive appropriate funding, as determined by the Committee, from the Company.
- 6.2 Determine Administrative Expenses.** The Committee has the power to determine the level of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties, which expenses shall be borne by the Company.
- 6.3 Reliance Permitted.** The Committee may act in reliance on management, the Company's independent auditor, head of Internal Audit, and advisors and experts, as it deems necessary or appropriate.
- 6.4 Investigations.** The Committee has the power, in its discretion, to conduct any investigation it deems necessary or appropriate to enable it to carry out its duties.
- 6.5 Required Participation of Employees.** The Committee shall have unrestricted access to the Company's employees, independent auditor, internal auditors, internal and outside counsel, and may require any employee of the Company or representative of the Company's outside counsel or independent auditor to attend meetings of the Committee or to meet with any members of the Committee or representative of the Committee's counsel, advisors or experts.
- 7. Rules and Procedures.** Except as expressly set forth in this Charter or the Company's Certificate of Incorporation, Bylaws or Corporate Governance Guidelines, or as otherwise provided by law or the rules of the SEC or NASDAQ, the Committee shall establish its own rules and procedures. A majority of the members of the Committee shall constitute a quorum and the Committee may act by a majority of its members unless otherwise specified in this Charter.

This Charter is in all respects subject to the provisions of the Certificate of Incorporation and Bylaws of the Company. This Charter may be amended from time to time upon the approval of the Board.