

## **Audit Committee**

### **Terms of Reference**

These terms of reference have been produced to accord with the relevant Principles of The AIC Code of Corporate Governance, and The Financial Reporting Council's *Audit Committees and the External Audit: Minimum Standard*, published 23 May 2023.

The Financial Reporting Council has confirmed that AIC Member companies who report against the AIC Code of Corporate Governance will be meeting their obligations under the UK Corporate Governance Code and Listing Rule 9.8.6.

### **Constitution**

The Board has established a Committee of the Board to be known as the Audit Committee.

### **Membership**

The Audit Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company. It shall consist of not less than three members. At least one member of the Audit Committee shall have recent and relevant financial experience.

The Audit Committee as a whole shall have competence relevant to the sector in which the Company operates. A quorum shall be two members.

The Chair of the Board should not chair the committee but can be a member if they were independent on appointment. The Chair of the Audit Committee shall be appointed by the Board.

### **Meetings**

The Audit Committee shall meet at least twice a year. The Audit Committee shall have the opportunity to meet the auditors, without management being present. Other Board members shall have the right of attendance. The auditors may request a meeting if they consider that one is necessary.

The Company Secretary shall be appointed as Secretary of the Committee. The Company Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

### **Authority**

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Audit Committee is authorised to obtain outside legal or other independent professional advice at the Company's expense, where necessary, on any matter within its terms of reference.

### **Duties**

The duties of the Audit Committee are:

- a) To make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment and reappointment of the external auditor and to determine the remuneration and terms of engagement of the external auditor. This includes the duty:
  - i) To discuss and agree with the external auditor the nature and scope of the audit and to review the auditor's audit plan prior to the commencement of the audit.
  - ii) To review the external auditor's management letter, if one is produced and prepare any response.
  - iii) To review the external auditor's letter of engagement.
  - iv) To oversee the nature and scope of any audit tenders to ensure adherence with the related EU or UK equivalent regulations, including consideration of the tendering guidance within *The Financial Reporting Council's Audit Committees and the External Audit: Minimum Standard*, published 23 May 2023.
  - v) To review the FRC's annual report on the auditor and discuss the report with the auditor and obtain an understanding of how any issues identified are being addressed. If the Company's

audit has been subject to a review by the FRC, the Committee shall also discuss the auditor's response to the findings and details of any action it plans to take in response.

- b) In the case of the Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, the Committee to provide a statement explaining its recommendation and the reasons why the Board has taken a different position should be explained in the annual report.
- c) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- d) To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant EU or UK equivalent legislation and ethical guidance regarding the provision of non-audit services by the external audit firm on a regular basis and report to the Board on any improvement or action required.
- e) To monitor the integrity of the Company's interim and annual financial statements, including the narrative reporting, before submission to the Board, and any formal announcements relating to the Company's financial performance, focusing particularly on:
  - i) any changes in accounting principles, policies and practices;
  - ii) major judgmental areas;
  - iii) significant adjustments resulting from audit;
  - iv) the going concern assumption;
  - v) compliance with accounting standards and all relevant statutory requirements; and
  - vi) compliance with the Financial Conduct Authority requirements.
- f) To discuss problems and reservations arising from the audit, and any matters the auditors may wish to discuss (in the absence of management where necessary).
- g) To review reports from the auditors, including the auditors' report to the Board.
- h) Where requested by the Board, to provide advice 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 performance, business model and strategy.
- i) To ensure that a draft copy of the Annual Report and Accounts is provided to the Depository.
- j) To carry out a robust assessment of the Company's emerging and principal risks and report on its assessment, including a description of its principal risks, the procedures in place to identify emerging risks and an explanation of how these risks are managed and mitigated.
- k) To review the Company's internal controls and risk management systems and statement on internal controls prior to endorsement by the Board; and in particular, to:
  - i) keep under review the Company's internal financial controls, being the systems established to identify, assess, manage and monitor financial risks, and risk management systems and shall carry out a robust assessment of the principal risks and emerging risks facing the Company, at least annually.
  - ii) review the Company's disclosures included in the annual report in relation to internal control, risk management and longer-term viability, prior to endorsement by the Board, and the policies and process for identifying and assessing business risks and the management of those risks by the Company.
  - iii) review the Company's policies for preventing or detecting fraud, including money laundering.
  - iv) review the Company's policies for ensuring that it complies with relevant regulatory and legal requirements.

- v) review the Manager's report on its internal control systems and other service providers on their internal control systems.
- l) To consider annually whether there is a need for an internal audit function specific to the Company.
- m) To report to the Board on how it has discharged its responsibilities.
- n) To consider other topics, as defined by the Board.

### **Reporting Procedures**

The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board at the next board meeting following an Audit Committee meeting.

The Audit Committee will prepare a separate section of the Company's Annual Report to describe the work of the Committee in discharging its responsibilities. This report should include:

- a) The significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed.
- b) An explanation of how the Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans.
- c) If the external auditor provides non-audit services, the committee's policy for approval of non-audit services and an explanation of how audit objectivity and independence is safeguarded.

The Chairman of the Audit Committee shall attend the AGM and answer questions through the Chairman of the Board, on the Audit Committee's activities and responsibilities.

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