

Pyne Gould Corporation Ltd

AUDIT & RISK COMMITTEE CHARTER

Dated 20 March 2019

Charter – Audit & Risk Committee (the “Committee”)

1. Purpose

- 1.1. The function of the Audit and Risk Committee (‘the Committee’) is to provide oversight and reassurance to the board of directors (‘the Board’), specifically with regard to the integrity of the Company’s financial reporting, audit arrangements, risk management and internal control processes and governance framework.

2. Authority

- 2.1. The Committee is authorised by the Board at the expense of the Company to investigate any activity within its Terms of Reference. It is authorised to obtain outside legal or other independent professional advice up to a limit of £5,000 for any one issue and to secure the attendance of persons with relevant experience and expertise if it considers this necessary.
- 2.2. The Committee is authorised to seek any information it requires from any employee, agent, or service provider to the company in order to perform its duties and to call any connected person to be questioned at a meeting of the committee as and when required; and
- 2.3. Where a duty falls within the remit of both executive management and the Committee, the chairman of the Board shall have the discretion to determine the extent of responsibility of each party.

3. Membership

- 3.1. The Committee shall comprise at least three members. Members of the Committee shall be appointed by the board, on the recommendation of the chairman of the board in consultation with the chairman of the Committee. The members of the Committee for the time being shall be all non-executive members of the Board.
- 3.2. The majority of members of the Committee will be independent non-executive directors at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The chairman of the board may be a member of, but not chair, the Committee provided he or she was independent on appointment as chairman.
- 3.3. Other directors who are not members have the right to attend Committee meetings and receive will receive copies of the papers. The external auditor will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

- 3.4. The board will appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4. Secretary

- 4.1. The Company Secretary shall be the secretary of the Committee (the 'Secretary') and shall attend all meetings of the Committee ensuring that relevant papers are circulated to the Committee members on a timely basis. The Secretary shall notify the members of the Committee, the Auditors, the other directors and all those asked to attend of the date, time, venue and agenda of the meeting at least five days before the meeting.

5. Quorum and Authority

- 5.1. The quorum necessary for the transaction of business shall be two members. Provided that a quorum is present, decisions can be approved by a simple majority.

6. Frequency of meetings

- 6.1. The Committee shall meet at least two times a year to coincide with the approval of the Annual Report and Accounts, Interim Report and Accounts, and also at such other times as the Chair of the Committee, the external auditors or any Committee member may require. Outside of the formal meeting programme, the Committee chairman will maintain a dialogue with key individuals involved in the company's governance, including the board chairman and the external audit lead partner.

7. Notice of meetings

- 7.1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner if they consider it necessary.
- 7.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, at least five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

8. Minutes of meetings

- 8.1. The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 8.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the board unless it would be inappropriate to do so in the opinion of the Committee chairman.

9. Annual General Meeting

- 9.1. The Committee chairman shall attend if practicable the annual general meeting to answer shareholder questions on the committee's activities. Should the chairman be unable to attend one of the other Committee members will do so.

10. Duties

The Committee should carry out the duties below for the company, major subsidiary undertakings and the group as a whole, as appropriate.

Financial Reporting

- 10.1. The Committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing, challenging (where necessary) and reporting to the board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor, and how they were addressed.
- 10.2. The Committee shall review the Company's internal financial controls and the Company's internal control and risk management systems including receiving a report from senior executives confirming that they have conducted the Company's affairs in compliance with the regulations applying to it.
- 10.3. The Committee shall review significant risk management issues that are raised in external or internal audits as well as the length of time an action taken to resolve such issues.
- 10.4. The Committee shall 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 or removal of the external auditor and to recommend the remuneration and terms of engagement of the external auditor
- 10.5. The Committee shall at least annually review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements. The Committee shall request an annual report from the auditors on policies and processes for maintaining and monitoring independence. A report on the audit firm's own internal quality procedures shall be obtained.
- 10.6. The Committee shall 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.
- 10.7. The Committee shall report to the Board, identifying any matters in respect of which it considers action or improvement is required and make recommendations of steps to be taken.

10.8. The Committee shall report to the Board on all material information presented with the financial statements, such as the strategic review and the corporate governance statements relating to the audit and to risk management.

10.9. In particular, the Committee shall review and challenge where necessary:

10.9.1. the internal control and risk management system;

10.9.2. the valuation of the Company's investments, in particular the valuation of unquoted and complex investments;

10.9.3. compliance with the listing rules of any stock exchange(s) which the Company's shares are listed and any applicable regulatory requirements;

10.9.4. any significant adjustments resulting from the Audit;

10.9.5. any corporate governance statements made in the Company's financial annual/interim reports relating to audit and risk management;

10.9.6. the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the company/group;

10.9.7. the methods used to account for significant or unusual transactions where different approaches are possible;

10.9.8. whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

10.9.9. the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; the going concern assumption; and

10.9.10. all material information presented with the financial statements, such as the strategic review and the corporate governance statements relating to the audit and to risk management.

10.10. The Committee shall ensure that financial reporting is in Compliance with any legal, regulatory or listing requirements.

10.11. The Committee shall review and report to the Board 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 to assess the company's performance

10.12. The Committee shall review and report to the Board on the adequacy of internal controls and risk management systems.

Risk Management & Oversight

10.13. In conjunction with executive management, the Committee shall:

10.13.1. Advise the board on the overall risk appetite, tolerance and strategy of the Company (comprising the Company and its majority owned subsidiaries). In doing so the committee shall take account of the current and prospective macroeconomic, financial and regulatory environment, including relevant stakeholder issues, and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities including the Guernsey Financial Services Commission, the Bank of England, the Financial Conduct Authority and other authoritative sources that may be relevant for the Company's risk policies;

10.13.2. oversee and advise the board on the current risk exposures of the Company and future risk strategy;

10.13.3. keep under review the Company's overall risk assessment processes that inform the board's decision making, ensuring both qualitative and quantitative metrics are used;

10.13.4. review regularly and approve the parameters used in these measures and the methodology adopted;

10.13.5. set a standard for the accurate and timely monitoring of risk types of critical importance; and

10.13.6. review the Company's capability to identify and manage new risk types;

10.14. In conjunction with its financial reporting responsibilities, the committee shall:

10.14.1. keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems;

10.14.2. consider whether the internal control and risk management systems of the key service providers are adequate and receive reports from the Company's service providers covering internal and risk management systems and procedures supported, as appropriate;

10.14.3. ensure that a framework of strong corporate governance and best practice is in place, which is believed to be suitable for an investment company and which enables the Company to comply with the main requirements of the Guernsey Code, UK Corporate Governance Code or the AIC Code where considered appropriate; and

10.14.4. review and approve the statements to be included in the annual report concerning internal controls and risk management.

10.15. Corporate Procedures

- 10.15.1. The Committee shall review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 10.15.2. The Committee shall review the company's procedures for detecting fraud;
- 10.15.3. The Committee shall review the company's systems and controls for the prevention of bribery and corruption and receive reports on non-compliance;
- 10.15.4. The Committee shall review the company's systems and controls for the non-facilitation o tax evasion;and
- 10.15.5. The Committee shall consider annually whether the company should have an internal audit function. And where it does then to monitor and review the effectiveness of the Company's internal audit function.

10.16. External Audit

- 10.16.1. The Committee shall consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor;
- 10.16.2. The Committee shall ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 10.16.3. If an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 10.16.4. The Committee shall oversee the relationship with the external auditor including (but not limited to):
 - 10.16.4.1. recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

- 10.16.4.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 10.16.4.3. assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 10.16.4.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 10.16.4.5. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner; and
- 10.16.4.6. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 10.16.5. The Committee shall meet regularly with the external auditor, at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 10.16.6. The Committee shall review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 10.16.7. The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 10.16.7.1. a discussion of any major issues which arose during the audit;
 - 10.16.7.2. key accounting and audit judgements;
 - 10.16.7.3. levels of errors identified during the audit; and
 - 10.16.7.4. the effectiveness of the audit process.
 - 10.16.7.5. the Committee shall review any representation letter(s) requested by the external auditor before they are signed by management;
 - 10.16.7.6. the Committee shall review the management letter and management's response to the auditor's findings and recommendations; and

10.16.7.7. the Committee shall develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

11. Reporting responsibilities

11.1. The Committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities. This report shall include:

- 11.1.1. the significant issues that it considered in relation to the financial statements (required under paragraph 8.1. through 8.13) and how these were addressed;
- 11.1.2. any recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed;
- 11.1.3. a report of its activities and the Company's risk management and strategy (also to be included in the Company's annual report; the directors' report in the annual report and accounts should set out risk management objectives and policies);
- 11.1.4. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor;
- 11.1.5. any other issues on which the Board has requested the Committee's opinion;
- 11.1.6. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed; and
- 11.1.7. In compiling the reports referred to above, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether the company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

12. Other matters

12.1. The Committee shall:

- 12.1.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

- 12.1.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 12.1.3. give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 12.1.4. be responsible for co-ordination of external auditors;
- 12.1.5. oversee any investigation of activities which are within its terms of reference;
- 12.1.6. work and liaise as necessary with all other board committees;
- 12.1.7. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board.; and
- 12.1.8. ensure an appropriate set of governance principles applicable to the company are developed and review those principles on a regular basis.

These terms were last reviewed and adopted by the committee on 20 March 2019

Approved by the Board of Directors on 20 March 2019