

Terms of Reference of the Audit Committee

1. Function

1.1 The Audit Committee (“the Committee”) is appointed by the Board to ensure that the Company maintains the highest standards of integrity, financial reporting and internal control.

2. Membership

2.1 The Committee shall consist of a Chairman and not fewer than two other members.

2.2 Committee members shall be appointed by the Nomination Committee following consultation with the Chairman of the Committee.

2.3. All Committee members shall be independent non-executive Directors and at least one should have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.

2.4 Committee members’ appointments should be for the same term as their directorship. All Directors are subject to annual re-election.

2.5 New Committee members shall undertake an induction programme. Regular updates will be provided to Committee members regarding any proposed developments or changes in laws or regulations which affect the Company and/or the Directors and/or the Committee members.

2.6 No person other than the Committee Chairman and Committee members has the right to attend Committee meetings. Representatives of the external auditors and a representative from the Manager’s internal audit department shall be invited to attend meetings. Other individuals may be invited to attend.

2.7 The Company Secretary shall be the Secretary of the Committee and shall, unless and to the extent from time to time determined by the Committee, attend all meetings of the Committee. Minutes of the Committee meetings shall be circulated to all members of the Board unless a conflict of interest exists.

2.8 Committee meeting agendas and accompanying papers should be circulated to the Committee in a timely manner.

3. Quorum

3.1 The quorum required for the transaction of business shall be two members.

4. Meetings

4.1 The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee, the external auditors, the Manager’s internal audit department or any Committee member shall require.

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- 4.2 The Committee meetings should coincide with the availability of the external audit plans and immediately prior to the scheduled approval of the half-yearly reports, annual report and financial statements and related announcements and at other times as deemed necessary.
- 4.3 The Committee Chairman should meet the external auditors and a representative from the Manager’s internal audit department at least annually without representatives of the Manager being present to discuss the remit of the audit and issues arising therefrom.
- 4.4 The Company’s external auditors shall be advised of the timing of Committee meetings and shall be invited to attend such meetings as required. The Committee shall have access to the external auditors if it so requires.
- 4.5 The Committee shall have direct access to the Manager’s compliance officer, internal audit department and other key business heads of the Manager as deemed necessary.
- 4.6 The Manager’s internal audit department shall have direct access to the Chairman of the Board and the Committee Chairman.

5. Authority

- 5.1 The Committee is authorised by the Board to investigate any activity within its terms of reference.
- 5.2 The Committee is authorised to obtain, at the Company’s expense, outside legal or other independent professional advice on any matters within its terms of reference and to secure the attendance of external parties with relevant experience and expertise if it considers this necessary.
- 5.3 The Committee is authorised to seek any information it requires from the Manager in order to perform its duties and to call on the Manager to be questioned by the Committee as and when required.
- 5.4 The Committee has the right to publish in the Company’s annual report and financial statements the details of any issues that cannot be resolved between the Committee and the Board.

6. Duties

The Committee’s duties shall be to:-

- 6.1 Review and monitor the integrity of the Company’s financial statements, half-yearly reports, interim management statements (if appropriate) and any formal announcements relating to the Company’s financial performance. This will include the review, monitoring, approval for recommendation to the Board and/or challenge of the following:-
 - a) compliance with accounting standards, proposed changes to accounting policies and the

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- consistency of accounting policies on a year to year basis;
- b) decisions requiring a major element of judgement;
 - c) the Company’s investments, in particular the valuation of unquoted or other unusual investments and the methods used to account for significant or unusual transactions where different approaches are possible;
 - d) the clarity and completeness of disclosures and the context in which such statements are made including, but not limited to, the Business Review, the section of the Corporate Governance Statement relating to audit and risk management and all other material information presented within the annual report and financial statements;
 - e) significant adjustments resulting from the audit;
 - f) the going concern assumption;
 - g) the external auditor’s management letter and any major findings of the auditors pursuant to any investigations carried out by the external auditors concerning the Company’s financial affairs or the Manager’s system of internal controls and any response of the Manager thereto;
 - h) the letter of representation requested by the Auditor; and
 - i) compliance with Stock Exchange, Listing Rules, Prospectus Rules, Disclosure and Transparency Rules, Companies Act and other legal requirements including a report from the Manager confirming that it has conducted the Company’s affairs in compliance with the regulations applying to it, together with information regarding any unusual transactions or complaints relating to savings schemes or similar products.

6.2 Review the findings of the audit with the external auditor including the discussion of major issues arising, the making of appropriate estimates and accounting or audit judgements in relation thereto, the level of errors identified during the audit and the effectiveness of the audit, taking into account the views of the external auditor.

6.3 Oversee and review the whole relationship with the external auditor including:

- a) recommendations to the Board to seek shareholder approval in general meeting of the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor. This would include the review of the auditor engagement letter at the start of each audit, the scope of the audit and recommendations on remuneration for all services compared with the overall fees received by the external audit and its partners for audit work and approval of terms including;
- b) developing and implementing a 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;
- c) the audit plan, ensuring consistency with the scope of the audit engagement;
- d) monitoring of the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK and international professional and regulatory requirements;
- e) the external auditor’s annual internal quality report, the assessment of the external auditor’s qualifications, expertise and resources and the effectiveness of the process;
- f) monitoring the external auditor’s compliance with relevant ethical and professional guidance on rotation of the audit partner; and
- g) considering the risks associated with audit firms withdrawing from the market and, in the case of the resignation of the external auditor, to investigate any issues that may have led to this resignation and decide if any action should be taken.

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- 6.4 Review the adequacy and effectiveness of the internal control systems including:
- a) financial, operational and compliance controls and risk management systems;
 - b) discussing with the Manager the implementation of improvements and, in its duty to oversee the relationship with the external auditor, the Committee is to seek to ensure co-ordination with the activities of the Manager’s internal audit function;
 - c) reviewing the Company’s statement on its system of internal controls as set out in the Directors’ Report in the Company’s annual report and financial statements prior to endorsement of that statement by the Board, to review and assess the Managers internal audit plan and internal audit report and any communications received from the Manager’s internal audit department or risk management team and the results of any matters escalated by either the Manager’s internal audit department or the Audit Committee; and
 - d) reviewing the Manager’s procedures for compliance, detecting fraud, whistleblowing and the prevention of bribery, receiving reports from the Manager as appropriate;
- 6.5 The Committee shall monitor and review processes, assurance and reporting protocols of all matters in relation to compliance with the Bribery Act 2010.
- 6.6 Compile a report to shareholders to be included in the Company’s annual report and financial statements.
- 6.7 Report to the Board the results of work carried out and 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.
- 6.8 Report to the Board where it is not satisfied with the Company’s financial reporting.
7. Assessment
- 7.1 On an annual basis the Board should review the Committee’s performance and constitution to ensure it is operating at maximum effectiveness.
- 7.2 On an annual basis the Committee should review its terms of reference and any changes should be recommended to the Board.
8. Remuneration
- Additional remuneration should be considered for members of the Committee. The Committee Chairman should be paid more than other Members as he/she will spend more time on Committee matters. Remuneration will be considered at Board level.
9. Communication with Shareholders
- 9.1 Terms of reference should be available to Shareholders on the Company’s pages of the Manager’s website.
- 9.2 The annual report and financial statements shall contain a description of the work of the Committee in discharging its responsibilities.

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9.3 The Committee Chairman should be present at the AGM to answer questions through Company Chairman on the annual report and financial statements and the matters within the Committee’s remit.

Approved at the Board meeting held on 23 October 2014.