

**Titanium Asset Management Corp.**

**(the “Company”)**

**TERMS OF REFERENCE OF THE**

**AUDIT COMMITTEE, AS AMENDED**

**(the “Committee”)**

**1. CONSTITUTION AND AUTHORITY**

**1.1 The Committee has been established by the board of directors of the Company (each a “Director”) (together the “Board”).**

**1.2 The Committee is authorised to investigate and undertake any activity within these terms of reference. It is authorised to seek any information it properly requires in order to perform its duties from any employee of the Company or any subsidiary undertaking of the Company (“Group”). All employees are directed to co-operate with any such request made by the Committee.**

**1.3 Each member of the Committee shall disclose to the Committee:**

**1.3.1 any personal, financial or other interest in any matter to be decided by the Committee; or**

**1.3.2 any potential conflict of interest arising from a cross-directorship or otherwise; and**

**any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.**

**2. COMPOSITION AND MEETINGS**

**2.1 The Committee shall be appointed by the Board from among the non-executive Directors in consultation with the chairman of the Committee (the “Chairman”), and shall comprise at least two members. The Board must be satisfied that at least one member of the Committee has recent and relevant financial experience. For so long as the Company has only one non-executive Director, he shall serve as Chairman and an executive Director shall also serve on the Committee.**

**2.2 A member of the Committee can be removed by the Board at any time subject to the requirement that the number of members does not fall below two at any time.**

**2.3 Appointments to the Committee shall be for a period of up to three years, although members shall serve at the pleasure of the Board.**

**2.4 The Committee shall meet not less than three times in each financial reporting year and at such other times as the Chairman or the external or internal**

auditors (if they so consider it necessary) shall require. Any member of the Committee or the Committee Secretary may at any time convene a meeting of the Committee. If they consider that one is necessary, the Company's auditors may at any time request a meeting of the Committee. The quorum for any meeting of the Committee shall be two. Meetings may be held by telephone.

**2.5** Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.

**2.6** The Committee may ask the Chairman, Chief Financial Officer, other Directors, and any relevant senior member of staff from the finance function to attend meetings or specified parts of meetings either regularly or by invitation, but such persons have no right of attendance.

**2.7** A representative of the Company's auditors should normally attend all meetings of the Committee.

**2.8** The Chairman, who shall be an independent non-executive Director, shall be appointed by the Board. In the event of an equality of votes, the Chairman shall have a second or casting vote. In absence of the Chairman or any appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

**2.9** The Company secretary or his or her nominee shall be secretary of the Committee (the "Committee Secretary").

### **3. DUTIES**

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

#### **3.1 Internal Control and Risk Management Systems**

The Committee shall keep under review the effectiveness of the Company's internal controls and risk management systems.

#### **3.2 Whistleblowing**

The Committee shall review the Company's arrangements for its employees 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.

#### **3.3 Audit**

The Committee shall:

**3.3.1** oversee the selection process for, and appointment of, the Company's auditors. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

**3.3.2 pre-approve all auditing services performed by the auditor and all non-audit services (subject to the *de minimus* exception of Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended);**

**3.3.3 oversee the relationship with the external auditor including (but not limited to):**

**3.3.3.1 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;**

**3.3.3.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;**

**3.3.3.3 assessing annually their independence and objectively taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;**

**3.3.3.4 developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;**

**3.3.3.5 reporting 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;**

**3.3.3.6 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company which would be prohibited by relevant professional and regulatory requirements;**

**3.3.3.7 agreeing with the Board on a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;**

**3.3.3.8 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of adult 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; and**

**3.3.3.9 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the auditor on their own internal quality procedures;**

**3.3.4 meet regularly with the auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;**

**3.3.5** review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

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

**3.3.6.1** a discussion of any major issues which arose during the audit;

**3.3.6.2** any accounting and audit judgments; and

**3.3.6.3** levels of errors identified during the audit; and

**3.3.7** consider annually whether there is a need for an internal audit function and make a recommendation to the Board.

#### **3.4 Financial Reporting**

The Committee shall:

**3.4.1** monitor in discussion with the auditors the integrity of the financial statements of the Company, including its annual and interim reports, and any formal announcements relating to the Company's financial performance and review significant financial reporting issues and judgments which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;

**3.4.2** review and challenge where necessary:

**3.4.2.1** the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;

**3.4.2.2** the methods used to account for significant or unusual transactions where different approaches are possible;

**3.4.2.3** whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;

**3.4.2.4** the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

**3.4.2.5** all material information presented with the financial statements.

#### **3.5 Reporting Responsibilities**

**3.5.1** The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

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

### **3.6 Other Matters**

#### **The Committee shall:**

- 3.6.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;**
- 3.6.2 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;**
- 3.6.3 give due consideration to all applicable laws and regulations, including, without limitation, the provisions of the Combined Code and the requirements of the London Stock Exchange plc as appropriate;**
- 3.6.4 be responsible for co-ordination of the external auditors;**
- 3.6.5 oversee any investigation of activities which are within its terms of reference;**
- 3.6.6 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;**
- 3.6.7 have authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.**

### **4. ANNUAL GENERAL MEETING**

The Chairman shall attend each annual general meeting and be available to answer shareholders' questions.

### **5. NOTICE OF MEETINGS**

The Committee Secretary shall circulate a notice of any meeting of the Committee, confirming the venue, time and date of the meeting and enclosing the agenda of business to be covered at the meeting not less than 5 working days before each meeting of the Committee to all members of the Committee and the external auditors, or deliver such notice personally or by telephone, email or similar means at least 2 working days before each meeting. Supporting papers shall be sent to members of the Committee and to other attendees as appropriate at the same time.

### **6. MINUTES OF MEETINGS**

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

**6.2 The Committee Secretary shall circulate the minutes of Committee meetings to all members of the Committee and the auditors and to the Chairman of the Board and make them available on request to other members of the Board.**

Adopted at the meeting of the Board held on August 26, 2008.