

TRIVERS SMITH

DATED 24 March 2017

RANGER DIRECT LENDING FUND PLC

AUDIT COMMITTEE – TERMS OF REFERENCE

RANGER DIRECT LENDING FUND PLC (the "Company")

AUDIT COMMITTEE - TERMS OF REFERENCE

CONSTITUTION

- 1.** The Audit Committee (the "**Committee**") shall consist of a minimum of 2 members of the board of the Company (the "**Board**") who shall be appointed by the Board in consultation with the Chairman of the Committee provided that membership of the Committee shall be confined to independent non-executive directors.
- 2.** The Chairman of the Committee, who shall not be the chairman of the Company, shall be appointed by the Board which shall determine the period for which he/she shall hold office. 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 Chairman of the Board may be a member of, but not chair, the Committee provided he/she is independent on appointment as chairman.
- 3.** Appointments to the Committee shall be for a period for up to three years, which may be extended by further three year periods, provided the members continue to be independent.
- 4.** Members of the Committee may attend meetings of the Committee in person or through the medium of conference telephone or similar form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting.
- 5.** Only members of the Committee have the right to attend Committee meetings. However, others may be invited to attend meetings of the Committee on a regular basis (for example, the external auditors) and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 6.** A representative of the company secretary or its nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- 7.** At least one member of the Committee should have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. As a whole, the Committee should have competence relevant to the sector in which the Company operates and experience of corporate financial matters.
- 8.** The quorum for decisions of the Committee shall be any 2 members.

ROLE

9. The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as applicable and appropriate.

9.1 Financial reporting

9.1.1 The Committee shall monitor the integrity of the financial statements of the Company including its annual and half-yearly reports and any other formal announcements relating to its financial performance and reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain.

9.1.2 The Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, significant accounting policies both on a year on year basis and (as applicable) across the Company's group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the auditor;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the corporate governance statement relating to the audit and risk management.

9.1.3 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.

9.2 Narrative reporting

Where requested by the Board, the Committee should review the content of the 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 shareholders to assess the Company's position and performance, business model and strategy.

9.3 Internal controls and risk management systems

The Committee shall:

- 9.3.1** keep under review the adequacy and effectiveness of the Company's internal audit function (where it has one), internal financial controls and internal control and risk management systems;
- 9.3.2** review and approve the statements to be included in the annual report concerning internal controls and risk management;
- 9.3.3** review and approve statements explaining how assets have been invested with a view to spreading investment risk;
- 9.3.4** liaise with the Board and ensure that other statements regarding the Company's investment manager, including relevant details of its remuneration and appointment and its continued appointment are, included in the annual report; and
- 9.3.5** ensure that the annual report includes:
- (a) the full text of the Company's published investment policy;
 - (b) a detailed and meaningful analysis of the Company's investment portfolio; and
 - (c) a summary of the valuation of its portfolio made in accordance with the Listing Rules published by the Financial Conduct Authority.

9.4 External Audit

The Committee shall:

- 9.4.1** consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor and the approval of the remuneration and terms of engagement of the external auditor. The Committee shall oversee the selection process for a new external auditor and if an external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 9.4.2** 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 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;

- 9.4.3** if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.4.4** develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm;
- 9.4.5** oversee the relationship with the external auditor including (but not limited to):
- (a) approval of their remuneration, including both fees for audit and non-audit services and that the level of fees is appropriate to enable an effective and high quality 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 and the effectiveness of the audit process taking into account relevant UK law, professional and regulatory requirements and the relationship with the external auditor 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 external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
 - (e) agreeing with the Board a policy on the employment of former employees of the Company's auditor and, monitoring the implementation of this policy;
 - (f) monitoring the external auditor's compliance with the 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;
 - (g) assessing annually the qualifications, expertise and resources of the external auditor, which shall include a report from the external auditor on their own internal quality procedures;
 - (h) seeking to ensure co-ordination with the activities of the internal audit function (or appointed administrator); and

- (i) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their external auditor from the market in that evaluation;

9.4.6 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without any representatives of the investment manager being present, to discuss the auditor's remit and any issues arising from the audit;

9.4.7 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; and

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

- (a) a discussion of any major issues which arose during the audit;
- (b) key accounting and audit judgements;
- (c) levels of errors identified during the audit; and
- (d) the effectiveness of the audit process.

9.4.9 The Committee shall also:

- (a) review any representation letter(s) requested by the external auditor before they are signed;
- (b) review the management letter and management's response to the auditor's findings and recommendations; and
- (c) develop and implement a policy on the supply of non-audit services by the auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

9.5 Reporting Responsibilities

9.5.1 All proceedings of the Committee shall be reported formally to the Board by

the Committee Chairman.

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

- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process (required under paragraph 8.4.4(c)) and its recommendation on the appointment or reappointment of the external auditor, together with information on the length of tenure of the current audit firm and when a tender was last conducted;
- (c) if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded; and
- (d) any other issues on which the Board has requested the Committee's opinion.

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

9.5.4 The Committee shall compile a report on its activities to be included in the Company'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 information requirements set out in the UK Corporate Governance Code and/or the AIC Code of Corporate Governance.

9.5.5 In the compiling the reports referred to in paragraphs 8.5.2 and 8.5.4, 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 Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

- 9.5.6** For the purposes of the viability statement, the Committee should assess:
- (a) The current position of the Company and the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity, and how they are managed and mitigated; and
 - (b) the prospects of the Company over such period deemed appropriate (significantly longer than 12 months);
- 9.5.7** Through the Chairman of the Board, the Committee shall ensure that the Company maintains contact as appropriate and required with its principal shareholders in respect of audit and financial issues.

9.6 Other matters

The Committee shall:

- 9.6.1** give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the AIC Code of Corporate Governance and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 9.6.2** be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 9.6.3** be responsible for co-ordination with external auditors;
- 9.6.4** oversee any investigation of activities which are within its terms of reference;
- 9.6.5** work and liaise as necessary with all other Board committees; and
- 9.6.6** arrange for periodic reviews of its own performance and, 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.

PROCEDURE

- 10.** The Committee shall meet at least twice each year at appropriate intervals in the financial reporting and audit cycle and at such other times as the Chairman of the Committee or other Committee member shall require.

11. At least 5 working days' notice of any meeting of the Committee shall be given, although such notice period may be waived or shortened with the consent in writing of all the members of the Committee for the time being. Notice of the meeting shall confirm the venue, time and date together with an agenda of items to be discussed. Notice shall be sent to each member of the Committee and any other person required to attend. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.
12. The Company Secretary (or his/her delegate) or such other person as the Board may determine from time to time shall be the secretary of the Committee.
13. The secretary of the Committee or his/her delegate shall attend meetings of the Committee to take minutes.
14. In the absence of the secretary of the Committee, the members present at the meeting of the Committee shall elect another person to act as the secretary for the purposes of that meeting.
15. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Committee in which he/she and/or his/her associates have a material interest.
16. 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.
17. The secretary shall minute the proceedings and discussions of all meetings of the Committee, including recording the names of those present and in attendance.
18. Draft minutes of the meeting of the Committee shall be circulated to all members of the Committee and, once agreed, to the Board unless it would be inappropriate to do so in the opinion of the Committee Chairman.
19. Once agreed, minutes of the Committee meetings shall be kept by the secretary of the Committee and shall be available for inspection by any member of the Committee or Director at any reasonable time on reasonable notice.
20. The Chairman of the Committee shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee and its activities and responsibilities.
21. All members of the Committee shall have access to sufficient resources in order to carry out its duties, including access to the advice and services of the secretary of the Committee with

a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed.

- 22.** In the event that the Committee or any member of the Committee requires access to independent professional advice in connection with his duties, a request may be made to the Chairman.
- 23.** Every member of the Committee shall give sufficient time and attention to his/her duties as a member of the Committee. He shall give the Company the benefit of his skills and expertise through regular attendance and active participation.
- 24.** The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

AUTHORITY

- 25.** The Committee is authorised to:
 - 25.1** seek any information it requires from any member of the Board and/or any director or employee of the investment manager in order to perform its duties;
 - 25.2** investigate and review any matter within its terms of reference and consider any matter the Committee deems relevant to the discharge of its duties;
 - 25.3** obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so within its terms of reference;
 - 25.4** call on the investment manager to be questioned at a meeting of the Committee as and when required; and
 - 25.5** have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

24 March 2017