

THE BANKERS INVESTMENT TRUST PLC

Terms of Reference for the Audit Committee

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least three members.
- 1.2 All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, other directors, and representatives from the Manager and BNP Paribas Securities Services may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.6 Members must declare any conflicts of interest or potential conflicts of interest at the start of each meeting.

2. Secretary

- 2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings, Notice and Minutes

- 4.1 The Committee shall meet at least twice a year and otherwise as required.
- 4.2 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 key personnel employed by the Manager.
- 4.3 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.

- 4.4** 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, no later than four working 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.
- 4.5** The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 4.6** 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.

5. Engagement with shareholders

- 5.1** The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

6. Duties

- 6.1** To fulfil the duty under section 172 of the Companies Act 2006, each individual Director must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its Shareholders as a whole and in doing so, have regard to a number of broader matters including:
- (a) the likely consequences of any decision in the long-term;
 - (b) the need to foster the Company's business relationships with suppliers, customers and others;
 - (c) the impact of the Company's operations on the community and the environment;
 - (d) the desirability of the Company maintaining a reputation for high standards of business conduct; and
 - (e) the need to act fairly between members of the Company.
- 6.2** Committee members should have regard to these matters when considering the business of the Committee.

Financial Reporting

- 6.3** The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half yearly reports, and any formal announcements relating to its financial performance, reviewing and reporting to the Board any significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- 6.4** The Committee shall review the significant financial reporting issues and judgements made in connection with the preparation of the company's financial statements, half year reports and related formal statements and challenge where necessary:
- The consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company;

Terms of Reference - Audit Committee (continued)

- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity and completeness of disclosures in the Company's financial statements and the context in which statements are made; and
- All material information presented with the financial statements, such as the Chairman's statement, the Portfolio Review, the Strategic Report, the Viability Statement, the going concern statement, the Directors' Remuneration Report and the Corporate Governance Statement (insofar as it relates to the audit and risk management);
- The Company's statement on internal control systems, prior to endorsement by the Board, and the policies and process for identifying and assessing business risks and the management of those risks by the Company and the other narrative statements contained in the annual and half-yearly reports;
- That the information presented is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- The inclusion of details of any significant issues which the committee considered in relation to the financial statements and how these were addressed.
- The Remuneration Policy and the Remuneration Report which will be subject to a binding shareholder vote.

Internal Controls and Risk Management Systems

The Committee shall:

- 6.5** keep under review the effectiveness of the Company's internal controls and risk management systems;
- 6.6** review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
- 6.7** monitor and review the remit and effectiveness of the Manager's Internal Audit and Business Risk functions in the context of its overall risk management system; and
- 6.8** meet representatives of the Manager's Business Risk and Internal Audit, on a regular basis, with or without the fund manager being present, to discuss their remit and any issues arising.

External Audit

The Committee shall:

- 6.9** 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. A review of the Audit provision is to be undertaken at least every ten years. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 6.10** Oversee the relationship with the external auditor including (but not limited to):
- negotiating and agreeing their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 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 (see attached Non-Audit Services Policy);
 - satisfying itself that there are no inappropriate relationships on an annual basis (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - monitoring the auditor's compliance with relevant 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;
 - assessing annually the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures and consideration of the audit firm's annual transparency reports, where available;
 - investigating the issues giving rise to any resignation and consider what action is required;
 - considering the need to include the risk of the withdrawal of their auditor from the market in their risk evaluation and planning; and
 - meet regularly with the external auditors and at least once a year, without representatives of the manager being present, to discuss the auditors' remit and any issues arising from the audit.
- 6.11** Review the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 6.12** Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- a discussion of any major issues which arose during the audit;

Terms of Reference - Audit Committee (continued)

- any accounting and audit judgements;
- levels of errors identified during the audit; and
- the effectiveness of the audit process.

6.13 The Committee shall also:

- review any representation letter(s) requested by the external auditor before they are signed by the Board;
- review any Management letter and Manager's response to the auditor's findings and recommendations;
- review the Audit Committee's policy on the engagement of the auditors; and
- review the Audit Committee's policy on the engagement of the auditors to supply non-audit services, taking into account any relevant ethical guidance on the matter.

6.14 At the end of the annual audit cycle, the Audit Committee should assess the effectiveness of the audit process. In the course of doing so, the Audit Committee should:

- review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
- consider the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Audit Committees, and in their commentary where appropriate on the systems of internal control;
- obtain feedback about the conduct of the audit from key people of the Manager involved, eg the Head of Financial Reporting Manager; and
- review and monitor the content of any external auditor's management letter, in order to assess whether it is based on a good understanding of the Company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.

7. Reporting Responsibilities

7.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on the contents of its discussion, recommendations and actions to be and shall also formally report to the Board on how it has discharged its responsibilities.

7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.

7.3 The Committee shall compile a report on its activities to be included in the Company's annual report.

Terms of Reference - Audit Committee (continued)

The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.

- 7.4 In compiling the reports referred to in 7.1 and 7.3, 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.
- 7.5 The Company must include in the Annual Report a statement of compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tenders Processes and Audit Committee Responsibilities) Order 2014.

8. Communication with Shareholders

- 8.1 The terms of reference of the Audit Committee, including its role and the authority delegated to it by the Board, should be made available. A separate section in the annual report should describe the work of the Committee in discharging those responsibilities.
- 8.2 The Audit Committee section should include, inter alia:
- a summary of the role of the Audit Committee;
 - the names of all members of the Audit Committee during the period;
 - the number of Audit Committee meetings;
 - a report on the way the Audit Committee has discharged its responsibilities; and
 - the explanations provided for in paragraphs 7.3 above.
- 8.3 The Chairman of the Audit Committee should be present at the AGM to answer questions, through the Chairman of the Board, on the report on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

9. Compliance with The Bribery Act 2010

The Committee shall:

- 9.1 Monitor and review the processes, assurance and reporting protocols of all matters in relation to Bribery Act and Anti-Tax Evasion compliance. It is recognised that additional "off-cycle" reviews may be necessary following major changes for the Company e.g. changes in law or changes of investment policy. The Committee will report its findings to the Board on a regular basis.

10. Other Matters

The Committee shall:

- 10.1** have access to sufficient resources in order to carry out its duties;
- 10.2** be provided with appropriate and timely training, in the form of ongoing training at the Company's expense;
- 10.3** give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;
- 10.4** oversee any investigation of activities which are within its terms of reference;
- 10.5** keep tax matters under consideration; and
- 10.6** at least once a year, review its own constitution and terms of reference.

11. Authority

The Committee is authorised:

- 11.1** to seek information it requires from employees of the Manager or BNP Paribas Securities Services, as appropriate in order to perform its duties;
- 11.2** to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 11.3** have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.
