

The Private Infrastructure Development Group Ltd

Terms of Reference for the Audit Committee

Approved on 3 September 2018



1 DEFINITIONS

“**Board**” the board of directors of PIDG Ltd.

“**CEO**” means the chief executive officer of PIDG Ltd or in his/her absence a person nominated by PIDG Ltd. to act in his/her place.

“**CFO**” means chief financial officer of PIDG Ltd or in his/her absence a person nominated by PIDG Ltd to act in his/her place.

“**Chair**” means any person appointed by the Board as the chair of the Committee from time to time.

“**Code**” means the UK Corporate Governance Code published by the Financial Reporting Council.

“**Committee**” means the Audit Committee.

“**CRO**” means the chief risk officer of PIDG Ltd or in his / her absence a person nominated by PIDG Ltd to act in his / her place.

“**Executive Team**” means the executive team of PIDG Ltd.

“**KPIs**” means key performance indicators.

“**Member**” means a member of the Committee.

“**PIDG Companies**” means the Emerging Africa Infrastructure Fund Limited (EAIF), GuarantCo Limited (“GuarantCo”), InfraCo Africa Limited (“InfraCo Africa”), InfraCo Africa Investment Limited (“IAfI”). InfraCo Asia Development Pte Ltd. (“IASD”), InfraCo Asia Investments Pte Ltd (“IASI”).

“**PIDG Group**” means PIDG Ltd and the PIDG Companies – and therefore excludes the PIDG Trust.

“**PIDG Ltd**” means the Private Infrastructure Development Group Limited.

“**Secretary**” means any person appointed as secretary of the Committee in accordance with these Terms of Reference.

2 CONSTITUTION

- 2.1** The Committee was constituted as a committee of the PIDG Ltd with effect from 1 April 2018 in accordance with the articles of association of PIDG Ltd.

3 ROLE

- 3.1** The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring for PIDG Ltd and the PIDG Group as a whole:
- 3.1.1 The integrity of the financial information and social and environmental information and development impact metrics, provided to the PIDG Donors and the PIDG Trust.
 - 3.1.2 Subject to overlap and in consultation with the Risk Committee the PIDG Group’s system of internal controls and risk management.
 - 3.1.3 The internal and external audit process and auditors.

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- 3.1.4 The process for compliance with the PIDG's Code of Conduct and Operating Policies and Procedures. PIDG will also seek to comply with the relevant aspects of the UK's Corporate Governance Code, where appropriate.

4 SCOPE

- 4.1 The Committee shall have oversight of the PIDG Group as a whole.

5 COMPOSITION AND APPOINTMENT OF MEMBERSHIP

5.1 Appointment and Term

- 5.1.1 Members shall be appointed by the Board in consultation with the Chair.
- 5.1.2 Members shall serve for a term of 3 years each or, in the case of vacancies, such other time period determined by the Board. The Chair and Members shall serve at the discretion of the Board.
- 5.1.3 The Committee shall comprise at least three members. The CFO shall attend meetings of the Committee.

5.2 Conflict of Interest

- 5.2.1 It shall be each Member's responsibility to disclose to the Chair and the Committee any interests of such Member which constitute, in such Member's reasonable opinion, an actual or perceived conflict of interest with their functions as a Member and, in such circumstances, such Member may absent themselves from voting. If the Chair decides after consultation with other Members (if necessary) that a Member has an actual or perceived conflict of interest, then the Chair may determine that the Member should be required to absent themselves from particular Committee business and/or that a recommendation should be made to the Board that such Member be removed as a Member. Any decision of the Chair (and/or of the Board) in this regard shall be final and binding.

5.3 Independence of the Committee

- 5.3.1 Each Member shall act independently, impartially and shall not be representative of, and shall act without undue regard to, the particular interests of any particular body, person or class of persons.
- 5.3.2 Members acknowledge that in carrying out their duties and functions as a Member they may, in the course of their business, be in receipt of confidential information. For the avoidance of doubt, each Member shall not disclose any confidential information received in their capacity as Member to any person except where:
 - (i) required under law and/or these Terms of Reference;
 - (ii) the disclosure of data is to a relevant authority;

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- (iii) the data is in the public domain; or
- (iv) required to do so in order to comply with any dispute resolution process.

5.4 Alternates

- 5.4.1 Members shall make themselves available at all reasonable times to attend meetings and to carry out their duties and functions as a Member.
- 5.4.2 If a Member is unable to attend a meeting and/or carry out their duties and functions as a Member, the Member may, subject to the consent of the Chair, appoint a Board Member or other PIDG Ltd committee member (other than an existing Member) or a nominee to act as such Member's alternate. For the avoidance of doubt, the appointment of an alternate shall automatically terminate upon the termination or expiration of the term of office of the relevant appointing Member.
- 5.4.3 Where an alternate has been appointed, these Terms of Reference shall apply in respect of the alternate as though references to the Member in any paragraph were to such alternate.

5.5 Chair

- 5.5.1 The Chair (or in Chair's absence, his or her designee) shall preside at all meetings of the Committee and perform any duties as may be assigned by the Board from time to time. The Chair shall also be responsible for ensuring that key actions taken and significant matters discussed by the Committee are reported to the Board on a regular basis.

5.6 Committee Resources

- 5.6.1 The Board shall ensure that the Committee has adequate resources and authority to discharge its responsibilities.

5.7 Expenses

- 5.7.1 PIDG Ltd shall provide appropriate funding for the payment of any expenses of the Committee that are necessary or appropriate in carrying out its duties, including expenses relating to any external consultants or advisers retained by the Committee. The Committee is authorised to obtain advice and assistance from internal or external legal, accounting, or other advisors at PIDG Ltd.'s expense, without the prior approval of the Board up to a maximum cost of GBP £10,000.

5.8 Skills, experience and training

- 5.8.1 PIDG Ltd will provide an induction programme for new Members. This will cover the role of the Committee, including its Terms of Reference and expected time commitment by Members; and an overview of the PIDG Group's business model and

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strategy, identifying the main business and financial dynamics and risks and introduction to key staff members.

5.8.2 Training will be provided to Members on an ongoing and timely basis.

5.9 Succession Planning

5.9.1 The Chair shall be responsible for advising the Board on succession planning and the replacement, induction and training of Members in the case of vacancies.

5.10 Performance

5.10.1 The Board shall be responsible for the evaluation of the Chair and of the Committee as a whole. The Chair shall be responsible for the evaluation of the Members.

5.10.2 The Committee shall, at least annually, review its constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

6 DUTIES AND TERMS OF REFERENCE

The Committee shall carry out the duties below for PIDG Group as a whole – i.e. for both the individual Companies and for the combined Group (excluding the PIDG Trust).

6.1 Financial reporting

6.1.1 The Committee shall monitor the integrity of the financial statements of the PIDG Group, including its Annual Report, interim management statements and any other formal external statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

6.1.2 In particular, the Committee shall review and challenge where necessary:

- (i) the application of significant accounting policies and any changes to them;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) whether the PIDG Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements; and
- (iv) all material information presented with the financial statements, including (where relevant) the strategic report and the corporate governance statements relating to the audit and to risk management.

6.1.3 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under

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any law or regulation.

6.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by any entity within the PIDG Group, it shall report its views to the Board of that entity and / or the PIDG Ltd board as appropriate.

6.1.5 Where there is no audit committee for a PIDG group entity, where required and proposed by the Board, this committee will fulfil that function and report into both the entity board and PIDG Ltd board in respect of its deliberations and recommendations.

6.2 Impact Reporting

6.2.1 The Committee shall monitor the integrity of the PIDG Group's development impact reporting including both quantitative and qualitative information to be provided to the PIDG Board, PIDG donors and other stakeholders, including information included in quarterly reports, narrative in business plans and around logframe targets/KPIs, the database at data.pidg.org and the PIDG Annual Report.

6.2.2 In particular, the Committee shall review and challenge where necessary:

- (i) the impact monitoring and evaluation, policies and processes and any changes to them;
- (ii) whether the PIDG Group has made appropriate estimates and judgements taking into account any external evaluator's views on the development impact reporting; and
- (iii) all material information provided with the development impact reports;

6.2.3 Where the Committee is not satisfied with any aspect of the proposed development impact reporting by the PIDG Group, it shall report its views to the Board.

6.3 Narrative reporting

6.3.1 Where requested by the Board, the Committee should review the content of the statutory Annual Report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for PIDG donors and the PIDG Trust to assess the PIDG Group's performance, business model and strategy and whether it informs the Board's statement in the Annual Report on these matters.

6.4 Internal controls and risk management systems

6.4.1 The Committee shall:

- (i) keep under review the PIDG Group's internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;

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- (ii) monitor compliance with filings of the statutory accounts, tax returns and other statutory filings of PIDG Ltd; and
- (iii) To the extent relevant to external reporting, keep under review the PIDG Group's processes for identifying, managing, monitoring and reporting on the development impact of all its projects and for PIDG as a whole; and
- (iv) review and approve the statements to be included in the Annual Report concerning internal control, risk management and the viability statement.

6.5 Compliance, whistleblowing and fraud

6.5.1 The Committee shall:

- (i) review the adequacy and security of the PIDG Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (ii) review the PIDG Group's procedures for detecting fraud; and
- (iii) review the PIDG Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

6.6 Internal audit

6.6.1 The Committee shall:

- (i) consider the need for an internal audit function as part of the overall assurance process of the Group;
- (ii) approve the appointment or termination of appointment of the head of internal audit;
- (iii) review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
- (iv) review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
- (v) ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (vi) ensure the [head of internal audit] has direct access to the Chair of PIDG Ltd

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and to the PIDG Ltd committee chairs, providing independence from the executive and accountability to the Committee;

- (vii) carry out an annual assessment of the effectiveness of the internal audit function; and as part of this assessment:
 - (a) meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
 - (b) review and assess the annual internal audit work plan;
 - (c) receive a report on the results of the internal auditor's work;
 - (d) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - (e) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;

6.6.2 monitor and assess the role and effectiveness of the internal audit function in the overall context of the PIDG Group's risk management system and the work of compliance, finance and the external auditor; and

6.6.3 consider whether an independent, third party review of processes is appropriate.

6.7 External audit

6.7.1 The Committee shall:

- (i) consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the PIDG Group's external auditors;
- (ii) develop and oversee the selection procedure for the appointment of the external audit firm (or firms), ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- (iii) if the external auditors resign, investigate the issues leading to this and decide whether any action is required;
- (iv) Advise the boards of other entities in the PIDG Group (i.e. not PIDG Ltd) in relation to the selection and appointment of external auditors to other entities; and
- (v) oversee the relationship with the external auditors. In this context the Committee shall:

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- (a) approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - (b) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 6.7.2 assess annually the external auditors' independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard¹ and other professional requirements and the group's relationship with the external auditors as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 6.7.3 satisfy itself that there are no relationships between the external auditors and the PIDG Group (other than in the ordinary course of business) which could adversely affect the external auditors' independence and objectivity;
- 6.7.4 agree with the Board a policy on the employment of former employees of the company's external auditors, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
- 6.7.5 monitor the external auditors' processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standards, including the guidance on the rotation of audit partner and staff;
- 6.7.6 monitor the level of fees paid by the PIDG Group to the external auditors compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 6.7.7 assess annually the qualifications, expertise and resources, and independence of the external auditors and the effectiveness of the external audit process, which shall include a report from the external auditors on their own internal quality procedures;
- 6.7.8 seek to ensure coordination of the external audit with the activities of the internal audit function;
- 6.7.9 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditors' communications with the Committee;
- 6.7.10 develop and recommend to the Board the PIDG Group's formal policy on the provision of non-audit services by the external auditors, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material

¹ Financial Reporting Council - Revised Ethical Standard 2016

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effect on the audited financial statements. The policy should include consideration of the following matters:

- (i) threats to the independence and objectivity of the external auditors and any safeguards in place;
- (ii) the nature of the non-audit services;
- (iii) whether the external audit firm is the most suitable supplier of the non-audit service;
- (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
- (v) the criteria governing compensation;

6.7.11 meet regularly with the external auditors (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditors without management being present, to discuss the auditors' remit and any issues arising from the audit;

6.7.12 discuss with the external auditors the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

6.7.13 review the findings of the audit with the external auditors. This shall include but not be limited to, the following:

- (i) a discussion of any major issues which arose during the audit;
- (ii) the auditor's explanation of how the risks to audit quality were addressed;
- (iii) key accounting and audit judgements;
- (iv) the auditor's view of their interactions with senior management; and
- (v) levels of errors identified during the audit;

6.7.14 review any representation letter(s) requested by the external auditors before they are signed by management;

6.7.15 review the management letter and management's response to the external auditors' findings and recommendations; and

6.7.16 review the effectiveness of the audit process, including an assessment of the quality of the external audit, the handling of key judgements by the external auditors, and the external auditors' response to questions from the Committee.

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7 REMUNERATION

7.1 The remuneration of the Members shall be determined by the PIDG Limited Board.

8 DELEGATION

8.1 The Committee may delegate its authority hereunder to subcommittees when appropriate.

9 MEETINGS

9.1 Quorum

9.1.1 The quorum necessary for the transaction of business shall be three Members.

9.1.2 Any Committee meeting at which a quorum is not in attendance after a period of 1 hour of its commencement shall be adjourned and re-scheduled. The Secretary shall give notice of such adjourned hearing and re-schedule as requested by the Chair.

9.2 Frequency

9.2.1 The Committee shall meet at least three times each year at appropriate intervals in the financial and reporting audit cycle and otherwise as required.

9.2.2 Outside of the formal meeting programme, the Chair, and to a lesser extent the other Members, will maintain a dialogue with key individuals involved in the PIDG Group's governance, including the Chair of PIDG Ltd, the CEO, CFO, the external audit lead partner and the head of internal audit.

9.3 Telephone Conference and/ or Correspondence Meetings

9.3.1 Where the Chair considers it appropriate, the meeting of the Committee may be validly held by telephone conference call (or such other similar means) or by correspondence.

9.4 Notice of meetings

9.4.1 Meetings of the Committee shall be convened by the Secretary or at the request of the Chair of the Committee or the Board of PIDG Limited.

9.4.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each Member and any other person required to attend, no later than [five] working days before the date of the meeting. The agenda shall be circulated together with relevant supporting papers to Members and to other attendees as appropriate.

9.4.3 A scheduled meeting of the Committee may be cancelled if for any reason, the Chair determines that there is no business for the meeting to be conducted, or it is otherwise appropriate that the meeting should be cancelled and requests the Secretary to arrange such cancellation.

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9.5 Minutes of meetings

9.5.1 The Secretary (or any designee of the Chair) shall maintain minutes and other relevant records of the meetings and activities of the Committee. The minutes shall be available for review by the Board and any regulatory agency having jurisdiction over the affairs of the PIDG Group. At any time where the Secretary is not present, the Chair shall act as Secretary or designate an acting Secretary for the purpose of recording the minutes of actions taken at the meeting or executive session thereof.

9.5.2 Draft minutes of Committee meetings shall be circulated promptly to all Members of the Committee. Once approved, the minutes should be circulated to all other Members of the Board unless it would be inappropriate to do so in the opinion of the Chair.

9.5.3 Final signed copies of the minutes of the meetings of the Committee should be maintained for the PIDG Group's records, in hard and soft copy where possible.

10 REPORTING RESPONSIBILITIES

10.1 The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

10.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 10.1.1) and how these were addressed;

10.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 6.7.7), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and

10.1.3 any other issues on which the Board has requested the Committee's opinion.

10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Committee shall compile a report on its activities to be included in the PIDG Group's Annual Report. 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 applicable information requirements.

10.4 In compiling the reports referred to in 10.1.1 and 10.1.2, 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 PIDG Ltd and PIDG Companies are going concerns and the inputs

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to the Board's viability statements. The report to PIDG donors and PIDG Trust need not repeat information disclosed elsewhere in the Annual Report and Accounts, but could provide cross-references to that information.

11 AUTHORITY

The Committee is authorised to:

- 11.1** seek any information it requires from any employee of PIDG Ltd or a PIDG Company in order to perform its duties;
- 11.2** call any employee of a PIDG Ltd or a PIDG Company to be questioned at a meeting of the Committee as and when required; and
- 11.3** have the right to publish in the PIDG Ltd.'s Annual Report details of any issues that cannot be resolved between the Committee and the Board.

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