



CONDUIT RE

DATED 18 NOVEMBER 2020

CONDUIT HOLDINGS LIMITED

AUDIT COMMITTEE – TERMS OF REFERENCE

CONDUIT HOLDINGS LIMITED (THE "COMPANY")

AUDIT COMMITTEE – TERMS OF REFERENCE

1. MEMBERSHIP

1.1 The members of the Audit Committee (the "**Committee**") for the time being shall be:

Elizabeth Murphy (Chair)
Ken Randall

1.2 The Committee shall consist of a minimum of two members appointed by the Board of the Company (the "**Board**") on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee, membership being confined to independent non-executive directors.

1.3 The Chair of the Committee, who shall be an independent non-executive director, shall be appointed by the Board on the recommendation of the Nomination Committee, which shall determine the period for which he/she shall hold office. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The Executive Chair of the Board shall not be a member of the Committee.

1.4 Appointments to the Committee shall be for a period for up to three years, which may be extended for up to two additional three-year periods, provided the members continue to be independent. Members of the Committee may attend meetings of the Committee in person or through the medium of conference telephone or similar form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting.

1.5 Any Committee member, by notice to the Chairman, is authorised to appoint any person to act as his authorized representative at an upcoming Committee meeting.

1.6 Only members of the Committee have the right to attend Committee meetings. However, others may be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary. The Finance Director, the head of internal audit and the external audit lead partner will be invited regularly to attend meetings.

2. SECRETARY

2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

- 2.2** The members of the Committee shall have such experience as is required under the UK Corporate Governance Code (the "**Code**") and chapter 7.1 of the FCA's Disclosure Guidance and Transparency Rules. At least one member shall have recent and relevant financial experience and competence in accounting and/or auditing and the Committee as a whole must have competence relevant to the sector in which the Company operates. The requirements for independence, financial experience and competence may be satisfied by the same members or different members of the Committee.

3. QUORUM

The quorum for decisions of the Committee shall be two members present in person or by duly authorized representative, one of whom must have recent and relevant financial experience and competence in accounting and/or auditing and a resolution put to the vote at a Committee meeting shall be carried by the affirmative votes of majority of the votes cast and in the case of an equality of votes the Chair shall have a casting vote. Members may participate in any meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

4. FREQUENCY OF MEETINGS

- 4.1** The Committee shall meet at least three times each year or otherwise as required. The Company's external or internal auditor may request a meeting if they consider it necessary.
- 4.2** Outside of the formal meeting programmes, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Board Executive Chair, the Finance Director, the external audit lead partner and the head of internal audit.

5. NOTICE OF MEETINGS

- 5.1** Meetings may also be called by the Secretary of the Committee at the request of any member of the Committee.
- 5.2** Notice of any meeting of the Committee shall be given to each member of the Committee and notice of a Committee meeting shall be deemed to be duly given to a member if it is given to such member verbally (including in person or by telephone) or otherwise communicated or sent to such member by post, electronic means or other mode of representing words in a visible form at such member's last known address or in accordance with any other instructions given by such member to the Company for this purpose. Notice of the meeting shall confirm the venue, time and date together with an agenda of items to be discussed. Notice shall be sent to each member of the Committee, any other person required to attend and all other non-executive directors. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time. Notices,

agendas and supporting papers may be sent by electronic means if the recipient has agreed to receive them electronically.

6. MINUTES OF MEETINGS

6.1 The Secretary shall minute the proceedings and discussions of all meetings of the Committee, including recording the names of those present and in attendance and any conflicts of interest.

6.2 The draft minutes of the meeting of the Committee shall be circulated to all members of the Committee and, once agreed, to the Board unless a conflict of interest exists or, exceptionally, it would be inappropriate to do so in the opinion of the Chair of the Committee.

7. ENGAGEMENT WITH SHAREHOLDERS

The Chair of the Committee shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee and its activities and achievements. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the committee areas of responsibility.

8. DUTIES

The Committee should carry out the duties below for the Company and its subsidiary undertakings and the Group as a whole, as appropriate.

8.1 Financial reporting

8.1.1 The Committee shall monitor the integrity of the financial statements of the Company including its annual and half-yearly reports, any preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

8.1.2 The Committee shall review and challenge where necessary:

- (a) the application of significant accounting policies and any changes to them;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;

- (c) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- (e) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period; and
- (f) all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management).

8.1.3 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Regulation Rules or Disclosure Guidance and Transparency Rules sourcebook.

8.1.4 The Committee shall review the annual financial statements of the pension funds where not reviewed by the Board as a whole.

8.1.5 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.

8.2 Narrative reporting

Where requested by the Board, the Committee should 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 position and performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the Code.

8.3 Internal controls and risk management systems

The Committee shall:

8.3.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;

- 8.3.2** review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement;
- 8.3.3** where requested by the Board, ensure that a robust assessment of the principal and emerging risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity) and provide advice on the management and mitigation of those risks;
- 8.3.4** where requested by the Board, provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary;
- 8.3.5** review and assess the company's risk appetite and associated stress testing;
- 8.3.6** oversee and advise the Board on the current risk exposures of the Company and future risk strategy;
- 8.3.7** in relation to risk assessment:
 - 8.3.7.1** 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;
 - 8.3.7.2** review regularly and approve the parameters used in these measures and the methodology adopted; and
 - 8.3.7.3** set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- 8.3.8** evaluate the Company's principal risks, to be taken into account by the Board when assessing the Company's prospects;
- 8.3.9** before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available;
- 8.3.10** review reports on any material breaches of risk limits and the adequacy of proposed action;

- 8.3.11** oversee and seek suitable assurance regarding the ability of the company's risk management and internal control systems to identify the risks facing the company and enable a robust assessment of principal risks.
- 8.3.12** oversee the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary;
- 8.3.13** consider the appropriateness of the Company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the company;
- 8.3.14** provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration;
- 8.3.15** consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management or other restrictions;
- 8.3.16** recommend to the Board the appointment and/or removal of any chief risk officer (the "CRO") or, as expected to be the case in respect of the first appointment of a CRO, ratify such appointment;
- 8.3.17** review promptly all reports on the Company from the CRO;
- 8.3.18** review and monitor management's responsiveness to the findings and recommendations of the CRO; and
- 8.3.19** ensure the CRO shall be given the right of unfettered direct access to the Executive Chair of the Board and to the Committee.

8.4 Compliance and fraud

The Committee shall:

- 8.4.1** review the Company's procedures for detecting fraud;
- 8.4.2** review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 8.4.3** review regular reports from the Money Laundering Reporting Officer and keep under review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and

- 8.4.4** review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function.

8.5 Internal audit

The Committee shall:

- 8.5.1** monitor and review the effectiveness of the internal audit function in the context of the Company's overall risk management system;
- 8.5.2** approve the appointment and removal of the head of the internal audit function;
- 8.5.3** consider and approve the role and mandate of the internal audit function, and ensure it has unrestricted scope, and adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 8.5.4** review and annually approve the internal audit charter to ensure that it is appropriate to the current needs of the organisation;
- 8.5.5** ensure the internal auditor has direct access to the Executive Chair of the Board and to the Chair of the Committee, and is accountable to the Committee;
- 8.5.6** ensure that there is open communication between the different functions and that the internal function evaluates the effectiveness of risk, compliance and finance functions as part of its internal audit plan;
- 8.5.7** review and assess the annual internal audit workplan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
- 8.5.8** review promptly all reports on the Company from the internal auditors on a periodic basis;
- 8.5.9** review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 8.5.10** meet the Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Head of Internal Audit shall be given the right of direct access to the Executive Chair of the Board and to the Committee.

8.6 External Audit

The Committee shall:

- 8.6.1** consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, about the appointment, re-appointment and removal of the Company's external auditor. If the Board does not accept the Committee's recommendation(s), the Committee shall prepare a statement for inclusion in the Company's annual report, and in any papers recommending appointment or re-appointment, explaining the recommendation and setting out the reasons why the Board has taken a different position;
- 8.6.2** if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.6.3** develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services taking into account relevant regulations and ethical guidance regarding the provision of non-audit services by the external audit firm and report to the Board, identifying any matters in respect of which it considers that action or improvement is needed. The policy should include consideration of the following matters:
- (a) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (b) the nature of the non-audit services;
 - (c) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (e) the criteria governing compensation;
- 8.6.4** oversee the relationship with the external auditor including (but not limited to):
- (a) approval of their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an effective audit to be conducted and that the levels of such remuneration is in accordance with the relevant requirements;
 - (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (c) review and monitor their independence and objectivity taking into account relevant law, professional and regulatory requirements and

the relationship with the auditor as a whole, including the provision of any non-audit services;

- (d) satisfying itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (e) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, then monitoring the implementation of this policy;
- (f) monitoring the external auditor's compliance with the relevant legal requirements, ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- (g) assessing annually the qualifications, expertise and resources of the external auditor which shall include a report from the external auditor on their own internal quality procedures;
- (h) seeking to ensure co-ordination with the activities of the internal audit function;
- (i) considering the risk of the withdrawal of the Company's present external auditor from the market;
- (j) reviewing the report provided by the external auditor to the Committee and considering whether to request a meeting with the external auditor to discuss the matters in such report; and
- (k) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.

8.6.5 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage;

8.6.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

8.6.7 ensuring that, from time to time, the external 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 access to information and individuals as is required during the duration of the tendering process;

8.6.8 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- (a) a discussion of any major issues which arose during the audit;
- (b) explanation of how key risks to audit quality were addressed;
- (c) any accounting and audit judgements; and
- (d) levels of errors identified during the audit.

8.6.9 The Committee shall also:

- (a) review any representation letter(s) requested by the external auditor before they are signed by management;
- (b) review the management letter and management's response to the external auditor's findings and recommendations; and
- (c) review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's responses to questions from the Committee, taking into consideration relevant professional and regulatory requirements.

9. REPORTING RESPONSIBILITIES

9.1 All decisions of the Committee shall be reported formally to the Board by the Chair of the Committee.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. All decisions on recommendations referred to the Board shall take effect only upon approval thereof by resolution of the Board, at a meeting which is properly convened and constituted and in accordance with the Company's Bye-laws.

9.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.4 The Committee shall compile a report on its activities in discharging its responsibilities to be included as a separate section in the Company's annual report. The report should include:

9.4.1 an explanation of the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;

- 9.4.2** an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor;
 - 9.4.3** information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any re-tendering plans; and
 - 9.4.4** if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safe-guarded, and all other information requirements set out in the Code.
- 9.5** In the compiling the report referred to in paragraph 9.4, 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 and its longer term viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.
- 9.6** Through the Executive Chair of the Board, the Committee shall ensure that the Company maintains contact as appropriate and required with its principal shareholders in respect of audit and financial issues.

10. OTHER MATTERS

The Committee shall:

- 10.1.1** have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for advice and assistance as required;
- 10.1.2** 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;
- 10.1.3** give due consideration to applicable laws and regulations, the provisions of the Code and the requirements of the FCA's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 10.1.4** be responsible for the oversight of the co-ordination of the internal and external auditors;
- 10.1.5** oversee any investigation of activities which are within its terms of reference;
- 10.1.6** work and liaise as necessary with all other Board committees, ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.

- 10.2** The Committee is authorised:
- 10.2.1** to investigate any activity within its terms of reference and seek directly any information it requires from any director, employee or contractor of the Company (all such persons being directed to co-operate with any such request by the Committee);
 - 10.2.2** to obtain outside legal or other independent professional advice at the cost of the Company to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary (but such persons shall not be members of the Committee); and
 - 10.2.3** to call any employee to be questioned at a meeting of the Committee as and when required.
- 10.3** The Committee shall conduct an annual review of its work, constitution, performance and these terms of reference to ensure it is operating at maximum effectiveness and shall make recommendations for any changes to the Board.
- 10.4** The Chair of the Committee shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 10.5** The Committee shall make available its terms of reference on the Company's website explaining clearly its role and authority delegated to it by the Board.
- 10.6** References in these terms of reference to the "**Group**" mean the Company, its subsidiaries and its subsidiary undertakings.

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