

PRINCESS PRIVATE EQUITY HOLDING LIMITED
AUDIT AND RISK COMMITTEE

Terms of Reference

There shall be established a Committee of the Board, duly constituted in accordance with the Company's Articles of Incorporation, to be known as the Audit and Risk Committee.

Membership

The members of the Committee shall comprise of directors considered independent by the Board. The Chairman of the Board may or may not be a member of the Audit and Risk Committee (and if a member, may not chair a meeting). A quorum 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.

The Chairman of the Committee shall be appointed by the Board; the current Chairman is Merise Wheatley. 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.

The Company Secretary shall act as secretary to the Committee (the "Secretary").

A representative of the external auditors and representatives of the Investment Manager, the Secretary and Administrator and any director who is not a member of the Committee shall be invited to attend meetings as appropriate.

Authority

The Committee is authorised to seek any information it requires from any director or employee of the Investment Manager, Secretary and/or Administrator, and all such directors and employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain professional advice at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Frequency of Meetings

The Committee shall meet not less than three times a year at appropriate times in the Company's reporting and auditing cycle and otherwise as requested. The external auditors or the Investment Manager may request a meeting if they consider it necessary.

The Chairman of the Committee may, and the Secretary on the requisition of any member of the Committee shall, convene a meeting of the Committee at any time.

The Secretary shall ensure that adequate notice of meetings together with an agenda of items to be discussed is given to each member of the Committee. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.

Minutes

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

Responsibilities

The responsibilities of the Princess Private Equity Holding Limited Audit and Risk Committee shall be as follows:

A. Internal Controls and Accounts

The Committee shall:

- (i) keep under review the effectiveness of the accounting and internal control systems of the Company;
- (ii) reasonably satisfy itself that such systems meet relevant legal and regulatory requirements and initiate further investigations as it sees fit as to the effectiveness of the systems of control; and
- (iii) review and approve the statements to be included in the annual report concerning internal controls and risk management, for review and recommendation to the Board for approval.

The Committee shall review and challenge when necessary,

- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (iv) whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- (v) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
- (vi) whether an internal audit function is required.

The Committee shall:

- (i) review final drafts of the Company's half-year and annual accounts and other financial statements to ensure that the Company's results and financial position are represented accurately and fairly to shareholders. The Committee shall receive such drafts with reasonable notice;
- (ii) review the Company's investments with particular reference to the valuation of any unquoted securities;

B. External Audit

The Committee shall:

- (i) 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 auditors. 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;

- (ii) oversee the relationship with the external auditors 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 adequate audit to be conducted;
 - (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) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
 - (d) 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);
 - (e) monitoring the auditors 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;
 - (f) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditors on their own internal quality procedures; and
 - (g) the timing of the audit process and attendance by the external auditors for the purpose of Audit and Risk Committee and/or Board meetings, as required.
- (iii) meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- (iv) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (v) review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
 - (a) a discussion of any major issues which arose during the audit,
 - (b) any accounting and audit judgements, and
 - (c) levels of errors identified during the audit;
- (vi) review the quality and effectiveness of the audit;
- (vii) review any representation letter(s) requested by the external auditor before they are signed by the Board;
- (viii) review the management letter and management's response to the auditors findings and recommendations; and
- (ix) prior to retaining the auditors for non-audit services, to develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

- (x) review the findings and conclusions of any external audit report with the Auditors

C. Risk

These terms shall be discussed by the Committee annually, prior to the annual results announcement being released.

The Committee shall:

- (i) be responsible for the robust and effective management of risk,
- (ii) develop and apply appropriate risk management tools,
- (iii) liaise on risk issues with the Investment Manager's internal risk management and internal audit and with the external auditors,
- (iv) conduct a quarterly risk review (to be conducted at Board level in the event the Committee does not meet in any one quarter period),
- (v) monitor the regulation of risk management reporting,
- (vi) consider and recommend for Board approval the risk disclosures in the annual report, and
- (vii) keep adequate records of these activities.

D. Reporting Responsibilities

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and take into account any matters within its terms of reference that may be brought to its attention by the Board.

The Committee shall make whatever recommendations, including adoption (or otherwise) of the interim and annual financial statements, to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall draft a report on its activities for consideration by the Board to be included in the Corporate Governance Statement in the Company's annual report.

E. Other Matters

The Committee shall:

- (i) have access to sufficient resources in order to carry out its duties, including access to the Secretary for assistance as required;
- (ii) 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;
- (iii) give due consideration to laws and regulations, the provisions of the AIC Code of Corporate Governance and the requirements of the UK Listing Authority's Listing Rules as appropriate;
- (iv) oversee any investigation of activities which are within its terms of reference;
- (v) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at optimum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- (vi) review with representatives of the Investment Manager, the Administrator and such other persons as it sees fit any matter within its terms of reference

including matters of concern to the Internal Audit or Compliance Departments of the Investment Manager.

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