

## Audit and Risk Committee Terms of Reference

Adopted 16 June 2022

### Purpose

- 1 The function of the Audit and Risk Committee (the ‘Committee’) is to provide oversight and reassurance to the board of directors (the ‘Board’), specifically with regard to the integrity of the Company’s financial reporting, audit arrangements, risk management and internal control processes and governance framework.

### Authority

- 2 The Committee is authorised by the Board at the expense of the Company to investigate any activity within its Terms of Reference. It is authorised to obtain outside legal or other independent professional advice and to secure the attendance of persons with relevant experience and expertise if it considers this necessary.

### Membership

- 3 The Committee shall be appointed by the Board and shall consist of all the independent non-executive Directors of the Company. A quorum shall be two members.
- 4 The Board should satisfy itself that at least one member of the Committee has recent and relevant financial experience.
- 5 A chairman of the Committee shall be appointed but the main board chairman cannot also be chairman of the Committee.

### Meetings

- 6 The Committee shall meet with the Company’s external auditors (the ‘Auditors’), at a minimum, twice a year to review the work of the Auditors in relation to the annual and interim report and financial statements.
- 7 Meetings may be held more frequently if any member of the Committee deems necessary or

if requested by the Auditors. Only members of the Committee shall have the right to attend but the Auditors will normally be invited to attend.

- 8 The Committee shall have direct access to the compliance officers of the Manager, the Investment Adviser, the Administrator and the Custodian.
- 9 The Company Secretary shall be the secretary of the Committee (the ‘Secretary’) and shall attend all meetings of the Committee ensuring that relevant papers are circulated to the Committee members on a timely basis. The Secretary shall notify the members of the Committee, the Auditors, the other directors and all those asked to attend of the date, time, venue and agenda of the meeting at least five working days before the meeting.

### Duties – Risks and Controls

- 10a To monitor the strategic and reputational risks of the Company.
- b To ensure that the internal control systems, relevant to the Company, of the service providers are adequate and effective. To receive reports from the Company’s service providers covering their internal control systems and procedures supported either by ISAE 3402, SOC1 or AAF 1/06 Reports. In the light of the above, to review the Company’s statement on internal controls prior to endorsement by the Board.
- c To review the Company’s procedures for the prevention, detection and reporting of Fraud, Bribery and Corruption and non-facilitation of tax evasion.
- d To review arrangements by which persons associated with key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial

reporting or other matters and to ensure that appropriate, proportionate and independent investigation of such matters and follow up action is undertaken.

- e To monitor the Company's procedures for ensuring compliance with statutory, regulatory and other financial reporting requirements eg the Guernsey Financial Services Commission, the London Stock Exchange (which includes the UK Listing Authority) and AIFMD.
- f To ensure that a framework for strong corporate governance and best practice is in place, which is believed to be suitable for an investment company and which enables the Company to comply with the main requirements of the AIC Code of Corporate Governance.
- g To review significant transactions outside the Company's normal business.
- h To consider any other topics referred to it by the Board.

#### Duties – Auditors

- 11a To review and make recommendations on the appointment of the Auditors, the scope of the audit, the audit fee, the tenure of the Auditors and tendering process and any questions of resignation or dismissal of the Auditors.
- b To put out the audit services to tender at least once in every 10 years, to enable the Committee to compare the quality and effectiveness of the services provided by the Auditors with those of other audit firms.
- c To discuss with the Auditors the nature and scope of the audit and to keep under review such scope and its cost-effectiveness taking into account any changes to the Company's structure and operations in the period .
- d To review and monitor independence and objectivity of the Auditors and the effectiveness of the audit process and steps taken by the Auditors to respond to changes in regulatory and other requirements.

- e To take 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.
- f To receive and review a reports from the Auditors and to discuss any matters arising from the audit and recommendations made by them. To meet the Auditors, at least once a year, without management present.
- g Consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.
- h At the end of an audit cycle, or earlier if appropriate, to review the effectiveness of the external audit process, the quality and relevant experience of the audit partner and team and to report the Committee's conclusions to the Board.

#### Duties – Financial Statements

- 10 To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, review, and challenge where necessary, the actions and judgements of the Investment Manager and any other relevant entities, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to –
  - a When taken as a whole, the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.
  - b Critical accounting policies, estimates, judgements and any changes in them, as they relate to the results of the Company.
  - c For the interim and annual financial statements to receive from the Administrator

a valuation of the Company's investment portfolio based on the agreed valuation methodology.

- d To review and recommend to the Board, if appropriate, the valuation of the Company's investment portfolio and any fair value adjustments thereto.
- e The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.
- f The clarity of disclosures.
- g All reported adjustments resulting from the audit.
- h The Auditor's statement of unadjusted audit differences and the Designated Manager's explanation as to why adjustments have not been processed.
- i The going concern assumption.
- j The annual viability statement the assessment of the prospects of the Company over a specified period and why this period is appropriate and explaining how it has arrived at the conclusion. A statement in the annual report as to whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment, taking into account: its assets and liabilities, the risks and uncertainties facing the Company and the controls over the risks, drawing attention to any qualifications or assumptions as necessary.
- k Compliance with applicable Accounting Standards.
- l Compliance with Financial Conduct Authority (FCA) and other legal, regulatory or listing requirements.

#### Reporting procedures

- 11 The Secretary shall circulate, within three weeks of the meeting, the minutes of meetings of the Committee to all its members. Once approved, they should be circulated to the other members of the Board unless, in the

opinion of the chairman of the Committee, it would be inappropriate to do so.

The Committee members shall conduct an annual review of their work, their composition and performance and these terms of reference and make recommendations to the Board for changes.

The Committee shall make its terms of references available to shareholders on request and ensure that they are published on the Company's website.

The Committee's duties and activities during the year shall be disclosed in the annual financial statements, including but not limited to –

- a A summary of the work of the Committee in discharging its responsibilities.
- b The significant issues considered by the Committee in relation to the financial statements and how these issues were dealt with.
- c Whether the Committee considers that the annual report, taken as a whole, provides shareholders with the information necessary to assess and understand the risks and rewards they may be exposed to by owning shares in the Company.
- d How the Committee assessed the effectiveness of the external audit process, the approach taken to the audit appointment or reappointment, including the length of the tenure of the audit firm.
- e An explanation of the procedures adopted by the Committee to ensure that the independence and objectivity of the Auditors is maintained and safeguarded at all times.

In the event of a material disagreement between the Committee and the Board, the Committee shall have the right to report on the issue to shareholders in the annual report.

Amendments may be made to the duties of the Committee by the Board from time to time.