

# MITHRAS INVESTMENT TRUST PLC

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## Audit Committee Terms of Reference

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### 1. Membership and Attendance

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least two members.
- 1.2. All members of the Committee shall be non-executive Directors, independent of the Manager, and at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accounting bodies.
- 1.3. The Audit Committee as a whole shall have competence relevant to the sector.
- 1.4. Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 1.5. The external auditors will be invited to attend meetings of the Committee on at least one occasion per year.
- 1.6. Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.
- 1.7. The Board shall appoint the Committee Chairman who shall be an independent non-executive Director. 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. For the time being the Chairman of the Committee shall be Mr Shearer.

### 2. Secretary

- 2.1. The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### 3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### 4. Frequency of Meetings

- 4.1. The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 4.2. Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board, Chairman and the Auditors.

### 5. Notice of Meeting

- 5.1. Meetings of the Committee shall be summoned by the Secretary at the request of any of

its members or at the request of the external auditors if they consider it necessary.

- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **6. Minutes of Meetings**

- 6.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Board, unless a conflict of interest exists.

## **7. Annual General Meeting**

- 7.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## **8. Duties**

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

### **8.1. Financial Reporting**

- 8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half yearly financial reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

8.1.2. The Committee shall review and challenge where necessary:

- 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
- 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 8.1.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made;
- 8.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management); and

- 8.1.2.6 where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

## 8.2. **Narrative Reporting**

Where requested by the Board, the Committee should review the content of the annual financial report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

## 8.3. **Internal Controls and Risk Management Systems**

The Committee shall:

- 8.3.1. keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- 8.3.2. review and approve the statements to be included in the annual report concerning internal controls and risk management.

## 8.4. **Compliance, Whistleblowing and Fraud**

- 8.4.1. The Committee shall review the arrangements for employees of the Investment Manager, Company Secretary and Administrator to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 8.4.2. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

## 8.5. **External Audit**

The Committee shall:

- 8.5.1. consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and, if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.5.2. oversee the relationship with the external auditor including (but not limited to):
  - 8.5.2.1. recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate;
  - 8.5.2.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 8.5.2.3. assessing annually the Auditors independence and objectivity of the external auditors, taking into account relevant UK professional and regulatory requirements and the relationship with the Auditor as a whole, including the provision of non-audit services;
  - 8.5.2.4. satisfying itself that there are no relationships between the Auditor and the Company other than in the ordinary course of business, which could adversely affect the Auditors' independence and objectivity;
  - 8.5.2.5. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company

compared to the overall fee income of the firm, office and partner and other related requirements;

- 8.5.2.6. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures; and
- 8.5.2.7. Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their Auditor from the market in that evaluation.
- 8.5.3. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.5.4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard for the seniority, expertise and experience of the Audit team;
- 8.5.5. review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
  - 8.5.5.1. a discussion of any major issues which arose during the audit,
  - 8.5.5.2. key accounting and audit judgements,
  - 8.5.5.3. levels of errors identified during the audit, and
  - 8.5.5.4. the effectiveness of the audit.

The Committee shall also:

- 8.5.6. review any representation letter(s) requested by the external auditor before they are signed by management; and
- 8.5.7. develop and implement a policy on the supply of non audit services by the external auditor, to avoid any threat to Auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

## **9. Reporting Responsibilities**

- 9.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
  - 9.1.1. the significant issues that it considered in relation to the financial statements (required under 8.1.1) and how these were addressed;
  - 9.1.2. its assessment of the effectiveness of the external audit process (required under 8.6.4.7) and its recommendation on the appointment or re-appointment of the external Auditor; and
  - 9.1.3. any other issues on which the Board has requested the Committee's opinion.
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 9.3. The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Financial 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.
- 9.4. In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considered in relation to the financial statements as significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual financial report, but could provide cross-references to that information.

## **10. Other Matters**

The Committee shall:

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 10.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members as required;
- 10.3. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules as appropriate;
- 10.4. be responsible for co-ordination of the external auditors;
- 10.5. oversee any investigation of activities which are within its terms of reference;
- 10.6. work and liaise as necessary with all other Board Committees; and
- 10.7. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11. Authority**

The Committee is authorised:

- 11.1. to seek any information it requires from any employee of the Company's third party service providers in order to perform its duties;
- 11.2. to obtain, at the Company's expense, outside legal or other professional advice on any matter it believes is necessary;
- 11.3. to have the right to publish in the Company's Annual Financial Report, details of any issues that cannot be resolved between the Committee and the Board.

*Approved on 27 February 2017*