

NB Private Equity Partners Limited

Audit Committee Terms of Reference

1. Purpose

- 1.1 The function of the Audit Committee ("**the Committee**") is to provide oversight and reassurance to 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. Composition and Procedure

- 2.1 The Audit Committee shall consist of not less than three members. The Audit Committee and the Chairman thereof (who shall not be the Chairman of the Board) shall be appointed by the Board and membership shall be confined to independent non executive Directors. As the Company was deemed as a "small company" under the AIC Code of Corporate Governance (i.e. those below the FTSE 350 throughout the year immediately prior to the reporting year), it was deemed appropriate that the company chairman be a member of, but not chair, the Audit Committee, provided that he was considered independent on appointment as chairman. At least one member of the Audit Committee shall have recent and relevant financial experience and the Audit Committee as a whole shall have competence relevant to the sector.

The members of the Audit Committee for the time being having been appointed at the Board meetings held on the dates stated below, shall be:-

John Falla (Chairman) – 11th March 2016
Talmi Morgan – 3rd July 2007
Trudi Clark – 19th July 2017
William Maltby – 15th April 2019
Wilken von Hodenberg – 15 April 2019

- 2.2 The quorum for the transaction of business shall be two members. A duly convened meeting of the Audit 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 Audit Committee.
- 2.3 Other directors and third parties may be invited by the Audit Committee to attend meetings as and when appropriate.
- 2.4 In the absence of the Audit Committee Chairman the remaining members present shall elect one other member present to chair the meeting.

3. Meetings

- 3.1 The Audit Committee shall meet not less than three times a year at appropriate times in the audit and reporting cycle. Meetings of the Audit Committee may be held by telephone, video conference or some other form of communication.
- 3.2 Meetings may be held more frequently if the Committee deems necessary or if required by the Company's Auditors.
- 3.3 The Company's Auditors shall be advised of the timing of Committee Meetings. The Committee shall also have direct access to the Compliance Officers of the Investment Manager and the Administrators.
- 3.4 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the Audit Committee and any other person required to attend, no fewer than five business days prior to the date of the meeting.

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3.5 The Company Secretary shall be the Secretary of the Committee and shall attend all Meetings of the Committee. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

3.6 Minutes of the Audit Committee meetings shall be circulated promptly to all members of the Board.

4. Annual General Meeting

4.1 The Audit Committee Chairman, or another member of the Audit Committee appointed for the purpose, shall attend each annual general meeting of the Company prepared to respond to any shareholder questions on the Audit Committee's activities.

5. Duties

5.1 Internal Control and Risk Assessment

5.1.1 The Audit Committee shall keep under review the effectiveness of the service providers' internal control policies and procedures for the identification, assessment, management and monitoring of financial risks, with particular regard to the protection of the interests of the Company's shareholders.

5.1.2 The Audit Committee shall receive reports from the Company's service providers covering internal control systems and procedures supported either by AS 70, FRAG 21, AAF 01/06 or similar standards.

5.1.3 The Audit Committee shall review any statements on internal control systems provided by the US Administrator prior to endorsement by the Board.

5.2 External Audit

5.2.1 The Audit Committee will have primary responsibility for the appointment of the auditor. This includes negotiating the fee and scope of the audit, initiating a tender process influencing the appointment of an engagement partner and making formal recommendations to the board on the appointment, reappointment and removal of external auditors.

5.2.2 The Audit Committee shall meet with the external auditors at least once each year to discuss, before the audit commences, the nature and scope of the audit.

5.2.3 The Audit Committee shall oversee the selection process for a new auditor and if an auditor resigns the Audit Committee shall investigate the issues leading to this and decide whether any action is required.

5.2.4 The Audit Committee shall give advance notice of any retendering plans within the annual report.

5.2.4 The Audit Committee will ensure all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.

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5.2.5 The Audit Committee shall keep under review the relationship with external auditors including (but not limited to):

- (i) the independence and objectivity of the external auditors;
- (ii) the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities;
- (iii) discussions with the external auditors concerning such issues as compliance with accounting standards;
- (iv) to receive and review a Report from the Company's Auditors and to discuss any matters arising from the audit and recommendations made by them; and
- (v) The scrutiny of any non-audit services.

5.3 Internal Audit

5.3.1 The Audit Committee shall consider at least once a year whether there is a need for an independent internal audit function.

6. Financial Statements

6.1 The Audit Committee shall keep under review the consistency of accounting policies on a year to year basis.

6.2 The Audit Committee shall be responsible for satisfying itself that 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, strategy and internal controls.

6.3 The Audit Committee shall exercise the following powers and discretions:

6.3.1 to review the Company's Annual and Semi-Annual Accounts and any other financial information published by the Company, in each case before issue or publication, prior to their submission to the Board, having particular regards to:-

1. Critical accounting policies and practices as they relate to the consolidated results of the Company;
2. any changes in accounting policies or practice and whether they are appropriate to the business;
3. any important areas where judgement must be exercised e.g. valuation of unquoted investments;
4. any significant adjustments arising from the audit;
5. the going concern assumption;
6. compliance with accounting standards;
7. review and disclosure of the business model and strategy;
7. other legal and regulatory requirements, including, the London Stock Exchange ("LSE") or recognised investment exchange requirements;
8. The viability statement stating:
 - i. that the Directors have carried out a robust assessment of the principal risks facing the Company, including any that would threaten its business model, future performance, solvency or liquidity;
 - ii. how the Directors have assessed the prospects of the Company over what period they have done so and why they consider that period to be appropriate; and
 - iii. that the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities over the period of the assessment.
9. provide confirmation to the Board that the Audit Committee considers that the half-year and annual accounts are "fair, balanced and understandable".

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- 6.3.2 to review results announcements and any other formal announcements relating to the Company's financial performance, other than the monthly NAV announcements which are delegated to the Investment Manager;
 - 6.3.3 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 AIC's Corporate Governance Code;
 - 6.3.4 to review significant transactions outside the Company's normal business (e.g. Company share buy backs);
 - 6.3.5 to review any purchases or sales of investment assets from or to entities within the NB Fund structure;
 - 6.3.6 to ensure compliance with legal and regulatory (including as to corporate governance) requirements;
 - 6.3.7 to consider any other matter specifically referred to the Audit Committee by the Board; and
 - 6.3.8 to discuss and resolve any problems or reservations which the Company's auditors may have arising from final audits and any interim audits or reviews.
- 6.4 The Audit Committee should describe in the annual report the work it has undertaken in discharging its responsibilities to include:
- 6.4.1 a summary of the work of the Committee in discharging its responsibilities;
 - 6.4.2 the significant issues considered by the Committee in relation to the financial statements and how these issues were dealt with;
 - 6.4.3 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;
 - 6.4.4 how the Committee assessed the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the auditor, including the length of the tenure of the audit firm; and
 - 6.4.5 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.

7. Reporting Responsibilities

- 7.1 The Audit Committee or its Chairman shall meet formally with the Board at least once a year to discuss such matters as the annual report and the Company's relationship with its external auditors.
- 7.2 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.
- 7.3 The Audit Committee shall satisfy itself that the sources of assurance and information it has used to carry out its role to review, monitor and provide assurance or recommendation to the Board are sufficient and objective.

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- 7.4 In light of its other duties, the Audit Committee shall make whatever recommendations to the Board it deems appropriate and shall compile a report to shareholders to be included in the Company's annual report and accounts.
- 7.5 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.
- 7.6 At the end of an audit cycle, or earlier if appropriate, the Audit Committee should review the effectiveness of the external audit process and to report their conclusions to the Board.
- 7.7 Amendments may be made to the duties of the Committee by the Board from time to time.

8. Authority

- 8.1 The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. This authority being limited to £50,000 without the approval of the Board.

9. Approval of Valuations

- 9.1 For the interim and annual financial statements to receive from the Investment Manager a valuation of the Company's investment portfolio based on the agreed valuation methodology.
- 9.2 To recommend to the Board the valuation of the Company's investment portfolio and any fair value adjustments thereto.

10. Fraud, Anti-Bribery and Corruption

- 10.1 To review the Company's procedures for the prevention, detection and reporting of Fraud, Bribery and Corruption.
- 10.2 To preview arrangements by which persons associated with 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.

11. Review of Performance

- 11.1 The Committee will review annually whether it has covered its requirements under the Terms of Reference.
- 11.2 The Audit Committee will be responsible for assisting and advising the Board with matters relating to the compliance of the investments selected by the Investment Manager with the Company's investment policies.

Amended on 31 March 2019

Re-adopted on 9 April 2019