

AUDIT COMMITTEE TERMS OF REFERENCE

Approved by the Board on 19 April 2017

Function

- The function of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control.

Membership

- The Committee shall be appointed by the Board and shall consist of not less than three members all of which shall be independent non-executive Directors of the Company. At least one member of the Committee should be considered by the Board to have recent and relevant financial experience and with competence in accounting and/or auditing. A quorum shall be two members.
- The Audit Committee as a whole shall have competence relevant to the sector.
- The Chairman of the Committee, who shall not be the Chairman of the Board, shall be appointed by the Board. 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 Company Chairman may be a member of, but not Chair, the Committee provided he/she was independent on appointment as Chairman.
- Only members of the Committee have the right to attend Committee meetings. However, external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

Meetings

- The Committee shall meet at least twice a year. Meetings may be held more frequently if the Committee deems necessary or if required by the Company's auditors.
- The Company's auditors will be advised of the timing of Committee meetings and invited to meetings when appropriate and the Committee will have access to the auditors at any time if it so requires with or without other third parties being present.

Secretary

- The Company Secretary shall be the secretary of the Committee and shall attend all meetings of the Committee.
- The Company Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Authority

- The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it may require. It is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Committee is further authorised to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

Role and Responsibilities

The responsibilities of the Committee shall be:

Financial Statements

- a) to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, review and report to the Board on any significant financial reporting judgements contained in them;
- b) where requested by the Board, the Committee should review the content of the Annual Report 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;
- c) to review and, if appropriate, recommend to the Board, the Company's Annual and Half Yearly Reports;

Internal Control

- d) to monitor and review annually whether an internal audit function is required;
- e) to monitor the Company's accounting and financial internal control systems, and to monitor the internal control systems of the Investment Manager and other third party service providers, and to make recommendations on any improvements to such systems;
- f) to monitor the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities;
- g) to review the Company's compliance with the AIC Code of Corporate Governance, on an annual basis;
- h) to review the Company's risk map on an annual basis;
- i) to review whether it is appropriate for the Company's accounts be presented on a going concern basis;
- j) to assess the Company's longer term viability, taking into account the Company's current position and principal risks, and report accordingly to Shareholders within the Annual Report;

External Audit and Relationship with the External Auditor

- k) to discuss any matters arising from the audit and recommendations made by the auditors;
- l) to make recommendations to the Board, for it to put to the Shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor (including Audit tendering) and to approve the remuneration and terms of engagement of the external auditor;
- m) to review annually and monitor the external auditor's independence and objectivity taking into consideration relevant UK professional and regulatory requirements;
- n) to develop and implement 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 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;
- o) to assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- p) to review the Audit Plan and the auditors fees on an annual basis together with any representation letters before recommending these to the Board for approval; and
- q) to consider other issues, as requested and defined by the Board.

Reporting procedures

- The Committee Chairman, or in his/her absence the elected chairman of the relevant meeting, shall report on the issues raised at the meeting and make relevant recommendations to the Board at the earliest opportunity.
- 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 Code. Information disclosed elsewhere in the Annual Report need not be repeated but could be cross-referenced.

Annual General Meeting

- The Committee Chairman should attend the Annual General Meeting to answer Shareholder questions.