

RIT Capital Partners plc

Audit and Risk Committee Terms of Reference

Constitution:

1. The Audit Committee was constituted by resolution of the Board dated 3 October 1988.
2. The remit of the Committee was expanded to cover risk management in May 2011 and the Committee's name was changed to the Audit and Risk Committee.

Membership:

3. The Committee shall be appointed by the Board. All members of the Committee shall be independent non-executive directors of the Company. The Committee shall consist of not less than three members and at least one member shall have recent and relevant financial experience and at least one member shall have accounting and/or auditing experience. A quorum shall be two members.
4. The Chairman of the Committee shall be appointed by the Board. In his absence, the remaining members present shall decide which of their number shall chair a committee meeting. The Chairman shall not be entitled to a casting vote.

Attendance at meetings:

5. The Company Secretary shall be Secretary of the Committee and shall attend unless requested otherwise by the Committee. The Secretary is responsible for maintaining records of its membership, business and advice received by the Committee.
6. The Chief Financial Officer and Chief Risk Officer shall attend unless otherwise requested by the Committee.
7. Other board members and employees may attend if invited by the Committee.
8. A representative or representatives of the external auditors may attend meetings at the invitation of the Committee through the Secretary.
9. There should be the opportunity in at least one meeting a year where the external auditors may attend without executive directors, management or other members of staff present.

Frequency of meetings:

10. The Committee should meet as often as necessary to discharge its duties, normally at least three times per year, and where appropriate should coincide with key dates in the Company's financial reporting cycle.
11. The Senior Statutory Auditor may request a meeting if he or she considers that one is necessary.

Authority:

12. The Committee is authorized by the Board to:
 - a. investigate any activity within its terms of reference, which extend to all Group companies;
 - b. seek any information that it requires from any employee of any Group Company and all employees are directed to cooperate with any request made by the Committee; and
 - c. obtain outside legal or independent professional advice at the Company's expense and such advisors may attend meetings as necessary.

Responsibilities:

13. The responsibilities of the Committee shall be:

Financial Reporting and Audit

- a. to monitor the integrity of the financial statements and any formal announcements relating to the Company and the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- b. to ensure that the report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- c. to review the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board;
- d. to review the internal financial controls of the Company and the Group and review the internal control systems;
- e. to discuss with the external auditor, before the audit commences, the nature and scope of the audit;
- f. to review the external auditor's management letter and management's response;
- g. to monitor the performance of the external auditor;
- h. to recommend the audit fee to the Board and review any fees in respect of non-audit services provided by the external auditor and to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity;
- i. to oversee the process for selecting the external auditor and make appropriate recommendations through the board to the shareholders to consider at the AGM;

- j. to review the arrangements by which staff may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting or other matters;
- k. to consider any other topics referred to the Committee by the Board.

Risk Management

- a. to monitor the risk profile and tolerance acceptable to the Company and the Group and set by the Board in delivering the business strategy, and ensure this is communicated appropriately within the Company;
- b. to assess the performance of senior management in relation to risk management and monitor the extent to which their incentives are designed to reinforce the established risk management culture;
- c. to receive reports at each meeting from the Chief Risk Officer, other members of senior management and the internal audit function regarding identification of all principal operational, financial, reputational and regulatory risks and uncertainties relating to the Company and its subsidiaries, and the evaluation, monitoring and mitigation of those risks;
- d. to monitor and review the effectiveness of the internal audit function;
- e. to receive immediate reports from any member of senior management on any material issues arising between meetings.

External Auditor

- a. to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- b. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- c. To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Reporting procedures:

- 14. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 15. The Committee's duties and activities during the year shall be disclosed in the annual financial statements.

16. The Chairman shall report to the Board on the Committee's proceedings and shall attend the AGM answering questions, through the Chairman of the Board, on the Audit and Risk Committee's activities and its responsibilities.
17. Matters considered by the Committee that are within the remit of another Board committee shall be communicated to the relevant Committee Chairman.

Adopted: 11 May 2004

Last reviewed: February 2018