

JZ CAPITAL PARTNERS LIMITED

(the “Company”)

Terms of Reference of the Audit Committee – June 2016

1. Membership

- 1.1 The Committee shall be appointed by the Board and shall consist of not fewer than two members, all of whom shall be independent directors of the Company. The Board should satisfy itself that at least one member of the Committee has recent and relevant financial experience.
- 1.2 The Chairman of the Committee shall be appointed by the Board and shall be an independent Non-Executive Director (and shall not at any time also be the Chairman of the Board).
- 1.3 An induction programme is required for new audit committee members and on-going training is required for all members.
- 1.4 Appointment to the Committee shall be for a period of up to three years, which may be extended for two further three year periods provided that the majority of the Committee members remain independent.
- 1.5 Each member of the Committee shall disclose to the Committee:
 - (a) any personal financial or other interest in any matter to be decided by the Committee; or
 - (b) any potential conflict of interest; and
 - (c) any such member shall abstain from voting on resolutions of the Committee where such interest exists and from participating in the discussions concerning such resolutions.

2. Quorum

The quorum necessary for the transaction of business shall be two Committee members.

3. Meetings

- 3.1 The Committee shall meet at least twice a year in addition to at such other times as the Chairman of the Committee, the external auditors or any Committee member may require.
- 3.2 The meetings should coincide with the availability of external audit plan and when the interim and full annual reports are near completion.
- 3.3 At least annually, the Committee should meet the external auditors, without the Investment Manager, to discuss the remit and issues arising from the audit.
- 3.4 The Company’s auditors shall be advised of the timing of Committee meetings and shall have the right to attend such meetings.

4. Secretary

- 4.1 The Company Secretary shall be the secretary of the Committee and shall, unless and to the extent from time to time determined by the Committee, attend all meetings of the Committee.
- 4.2 The Secretary shall call meetings of the Committee at the request of any of its members or at the request of External Auditors if they consider it necessary.
- 4.3 The Secretary shall circulate the minutes of Committee meetings to all members of the Board.

5. Constitution and Purpose

- 5.1 The Committee shall review, consider and discuss issues relating to the engagement of an External Auditor, an Internal Auditor (if considered appropriate), compliance with Company Law, Accounting Standards and Financial Conduct Authority regulations, publication of interim and annual results, publication of any other financial statements embodied within circulars or company announcements, internal control procedures, internal audit procedures and risk reviews.
- 5.2 The Chairman of the Committee shall report to the Board on any relevant issue that, in the opinion of the Committee, should be brought to the attention of the Board members.
- 5.3 In accordance with AIC Code of Corporate Governance the Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.

6. Duties

The Committee's duties shall be to:

- 6.1 Monitor the integrity of the Company's financial statements and any formal announcements relating to the Company's financial reporting judgements contained in them; including:
- 6.1.1 Reviewing the consistency of accounting policies both on a year to year basis and;
- 6.1.2 Reviewing and challenging where necessary the Company's financial statements including:
- (a) the Company's investments, in particular the valuation of unquoted or other unusual investments;
 - (b) proposed changes to accounting policies;
 - (c) corporate governance statements relating to audit and risk management;
 - (d) compliance with stock exchange and other legal requirements; and
 - (e) the Company's statement on internal control systems prior to endorsement by the Board;
- 6.2 Review the Company's internal financial controls and the Company's internal control and risk management systems; including receiving a report from the Investment Manager confirming that it has conducted the Company's affairs in compliance with the regulations applying to it, together with information regarding any unusual transactions or complaints relating to savings schemes or similar products;
- 6.3 Taking account of the Company's current position, the underlying investment portfolio, the principal risks and uncertainties, assess the prospects of the Company over a specified period and consider why this period is appropriate, providing an explanation as to how it has arrived at this conclusion. State in the annual report whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment, drawing attention to any qualification or assumptions as necessary;
- 6.4 Consider the need for an internal audit function;
- 6.5 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;

- 6.6 To consider the appointment of the External Auditor and assess the independence, effectiveness and performance of the External Auditor in accordance with the UK Corporate Governance Code requirements, ensuring also that key partners are rotated at appropriate intervals. The Committee shall request an annual report from the auditors on policies and processes for maintaining and monitoring independence.
- 6.7 To review annually the terms of the External Auditor's engagement letter and their proposed remuneration taking into account any changes to the Company's structure and operations in the period. To make recommendations to the Board regarding the external audit fees.
- 6.8 To discuss with the External Auditor, before the audit commences, the nature and scope of the audit (or its review of the interim financial statements) and to review the Auditor's Audit Plan, quality control procedures and steps taken by the Auditor to respond to changes in regulatory and other requirements.
- 6.9 To consider putting out the audit services to tender at least once in every 10 years, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms.
- 6.10 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;
- 6.11 Review the key risk associated with the Company and make recommendations to the board in respect of any updates needed to the Company's Risk Matrix;
- 6.12 give due consideration to laws and regulations, the provisions of the UK and AIC Corporate Governance Codes and the requirements of the Disclosure Rules and Listing Rules of the Financial Conduct Authority as appropriate;
- 6.13 Report to the Board, identifying any matters in respect of which it considers action or improvement is required, and make recommendations as to the steps to be taken.
- 7. Fraud, Anti-Bribery & Corruption**
- 7.1 To review the Company's procedures for the prevention, detection and reporting of Fraud, Bribery & Corruption.
- 7.2 To review arrangements by which persons associated with the key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that appropriate proportionate independent investigation of such matters is undertaken;
- 8. Internal Controls and Risk Management Systems**
- 8.1 To ensure that the internal control and risk management systems of the service providers are adequate. To receive reports from the Company's service providers covering internal and risk management systems and procedures supported, as appropriate, by SOC1 or AAF Reports. In the light of the above, to review the Company's statement on internal control and risk management systems prior to endorsement by the Board.
- 8.2 To carry out a robust assessment of the principal risks facing the Company, describing those risks and explaining how they are being managed or mitigated.
- 8.3 To ensure that a framework for 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 UK Corporate Governance Code or the AIC Code where considered appropriate;

9. Financial Statements

9.1 To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, review, and challenge where necessary, the actions and judgements of the Investment Manager and any other relevant entities, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:

- (a) When taken as a whole, the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- (b) Critical accounting policies and practices and any changes in them, as they relate to the consolidated results of the Company;
- (c) Decisions requiring a major element of judgement including the impact of adopting any acceptable alternative accounting treatment;
- (d) The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- (e) The clarity of disclosures;
- (f) Significant adjustments resulting from the audit;
- (g) The Auditor's statement of unadjusted audit differences and the Designated Manager's explanation as to why adjustments have not been processed;
- (h) The going concern assumption;
- (i) Compliance with Accounting Standards;
- (j) Compliance with Financial Conduct Authority ('FCA') and other legal, regulatory or listing requirements;

9.2 At the end of an audit cycle, or earlier if appropriate, to review the effectiveness of the external audit process and to report the Committee's conclusions to the Board.

10. Internal Audit

10.1 To review the Company's need for an internal audit function and make a recommendation to the Board and provide the reasons for any absence of such a function within the relevant section of the annual report to Shareholders.

11. Reporting Procedures

11.1 The Committee members shall conduct an annual review of their work, their performance and these terms of reference and make recommendations to the Board for changes. The Committee shall make its terms of references available to shareholders on request and ensure that they are published on the Company's website.

11.2 The Committee's duties and activities during the year shall be disclosed in the annual financial statements, including but not limited to:

- (a) A summary of the work of the Committee in discharging its responsibilities.
- (b) The significant issues considered by the Committee in relation to the financial statements and how these issues were dealt with.
- (c) Whether the Committee considers that the Annual Report, taken as a whole, provides Shareholders with the information necessary to assess and understand the risks and rewards they may be exposed to by owning shares.
- (d) How the Committee assessed the effectiveness of the external audit process, the approach taken to the audit appointment or reappointment, including the length of the tenure of the audit firm.

- (e) An explanation of the procedures adopted by the Committee to ensure that the independence and objectivity of the External Auditor is maintained and safeguarded at all times

11.3 In the event of a material disagreement between the Committee and the Board, the Committee should have the right to report on the issue to shareholders in the annual report.

11.4 Amendments may be made to the duties of the Committee by the Board from time to time.

12. Reporting Requirements

12.1 The results of work carried out for the Committee should be reported to and considered by the Board. The Committee should identify areas where action or improvement is required and recommend to the Board the steps which should be taken.

12.2 The Committee shall make whatever recommendations to the Board it deems appropriated.

12.3 The Committee should report to the Board where it is not satisfied with the Company's financial reporting.

13. Authority

13.1 The Committee is authorised by the Board to investigate any activity within its terms of reference and seek any information it requires from the management company in order to perform its duties. It is authorised to obtain outside legal or other independent professional advice at the Company's expense up to a limit of £5,000 for any one issue, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

14. Review

14.1 The Committee should review its own performance, constitution and terms of reference on an annual basis to ensure it is operating at maximum effectiveness. Any changes should be recommended to the Board for consideration.

15. Communication with Shareholders

15.1 The Committee's terms of reference shall be available to shareholders upon request. A separate section in the annual report shall describe the work of the Committee.

15.2 The Chairman or a member of the Committee shall be present at the AGM to answer questions on the annual report and on any matters within the Committee's remit.