

3i Group plc (the “Company”)

**AUDIT AND COMPLIANCE COMMITTEE (the “Committee”)
TERMS OF REFERENCE**

Adopted and approved by the Board by Minute 6264 passed on 27 March 2019.

1. MEMBERS, COMMITTEE CHAIR AND QUORUM

- 1.1 The Committee shall comprise at least three non-executive Directors appointed from time to time by resolution of the Board. The Chair shall not be a Committee member.
- 1.2 All Committee members shall be independent non-executive Directors, at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.3 The Board shall appoint a Committee Chair (the “**Committee Chair**”). In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.
- 1.4 The quorum of the Committee shall be any two Committee members.

2. SECRETARY

The Company Secretary, or their nominee, shall attend each meeting and act as secretary to the meeting.

3. CONDUCT OF BUSINESS

- 3.1 Meetings: Not less than four Committee meetings shall be held between one annual general meeting of the Company and the next. All Committee meetings shall be convened by the Company Secretary on the instructions of the Committee Chair or in their absence, the Chair, the Deputy Chair or any Committee member.
- 3.2 Attendance at Meetings
- (a) No one other than the Committee Chair and Committee members are entitled to be present at a Committee meeting. Others may attend meetings at the invitation of the Committee.
 - (b) The Chief Executive, the Group Finance Director, the Head of Internal Audit, the Head of Group Compliance and a representative of the external auditors will normally be invited to attend meetings.
 - (c) Notwithstanding the foregoing, the Committee will meet with each of the Group Finance Director, the Head of Internal Audit, the Head of Group Compliance and the external auditors at least once a year without executive Directors being present. In addition, the Committee will meet with the Group Finance Director, the Head of Internal Audit, the Head of Group Compliance or the external auditors at any time at their request.
 - (d) Committee members may attend Committee meetings via teleconference or videoconference.

- 3.3 Voting: Each Committee member shall have one vote. In the event of an equality of votes the proposed resolution shall not be passed.
- 3.4 Support: The Company Secretary shall provide to the Committee such support and advice as it may require and shall be entitled to independent access to the Committee Chair at all times.
- 3.5 Written Resolution: A resolution in writing agreed by all Committee members for the time being entitled to receive notice of a Committee meeting shall be valid and effective as if it had been passed at a Committee meeting duly convened and held. Such written resolution is adopted when all Committee members have signed one or more copies of it or otherwise indicated their agreement to it in writing (which may include by electronic mail).
- 3.6 Minutes: The Company Secretary, or their nominee, will prepare the minutes of each meeting for approval by the Committee.

4. DUTIES OF THE COMMITTEE

4.1 Valuations

The Committee shall receive reports from the Valuations Committee and make such recommendations and reports to the Board in relation to valuations policy and the valuations of the Group's investment assets as it considers appropriate.

4.2 Financial Statements

The Committee shall:

- (a) monitor the integrity of the Company's financial statements¹, including its annual and half-yearly reports, quarterly performance updates, preliminary announcements and any other formal announcements relating to the Company's financial performance, and review and report to the Board on significant financial reporting issues and judgements contained in those statements, having regard to matters communicated to it by the external auditor;
- (b) review and consider the Company's financial statements including, inter alia:
- (i) the application of significant accounting policies and any changes to them;
 - (ii) the going concern statement;
 - (iii) the viability statement;
 - (iv) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (v) the clarity and completeness of the disclosures made in the Company's financial reports and the context in which these statements are made;

¹ References to the Company's financial statements and reports, updates and announcements include, as appropriate, references to its consolidated financial statements and reports, updates and announcements.

- (vi) compliance with the Listing Rules, Disclosure Guidance and Transparency Rules, the provisions of the UK Corporate Governance Code and associated guidance, and other legal and regulatory requirements; and
- (vii) all other material information presented with the financial statements, including but not limited to the strategic report and the corporate governance statements relating to audit and risk management.

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.

4.3 Narrative reporting

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

4.4 Internal Controls and Risk Management Systems

The Committee shall:

- (a) review the Company's internal financial controls and identify, assess and monitor all financial and relevant non-financial risks and other internal control and risk management systems, including those relating to detecting fraud, preventing bribery and whistleblowing;
- (b) review and approve the statements to be included in the annual report and accounts concerning internal control and risk management; and
- (c) raise any issues with the Board of which becomes aware, if required.

4.5 Internal Audit

The Committee shall:

- (a) review and approve the appointment or termination of the Head of Internal Audit;
- (b) review and approve the remit of the Company's Internal Audit function;
- (c) satisfy itself that that the Internal Audit function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (d) ensure the Head of Internal Audit has direct access to the Chair and to the Committee Chair and is accountable to the Committee, in order to ensure their continued independence;
- (e) review the Internal Audit plan to ensure it is aligned to the keys risks of the business and receive regular reports on the work carried out;
- (f) review and monitor management's responsiveness to any Internal Audit findings and recommendations, and management's actions to support the effective working of the internal audit function;
- (g) review and approve the Internal Audit charter to ensure that it is appropriate to the current needs of the Company;
- (h) satisfy itself that Internal Audit has unrestricted scope in its activities;

- (i) monitor and assess the role and effectiveness of the Internal Audit function in the overall context of the Company's risk management systems and the work of compliance, finance and the external auditor; and
- (j) consider from time to time whether an independent, third party review of the Internal Audit function is appropriate.

4.6 External Auditors

The Committee shall:

- (a) consider, and where appropriate, make recommendations to the Board, to be put to the shareholders of the Company for approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor;
- (b) approve the remuneration of the external auditor and ensure that the level of such remuneration is appropriate to enable an effective and high-quality audit to be conducted;
- (c) approve the terms of engagement of the external auditor including any engagement letter issued at the start of each audit and the scope of the audit;
- (d) recommend to the Board that the external audit is put out to external tender as appropriate in accordance with applicable law, rules, regulation and best practice, and initiate and oversee as required fair tendering and selection processes;
- (e) if the external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (f) oversee the relationship with the external auditor, including (but not limited to):
 - (i) annually reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
 - (ii) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which it believes are likely to adversely affect the external auditor's independence and objectivity;
 - (iii) agreeing with the Board a policy on the employment of former employees of the external auditor and monitoring the implementation of this policy;
 - (iv) monitoring the external auditor's compliance with relevant ethical and professional guidance, regulations and policy limits in relation to the rotation of the audit partner, the level of fees paid by the Company compared to the overall fee income of the firm and the level of fees paid in respect of non-audit services;
 - (v) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communication with the Committee; and

- (vi) approving and monitoring policy on the engagement of the external auditor to supply non-audit services, reviewing compliance with the relevant non-audit services policy and reporting 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;
- (g) meet regularly with the external auditor and at least once a year, meet with the external auditor without management present, to discuss the external auditor's remit and any matters arising from the audit;
- (h) review the findings of the audit with the external auditor, including but not limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iii) key accounting estimates and judgements;
 - (iv) the auditor's view on their interactions with senior management;
 - (v) levels of errors identified during the audit; and
 - (vi) effectiveness of the audit process;
- (i) review any representation letters requested by the external auditor before they are signed by management; and
- (j) review any external auditor's management letter, where appropriate, and management's response to the auditor's findings and recommendations.

4.7 Compliance Issues

The Committee shall:

- (a) in consultation with the Head of Group Compliance, satisfy itself that the Group's compliance policies fulfil the requirements of the Financial Conduct Authority and also satisfy itself in relation to the requirements of analogous financial regulators in overseas jurisdictions where the Company operates;
- (b) review and assess reports received from the Head of Group Compliance;
- (c) in response to a request from the Head of Group Compliance, or from management, provide advice upon the resolution of problems relating to compliance issues generally; and
- (k) review and approve the appointment or termination of the Head of Group Compliance.

4.8 Risk

The Committee shall:

- (a) oversee the development, implementation and maintenance of the Company's risk management framework (and its risk appetite, strategy, principles and policies to ensure they are in line with regulatory, corporate governance and industry best practice) employed by the Board to manage the principal and emerging risks faced by the Company;

- (b) review and advise the Board on the current principal and emerging risks of the Company;
- (c) review the Company's capability to identify and manage new risk types and its risk mitigation factors or measures;
- (d) oversee (i) the operation of and proposed improvements to the Company's risk management framework including adherence to its risk appetite, (ii) identification of the principal, new and emerging risks and (iii) the risk mitigation actions taken by the Company; and
- (e) review reports on any material breaches of risk limits and the adequacy of proposed actions.

5. GENERAL

The Committee shall:

- (a) review the possible effects of any proposed changes to applicable accounting standards, the tax status of the Company or legislation relating to regulatory and accounting matters relevant to the Group;
- (b) approve a report on the Committee's work to be included in the Company's annual report and accounts;
- (c) review any other matters referred to the Committee by the Board and perform such other functions as the Board may, by resolution from time to time, confer upon the Committee;
- (d) be authorised to investigate any matters within its terms of reference and the Board shall provide it with all the resources it requires to do so;
- (e) seek any information it requires from any employee of the Group and all such employees will be directed to co-operate with any request made by the Committee;
- (f) obtain, at the Company's expense, outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- (g) make recommendations to the Board on any matters within its terms of reference;
- (h) have regards to the laws, regulations, any published guidance or recommendations and established and best practice, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure and Transparency Rules and any other applicable rules, as appropriate; and
- (i) at least once a year and in conjunction with the Board, participate in a review of its own performance and recommend any changes it considers necessary to the Board for approval.

6. REPORTING TO THE BOARD

- (a) The Committee shall recommend to the Board at its next Board meeting any matter that it considers requires the Board's immediate attention.
- (b) The Committee Chair shall be responsible for reporting to the Board on the Committee's activities and findings.

7. ADDITIONAL DUTIES OF THE COMMITTEE CHAIR

The Committee Chair is authorised and requested to attend each annual general meeting of the Company to deal with shareholder's questions.

8. INTERPRETATION

In these Terms of Reference:

“**Board**” means the board of directors of the Company;

“**Chair**” means the chair of the Board;

“**Chief Executive**” means the chief executive of the Company;

“**Deputy Chair**” means the deputy chair of the Company;

“**Directors**” means the directors of the Company and “**Director**” means any one of them;

“**Group**” means the Company and its consolidated subsidiaries;

“**Head of Internal Audit**” means the head of Internal Audit of the Company;

“**Head of Group Compliance**” means the head of group compliance of the Company;

“**Internal Audit**” means the internal audit function of the Company;

“**an independent non-executive Director**” means a non-executive Director who is determined by the Board to be independent for the purposes of the UK Corporate Governance Code; and

reference to any executive of the Group described by his job title shall include reference to the executive from time to time holding the same position under any revised job title or from time to time performing (to the extent relevant to the work of the Committee) the duties previously performed by such executive.

These Terms of Reference replace the Terms of Reference dated 30 March 2011 as amended on 30 September 2015.