

3i Infrastructure plc (the "Company")

Terms of Reference - Audit and Risk Committee (the "Committee")

Last updated and approved by the Board on 29 January 2019

1. Constitution

- 1.1 The Committee was established by the Board to assist the Board in discharging its responsibilities.

2. Purpose

The purpose of the Committee is to assist the Board in discharging its responsibilities with regard to financial reporting, risk and internal controls.

3. Membership

- 3.1 Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Committee chair. The Committee shall be made up of at least three members, at least one of whom shall have recent and relevant financial experience and preferably a professional qualification from one of the professional accountancy bodies and at least one of whom shall have relevant infrastructure experience. The Committee as a whole should have competence relevant to the sector in which the Company operates.
- 3.2 All members should have sufficient competence to understand, analyse and, when necessary, challenge the management accounts and draft public financial statements.
- 3.3 All members of the Committee shall be independent Directors. As a consequence, the Non-Executive Director appointed by 3i plc cannot be a member of the Committee. The Chair of the Board shall not be a member of the Committee.
- 3.4 The Board shall appoint the Committee Chair who shall be an independent Director. In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.

4. Attendance at Meetings

- 4.1 Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as the Chair of the Board and other Directors may be invited to attend all or part of any meeting as and when appropriate.
- 4.2 The Committee may ask senior representatives of the Investment Manager, and Link Alternative Fund Services (Jersey) Limited (the "**Jersey Administrator**") to attend meetings, either regularly or by invitation, but invitees shall have no right of attendance.
- 4.3 The external auditors will be invited to attend meetings of the Committee on a regular basis. At least once a year, the Committee shall meet with the external auditors without any representatives of the Investment Manager present.
- 4.4 The Company's designated Compliance Officer ("CO"), Money Laundering Compliance Officer ("MLCO") and Money Laundering Reporting Officer ("MLRO") will be invited to attend meetings of the Committee at least once a year.

5. Secretary

3i plc (the "**Secretary**") or its nominee shall act as the Secretary of the Committee.

6. Quorum

- 6.1 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.
- 6.2 Members may attend meetings of the Committee via teleconference or video conference. Decisions of the Committee may also be taken by way of a unanimous written resolution of the Committee members. Such written resolution is adopted when all members of the Committee have signed one or more copies of it or otherwise indicated their agreement to it in writing (which may include by electronic mail).

7. Frequency of Meetings

- 7.1 The Committee shall meet at least twice in each year and otherwise as required. The Committee Chair, in consultation with the Secretary, shall decide the frequency and timing of meetings ensuring there are as many meetings as the Committee's role and responsibilities require.
- 7.2 Meetings will be arranged to coincide with key dates in the Company's financial reporting cycle.
- 7.3 Outside the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance.

8. Notice of Meetings

- 8.1 Meetings of the Committee shall be called by the Secretary at the request of any of the Committee Chair, or the Committee's members, the external auditor, the Investment Manager's internal auditors or the Company's designated CO, MLCO or MLRO.
- 8.2 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 invited and all other Directors, no later than five working days before the date of the meeting. Supporting papers shall be made available to Committee members and to other attendees as appropriate at the same time wherever possible to enable full and proper consideration to be given to issues.

9. Minutes of Meetings

- 9.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.
- 9.2 Minutes of Committee meetings shall be circulated promptly to the Committee Chair and then made available to all members of the Committee, unless it would be inappropriate to do so in the opinion of the Committee Chair. The Committee Chair may authorise the circulation of the minutes or extracts thereof to other attendees of any meeting or third parties in their absolute discretion.

10. Annual General Meetings

The Committee Chair shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities and matters within the scope of its responsibilities.

11. Duties

The Committee shall carry out the duties below for the Company and its consolidated subsidiaries.

11.1 Financial Reporting

- (A) The Committee shall monitor the integrity of the consolidated financial statements of the Company and its subsidiaries, including its annual and interim reports, any preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall review any reports produced by the Company's external auditors on such financial statements. The Committee shall also review any other reports or returns or elements thereof requested by the Board.
- (B) The Committee shall review the calculation of the Management Fee, the Performance Fee and the Support Services Fee payable to the Investment Manager as determined in accordance with the Investment Management Agreement (the "IMA") between the Company and the Investment Manager dated 15 October 2018.
- (C) The Committee shall keep under review the consistency of and any changes to, significant accounting policies both on a year-to-year basis and across the Company and its group.
- (D) The Committee shall review and challenge, where necessary, the Company's financial statements taking into account:
 - (i) decisions requiring a significant element of judgement;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible and the extent to which the financial statements are affected by any unusual transactions;
 - (iii) the clarity and completeness of disclosures in the Company's financial reports and the context in which statements are made;
 - (iv) significant adjustments resulting from the audit;
 - (v) the going concern assumption and any statement regarding the future prospects or longer term viability of the Company;
 - (vi) compliance with accounting standards, including whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (vii) compliance with the Listing Rules, Disclosure Guidance and Transparency Rules, the provisions of the UK Corporate Governance Code and associated guidance, and other legal and regulatory requirements;
 - (viii) all other material information presented with the financial statements, the corporate governance statement and 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
 - (ix) the clarity and completeness of disclosures in the Company's financial reports and the context in which the statements are made.
- (E) The Committee shall provide advice to the Board on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- (F) 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.

11.2 Risk

The Committee shall:

- (A) be responsible for establishing the risk assessment methodology (and in line with regulatory corporate governance and industry best practice) employed by the Board to manage the emerging and principal risks faced by the Company. This shall include the nature and frequency of risk

assessments, the identification of risks to be assessed, the identification of appropriate risk limits and tolerances for the Board to consider as well as aspects of risk appetite to be considered by the Board in formulating its overall investment strategy;

- (B) assess the effectiveness of risk mitigation factors or measures and make recommendations to the Board for changes thereto;
- (C) seek to ensure that the established risk appetite, limits and tolerances are internally consistent and properly reflected in any strategy or policy determined by the Board;
- (D) seek to ensure that the Company's procedures, those of the Investment Manager under the terms of the IMA and/or the Company's service providers properly reflect the risk appetite, limits and tolerances set by the Board and the mitigation measures identified;
- (E) periodically review the Company's risk log and assess the effectiveness of the measures taken in response to each item by the Board and/or the Investment Manager under the terms of the IMA and/or the Company's service providers; and
- (F) review the way the Company's risks and the management thereof is identified and reported in the Company's financial statements to ensure that it is appropriate given specific disclosure obligations and the general obligation for the financial statements to be fair, balanced and understandable.

11.3 Internal Controls and Risk Management Systems

The Committee shall:

- (A) keep under review and assess the scope and effectiveness of the Company's internal controls and financial and non-financial risk Management systems. The Board retains responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of that review being delegated to the Committee;
- (B) review and approve the statements to be included in the annual report concerning internal controls and risk management;
- (C) review and assess reports received from the Investment Manager on the scope and effectiveness of the Investment Manager's internal controls and financial and non-financial risk management systems; and
- (D) review and assess the Compliance report received from Jersey Administrator.

11.4 Fraud

The Committee shall review the company's systems and controls for the prevention and detection of fraud and bribery and receive reports on non-compliance.

11.5 Internal Audit

- (A) The Committee shall receive and review all reports on the Company from the Investment Manager's internal auditors (which shall include reports on the effectiveness of processes and systems for internal financial control, financial reporting and risk management). The Committee shall monitor the responsiveness and effectiveness of the Investment Manager in implementing recommendations made in such reports.
- (B) The Investment Manager's Head of Compliance shall have the right of direct access to the Committee Chair.
- (C) The Committee shall monitor and review the effectiveness of the internal audit activities of the Investment Manager to the extent relevant to the Company, in the context of the Company's overall risk management systems.
- (D) The Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.

11.6 External Audit

The Committee shall:

- (A) consider and, where appropriate, make recommendations to the Board as regards the appointment, re-appointment and removal of the Company's external auditor in accordance with applicable law, rules, regulation and best practice and oversee as required fair tendering and selection processes. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (B) ensure that at least once every ten years the 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 external auditor with those of other audit firms, and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (C) oversee the relationship with the external auditor including (but not limited to):
 - (i) negotiation and approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their effectiveness, independence and objectivity taking into account relevant UK and Jersey professional and regulatory requirements, the Ethical Standard and the relationship with the external auditor as a whole, including matters related to the provision of any non-audit services;
 - (iv) discussing with the external auditor any such issues as compliance with accounting standards and any proposals which the external auditors have made, for example in respect of the Investment Manager's internal auditing standards;
 - (v) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
 - (vi) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, and monitoring the implementation of this policy;
 - (vii) monitoring the external 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;
 - (viii) assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on its own internal quality procedures; and
 - (ix) evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of any communication from the external auditor with the Committee;
- (D) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without the non-independent Director or the staff of the Investment Manager being present, to discuss their remit and any issues arising from the audit and to ensure that the external auditor's management letters and the Investment Manager's responses are reviewed;
- (E) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement having regard to the seniority, expertise and experience of the audit team;
- (F) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;

- (ii) risks to the audit quality which have been found and how these have been addressed;
- (iii) any accounting and audit judgements;
- (iv) levels of errors identified during the audit;
- (v) the auditor's perception of the interaction with the Investment Manager; and
- (vi) the effectiveness of the audit process;
- (G) review and monitor the Investment Manager's responsiveness to the external auditor's findings and recommendations;
- (H) review the effectiveness of the audit. In the course of doing so, the Committee should:
 - (i) review whether the external 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;
 - (ii) consider the robustness and perceptiveness of the external auditor in its handling of the key accounting and audit judgements identified and in responding to questions from the Audit Committee, and in its commentary where appropriate on the systems of internal control;
 - (iii) obtain feedback about the conduct of the audit from key people involved; and
 - (iv) review and monitor the content of the 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;
- (I) oversee any material issues between the Investment Manager and the external auditor;
- (J) discuss with the external auditor its policies and procedures in order to maintain its independence;
- (K) review the audit representation letters before signature giving particular consideration to matters where representation has been requested that relate to nonstandard issues. The Committee should consider whether the information provided is complete and appropriate based on its own knowledge; and
- (L) develop and recommend to the Board the policy on the supply of non-audit services by the external auditor to avoid any threat to external auditor objectivity and independence, including setting materiality thresholds based on the value of the proposed non-audit services, taking into account the Ethical Standard and legal and regulatory requirements, keeping the policy under at least annual review; and authorising the external auditor to provide non-audit services prior to the commencement of those non-audit services. Also developing procedures setting out how authority to provide non-audit services is obtained, recorded and monitored.

11.7 Compliance

The Committee shall

- (A) in consultation with the Company's designated CO, satisfy itself that the Company's compliance policies and procedures fulfil the requirements of the Jersey Financial Services Commission, specifically the Jersey Code of Practice for Certified Funds and the Jersey Listed Fund Guide published by the Jersey Financial Services Commission;
- (B) in consultation with the Company's designated MLCO and MLRO, satisfy itself that the Company's Anti Money Laundering ("AML") policies and procedures fulfil the requirements of applicable AML legislation and regulation; and
- (C) recommend to the Board from time to time the approval of employees of the Jersey Administrator to be the Company's designated CO, MLCO or MLRO.

12. Reporting requirement

- 12.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

- 12.2 The Committee shall make whatever recommendation to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report in accordance with the UK Corporate Governance Code, Guidance on Audit Committees and Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Committee should also report the frequency and attendance record of Committee meetings.
- 12.4 Where there is a material issue between the Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving such issue. Where any such disagreement cannot be resolved, the Committee should have the right to report the issue to the shareholders as part of the report on its activities in the annual report.

13. Other

- 13.1 The Committee shall:
- (A) in conjunction with the Board, receive appropriate and timely training on an ongoing basis;
 - (B) have regard to the laws, regulations, any published guidance or recommendations and established and evolving best practice regarding the provisions of the UK Corporate Governance Code to the extent it shall apply to the Company and the requirements of the Listing Rules as appropriate;
 - (C) contribute to the review and approval by the Board of the Company's agreements, in particular the Investment Management Agreement, , Jersey Administration Agreement Registrar Agreement, the Depositary Agreement and the Custody Agreement, in so far as they impact on the Committee's areas of responsibility;
 - (D) ensure that financial information used within the business or published is reliable;
 - (E) oversee any investigation of activities which are within its terms of reference;
 - (F) at least once a year and in conjunction with the Board, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval;
 - (G) at least once a year, review the continuing effectiveness and appropriateness of the structuring and operation of the Company's consolidated subsidiaries; and
 - (H) where the Company has subsidiary undertakings that are portfolio companies held for investment purposes, liaise with the Investment Manager to satisfy itself that the relevant undertakings have appropriate internal controls and financial reporting procedures.

14. Authority

- 14.1 The Committee is authorised by the Board to:
- (A) investigate any activity within its terms of reference;
 - (B) request that representatives including employees of the Investment Manager and the Jersey Administrator be available to answer questions at meetings of the Committee and to co-operate with any reasonable request of the Committee;
 - (C) seek any information it requires from any Director of the Company, the Investment Manager and the Jersey Administrator, including the Company's designated CO, MLCO and MLRO, in order to perform its duties; and
 - (D) obtain, at the Company's expense, outside legal or other professional advice and secure the attendance of outsiders with relevant experience and expertise as it considers necessary on any matter within its terms of reference.