

# Investors Title

INNOVATIVE BY INSTINCT

## AUDIT COMMITTEE CHARTER

- I. Purpose of Committee.** The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Investors Title Company (“ITC”) for the primary purposes of:
- A. Overseeing the accounting and financial reporting processes of ITC and its subsidiaries (collectively, the “Company”) and the audits of the financial statements of the Company;
  - B. Assisting the Board in monitoring the quality and integrity of the Company’s accounting and financial reporting processes and its financial statements, the independent auditors’ qualifications, independence and performance, and the qualifications and performance of the Company’s internal audit function; and
  - C. Preparing the Audit Committee Report to be included in the Company’s proxy statement.
- II. Committee Membership.** The composition of the Committee must meet the following requirements:
- A. The Committee will be composed of at least three directors;
  - B. Except as otherwise permitted under applicable Nasdaq rules, each member of the Committee must be independent as determined by the Board in accordance with Nasdaq listing standards and the rules and regulations of the Securities and Exchange Commission;
  - C. Except for director’s fees, a Committee member, members of his or her immediate family, and entities of which he or she is a partner, member, officer, director, or significant (greater than 10%) shareholder may not receive any compensation from the Company or any subsidiary of the Company including, but not limited to, fees paid for accounting, consulting, legal, investment banking, or financial advisory services;
  - D. A Committee member must not be the beneficial owner, directly or indirectly, of more than ten percent (10%) of any class of the Company’s voting equity securities, or be an executive officer of the Company;
  - E. A Committee member must not be serving simultaneously on the audit committees of more than three (3) other companies, unless the Board determines that such service will not impair his/her ability to serve on the company’s Audit Committee;
  - F. Each Committee member must be financially literate, as determined by the Board; and
  - G. A Committee member must not have participated in the preparation of the financial statements of the Company in the past three years.

**III. Duties and Responsibilities.** The Committee's primary responsibility is the oversight of the Company's accounting and financial reporting processes and the audits of the consolidated financial statements of the Company and the financial statements of ITC's insurance company subsidiaries (collectively, the "Financial Statements"). To carry out this responsibility and others delegated to it by the Board, the Committee will:

**A. General.**

1. Develop and maintain an open dialogue with the Board, the Company's independent auditors, the Company's internal auditors, and the financial and general managers of the Company;
2. Perform any other duties that the Committee deems appropriate, or that are requested by the Board, consistent with this charter, the Company's By-laws, and applicable laws and regulations;
3. At least annually, review and assess the adequacy of this charter, which will be disclosed on the Company's website or at least once every three years in the Company's proxy statement as required by the SEC's proxy rules, and recommend any changes to the Board;
4. Review and approve related-party transactions in accordance with, and to the extent required by, the Company's Related Party Transactions Policy;
5. Administer and monitor compliance with the Company's Conflict of Interest Policy, including, at least annually, (a) requiring and reviewing statements from each director and officer setting forth all business and other affiliations that relate in any way to the business and other activities of the Company and (b) reviewing and assessing the adequacy of such Conflict of Interest Policy; and
6. Periodically report its activities to the Board.

**B. The Company's Financial Statements and Published Information.**

1. At least annually, review:
  - a. Major issues regarding accounting principles and Financial Statement presentations, including significant changes in the selection or application of accounting principles, as well as the clarity and completeness of the Financial Statements;
  - b. Analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Financial Statements; and
  - c. The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Financial Statements;

2. Review and discuss the annual audited Financial Statements, including disclosures made in management's discussion and analysis included in the Form 10-K and matters required to be discussed by PCAOB Auditing Standard No. 1301, *Communications with Audit Committees*, with management and the independent auditors, and recommend to the Board whether the Company's audited consolidated financial statements should be included in the Company's Form 10-K;
3. Review and discuss the Company's Form 10-Q and quarterly financial statements with management and the independent auditors prior to the filing of the Form 10-Q, including the results of the independent auditors' review of the quarterly financial statements;
4. Review the Company's earnings releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, which may be a general review of the type of information to be included or presentation to be made and need not necessarily be in advance of each such earnings release or instance of earnings guidance; and
5. Review and discuss the statutory annual audited financial statements of ITC's insurance company subsidiaries with management and the independent auditors prior to the filing of the annual statutory audited financial statements.

The Chair of the Committee may represent the entire Committee for purposes of reviewing quarterly financial statements and reports, earnings releases, and financial information and earnings guidance provided to analysts and ratings agencies to the extent permissible under the listing requirements of the Nasdaq Stock Market and generally accepted auditing standards.

**C. Performance and Independence of the Company's Independent Auditors.**

1. Ensure receipt by the Committee from the independent auditors of a formal written statement delineating all relationships between the independent auditors and the Company (including persons in financial oversight roles at the Company), consistent with PCAOB Rule 3526, and engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and take appropriate action to oversee their independence;
2. Annually evaluate the independent auditors' qualifications, performance, and independence; and
3. Periodically meet separately with independent auditors.

**D. Review of Services and Audit by Independent Auditor.**

1. Appoint, retain, compensate, evaluate, and terminate the independent auditors, with sole authority to approve all audit engagement fees and terms, as well as all non-audit engagements with the independent auditors (these duties are non-delegable);

2. At least annually, pre-approve all audit and non-audit services to be provided to the Company, including ITC's insurance company subsidiaries, by the independent auditors pursuant to the Audit and Non-audit Services Pre-approval Policy;
3. Review the scope of the annual audits to be performed by the independent auditors;
4. Review with the independent auditors any audit problems or difficulties encountered in the course of the audit work, and management's responses;
5. Discuss with management and the independent auditors any accounting adjustments that were noted or proposed by the independent auditors but were passed (as immaterial or otherwise);
6. Review the audit reports and recommendations submitted by the Company's independent auditors, including subsidiaries' independent auditors;
7. Review the report required by Section 10A(k) of the Securities Exchange Act of 1934 from the independent auditors concerning (i) critical accounting policies and practices used in the audit, (ii) alternative treatments of financial information within GAAP that have been discussed with Company management, ramifications of the use of such alternative disclosure and treatments, and the treatment preferred by the independent auditors, and (iii) other material written communications between the independent auditors and Company management;
8. Ensure the rotation of the lead (or coordinating) audit partners having primary responsibility for the audits and the audit partners responsible for reviewing the audits as required by law; and
9. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditors.

The Company shall provide funding, as determined by the Committee, for payment of compensation to the independent auditors retained by the Committee.

**E. Review of the Company's Internal Audit Department.**

1. Periodically meet with internal auditors;
2. Review the annual internal audit plan;
3. Receive and review summaries and reports from the internal auditor with respect to its review of Company operations and internal controls;
4. Review the activities and structure of the internal audit department; and
5. Confirm and take or recommend any appropriate actions to assure the independence of the senior internal auditor.

**F. Controls within the Company.**

1. Annually review significant issues regarding the adequacy of the Company's internal controls and any changes adopted in light of significant deficiencies or material weaknesses in internal controls and the adequacy of disclosure about changes in internal control over financial reporting;
2. Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting standards, internal accounting controls or auditing matters and possible securities law violations, and the confidential, anonymous submission by Company employees of concerns regarding such accounting, auditing, and securities law matters;
3. Discuss with management and the Company's outside counsel, as appropriate, any legal matters that may have a material impact on the Financial Statements or the Company's compliance policies; and
4. Review and discuss with the Board of Directors the processes by which management assesses and manages the Company's risks in the areas of financial reporting, internal reporting and compliance with regulatory requirements, and the steps management takes to monitor and control such risks.

**IV. Authority to Retain Experts and Advisors.** The Committee has the authority to choose, hire, direct, and, if appropriate, terminate such experts and advisors as it deems necessary in the performance of its duties. The Company shall provide funding, as determined by the Committee, for payment of compensation to any experts or advisers the Committee retains.

**V. Audit Committee Financial Expert.** At least one member of the Committee must be an "audit committee financial expert" as defined by the Securities and Exchange Commission.

**VI. Committee Governance.**

- A. **Appointment.** At the first meeting of the Board following the annual meeting of shareholders, the Board will, by resolution, appoint the members of the Committee. The Board may appoint additional Committee members throughout the year as it deems necessary or advisable.
- B. **Removal.** The Board may remove a member from the Committee at any time; provided, however, that if removing a member of the Committee would cause the Committee to have fewer than three qualified members, then the Board will at the same time appoint an additional member to the Committee so that the Committee will have at least three qualified members.
- C. **Appointment of Chair.** At the time the Board appoints members of the Committee, it will appoint one of the members to act as Chair of the Committee and may, in its discretion, also appoint a Vice Chair of the Committee. In addition to chairing meetings of the Committee, the Chair (i) will be the liaison to Company management, (ii) will be responsible for working with Company management to set meeting agendas, (iii) will report to the Board pursuant to Section IV. J. below, and (iv) will be available to answer questions at annual meetings of shareholders. The Chair may temporarily delegate his

or her responsibilities to the Vice Chair or another Committee member if the Chair is not available to perform them.

- D. **Removal of Chair.** The Board may remove the Chair at any time, provided that the Board appoints a new Chair at the same time.
- E. **Quorum.** A majority of the Committee will constitute a quorum.
- F. **Voting.** Each member of the Committee will have one vote.
- G. **Required Vote.** Action may be taken with the approval of a majority of the Committee present at a duly constituted meeting. Action also may be taken with the unanimous written approval of all Committee members.
- H. **Delegation.** Except as otherwise prohibited, the Committee may delegate to the Chair or to a subcommittee the right to review and determine any issue on behalf of the entire Committee, and the Committee may also delegate administrative tasks to employees of the Company; provided, however, that no such delegation can alter the fundamental duties and responsibilities of the Committee.
- I. **Meetings.** Unless the Committee determines that fewer meetings are required in a particular year, the Committee will meet at least four times per year. The Committee will meet at the request of any member of the Committee or any two members of the Board, at the time specified in the request. Meetings may be held in person, by telephone or by other form of interactive real-time electronic communication. Notice of meetings will be given to each member, normally at least two days before the meeting. Any meeting at which all members are present will be a duly called meeting, whether or not notice was given. The Committee will meet at least once per year without the Chief Executive Officer or other employees of the Company or its subsidiaries present to discuss any matters that the Committee deems appropriate.
- J. **Reports to the Board.** At the next meeting of the Board after any Committee meeting, the Chair or his or her nominee will provide the Board with a report on the matters addressed at the Committee meeting.