

## **Audit and Risk Committee (the “Committee”) Terms of Reference**

**(adopted by the Board on 21 February 2019)**

### **Membership:**

All independent Directors of the Company shall be members of the Committee. The Committee shall consist of not less than three members. A quorum shall be two members. Members of the Committee shall be appointed by the Board, on the recommendation of the Remuneration and Nomination Committee in consultation with the Chairman of the Committee. At least one member of the Committee should have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The Board shall appoint the Chairman of the Committee from amongst the independent non-executive directors. The Chairman of the Board should not Chair the Committee but can be a member if they were independent on appointment.

### **Secretary:**

The secretary of the Company shall be the secretary of the Committee.

### **Attendance at meetings:**

No one other than the Committee members shall be entitled to attend meetings of the Committee. The Investment Manager, or other persons, shall attend meetings at the invitation of the Committee. There should be at least one meeting a year, or part thereof, where the Committee meets the external auditors without the Investment Manager present. This need not be the same meeting.

### **Frequency of meetings:**

Meetings shall be held twice yearly (to coincide with the publication of the Company’s interim and full-year financial accounts).

The external auditor may request a meeting if they consider that one is necessary.

### **Notice of meetings:**

Meetings shall be convened by the secretary of the Committee at the request of any of its members, or at the request of the external audit lead partner.

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 and any other person required to attend no later than five working days before the date of the meeting.

### **Annual General Meeting and Shareholder Engagement:**

The Committee Chairman should attend the annual general meeting to answer shareholder questions on the Committee’s activities.

### **Authority:**

The Committee is authorised by the Board to:

- Investigate any activity within its terms of reference.
- Seek any information that it requires from any service provider to the Company.
- Obtain outside legal or independent professional advice, at the Company’s expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **Duties:**

The duties of the Committee shall be:

### Financial Reporting:

- To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements contained in them.
- To review, and challenge where necessary, the actions and judgement of the Investment Manager in relation to the company's financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the Board, and before clearance by the auditors. Particular attention should be paid to:
  - Critical accounting policies and practices and any changes in them.
  - Decisions requiring a significant element of judgement.
  - The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.
  - Clarity and completeness of disclosures.
  - Significant adjustments resulting from the audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and other legal requirements.
- Providing advice (where requested by the Board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### Statutory Audit:

- Conducting the tender process and making recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.
- Reviewing and monitoring the external auditor's independence and objectivity.
- Reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements.
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement action required.
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- Discuss problems and reservations arising from any interim and the final audits and any matters the statutory auditor may wish to discuss.
- Review any findings and recommendations of the statutory auditors and monitor progress in implementing recommendations.
- Review any representation letter(s) requested by the statutory auditor before they are signed by the company.
- Review any management letter before this is signed by the company.

### Internal controls and risk management:

- Reviewing the Company's internal financial controls and internal control and risk management systems.
- Review of the Company's key policies and processes for identifying and assessing both financial and non-financial business risks (including compliance, fraud detection and whistleblowing arrangements), the management of these risks (including quality, ethics and independence) along with an assessment of their robustness, appropriateness and effectiveness.

- Review and approve statements to be included in the annual report concerning internal controls & risk management; assessment of the adequacy of the levels of professional indemnity insurance and other insurance cover maintained for the Company.
- Review and consider on an annual basis whether there is a need for an internal audit function.

**Reporting:**

The Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged the same. The Committee shall make whatever recommendations to the Board that it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall compile a report on its activities to be included in the Company's annual report.

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board no later than two weeks following the date of the meeting.

**Annual Review:**

The Committee shall annually review its terms of reference and its own effectiveness and recommend to the Board any changes.