

## **Witan Pacific Investment Trust PLC**

### **Audit & Management Engagement Committee (the "Committee") Terms of Reference**

#### **Background**

These terms of reference have been produced to accord with the relevant requirements of the Competition & Markets Authority's Audit Order and the EU Audit Directive/Regulation. Where deemed applicable, the Principles of The AIC Code of Corporate Governance published in July 2016 and the Guidance on Audit Committees published by the Financial Reporting Council in April 2016 (FRC Guidance) have also been included.

The Financial Reporting Council has confirmed that AIC Member companies who report against the AIC Code of Corporate Governance and who follow the AIC's Corporate Governance Guide for Investment Companies will be meeting their obligations in relation its UK Corporate Governance Code and Listing Rule 9.8.6.

#### **1. Composition of the Committee**

- 1.1 The Committee shall be comprised of three or more independent Directors. The Chairman of the Board may be a member of the Committee but may not act as the Committee Chairman.
- 1.2 At least one member of the Committee shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to an investment trust.
- 1.3 The Chairman of the Committee shall be paid a fee in recognition of the additional duties involved.
- 1.4 The Committee shall establish any process it considers necessary for the induction of new Committee members and, where required, ongoing training of existing Committee members.
- 1.5 In conjunction with the Nomination & Remuneration Committee, a process for induction and ongoing training shall be established by the Committee.

#### **2. Meetings**

- 2.1 The Committee shall meet at least three times each year, to review the drafts of the Annual Report and the Half Year Report of the Company and for audit planning purposes at the start of each annual audit cycle, It may also meet at such other times

as the Chairman of the Committee shall require and the Committee Chairman shall maintain appropriate dialogue outside of the Committee meetings with key individuals involved in the Company's governance.

- 2.2 A quorum shall be any two members including the Chairman of the Committee, or the Chairman's nominated delegate.
- 2.3 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee not less than three working days prior to the date of the meeting.
- 2.4 The minutes of each meeting of the Committee shall be circulated to all members of the Committee. Any Director, upon request to the Secretary, may obtain copies of the Committee's agenda and minutes provided that there is no conflict of interests.
- 2.5 The Chairman of the Committee shall report to the Board on the Committee's decisions and recommendations; and on how it has discharged its responsibilities
- 2.6 The Chairman of the Committee shall attend the Annual General Meeting of the Company and answer questions, through the Chairman of the Board, on the Committee's processes and duties.

### **3. Attendance**

- 3.1 The Committee may request representatives of the external auditors (the "Auditors"), Investment Managers, Fund Administrators and third party service providers or any other relevant person to attend meetings, but such invitees shall have no right of attendance.

### **4. Resources**

- 4.1 The Committee should be provided with sufficient resources to undertake its duties.
- 4.2 The Company Secretary shall act as Secretary to the Committee and should ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues. The Committee should have access to the services of the Company Secretary on all Committee matters including:
  - assisting the Chairman of the Committee in planning the Committee's work;
  - drawing up meeting agendas;
  - maintenance of minutes;
  - drafting of material about its activities for the annual report;
  - collection and distribution of information and provision of any necessary practical support.

## 5. **Authority**

5.1 The Committee is authorised to:

- seek any information it reasonably requires from a representative of any third party service provider in order to perform its duties;
- obtain at the Company's expense outside legal or other professional advice on any matters within its terms of reference;
- have timely and unrestricted access to relevant documents relating to the affairs of the Company.

## 6. **Principal Responsibilities**

6.1 The core functions of the Committee are 'Oversight', 'Assessment' and 'Review'.

6.2 The principal responsibilities of the Committee are:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- to review the Company's internal financial controls and the Company's internal control and risk management systems and to ensure a robust assessment of the principal risks facing the Company is carried out at least annually;
- to approve the appointment, reappointment or removal of the external auditor, their remuneration and the terms of their engagement;
- to recommend to the Board the appointment of new auditors following a tender process (the Audit Committee must offer the Board at least two choices for the audit engagement, with reasons, and provide a justified preference for one of them);
- to discuss what information and assurance it requires in order to properly review, monitor and provide assurance or recommendations to the Board;
- to review and monitor the external Auditor's independence and objectivity and the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services;
- 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;
- to review the contractual arrangements with, and relevant internal controls of, the investment managers and other third party service providers to the Company; and
- with the exception of the investment managers, to review the performance of third party service providers to the Company (*note: the responsibility for*

*reviewing the performance of the investment managers rests with the Board).*

The Committee should at least annually review its own effectiveness.

## **7. Financial Reporting**

7.1 The Committee shall:

- review the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, Announcements of Results and related formal statements (e.g. summary financial statements and release of price sensitive information) ;
- consider the significant accounting policies and whether the policies adopted are appropriate, any changes to them and any significant estimates and judgements;
- seek clarification from the Administrators of any changes in accounting policy or treatment affecting the Company's report and accounts;
- review the methods used to account for significant or unusual transactions where different approaches are possible;
- review the clarity and completeness of disclosures in the Company's financial statements;
- review the adequacy and scope of the external audit thereof and compliance with regulatory and financial reporting requirements, the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context;
- satisfy itself that the Annual and Half Year Reports and any other significant published financial information are properly and carefully prepared, and give a fair representation of the Company's affairs; where requested by the Board, the Committee shall provide advice on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, business model and strategy;
- to assess the basis on which the Company has been determined a going concern and review the statements on going concern to be included in the Annual Report;
- for the purposes of the longer-term viability statement, assess the prospects of the Company over such period deemed appropriate (but longer than 12 months); determine whether there is 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; and review the statements on longer-term viability to be included in the Annual Report;
- review related information presented with the financial statements, including the

Strategic Report and corporate governance statements relating to the audit and to risk management; and

- where Board approval is required for other statements containing financial information (for example, summary financial statements, significant financial returns to regulators and release of price sensitive information), whenever practicable (without being inconsistent with any requirement for prompt reporting under the Listing Rules or Disclosure Guidance and Transparency Rules) the Committee shall review such statements first.

## **8. Compliance with the AIFMD Directive**

- 8.1 The Committee shall discuss and agree additional reporting requirements, if any, to be included in the annual report and financial statements in order to ensure compliance with the AIFM Directive.

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

- 9.1 The Committee shall keep under review the Company's systems of internal financial controls (being the controls established to identify, assess, manage and monitor financial risks) and shall carry out a robust assessment of the principal risks at least annually. This review should include:
- reviewing the reports on the internal controls of the Company's service providers, the effectiveness of the control systems established by them and the conclusions of any testing carried out by an internal or external auditor
  - establishing a process for identifying, assessing, managing and monitoring the risks which may have a financial impact on the Company;
  - reviewing reports on the conclusions of any testing carried out by the external Auditors;
  - reviewing and approving the statements included in the Annual Report in relation to internal control and the management of risk.

## **10. Whistleblowing**

- 10.1 The Committee shall review the arrangements by which staff of service providers to the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and satisfy itself that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

## **11. Anti-Bribery and Corruption**

- 11.1 The Committee shall review the anti-bribery and corruption policies of third party

service providers to the Company.

## **12. Audit**

### **12.1 Internal**

12.1.1 The Committee annually shall monitor and review the need for an internal audit function, make an appropriate recommendation to the Board and where applicable ensure that the reasons for the absence of such a function are explained in the relevant section of the Annual Report.

12.1.2 The Executive Manager's Chief Compliance Officer and Head of Operations shall have the right of direct access to the Chairman of the Committee.

### **12.2 External**

12.2.1 The Committee shall:

- a) be responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's Auditors;
- b) negotiate the terms of the statutory audit services agreement, including any engagement letter issued at the start of each audit, the scope of the audit, including planned levels of materiality, proposed to be undertaken by the Auditors, and remuneration;
- c) review and discuss with the Auditors their Letter of Engagement issued at the start of each audit, ensuring that it has been updated to reflect changes in circumstances arising since the previous year and the scope of the audit process proposed to be undertaken by the Auditors;
- d) meet annually with the Auditors to review the annual results and to discuss any major issues that arose during the course of the audit;
- e) review any unadjusted errors in the financial statements and the explanations in relation thereto from the administrator and Auditors;
- f) meet annually with the Auditors, without the Executive Manager or administrator present, to discuss matters relating to its remit and any issues arising from the audit;
- g) satisfy itself that the level of fee payable in respect of the audit services provided is appropriate for an effective, high-quality, audit to be conducted;
- h) review and if necessary seek amendments to the Letter of Representation to be given by the Board to the Auditors;
- i) arrange for additional work to be undertaken, if the Committee is not satisfied as to the adequacy of the scope of the proposed audit;
- j) at the end of the annual audit cycle report to the Board on the effectiveness of the

audit process including:

- a. assessment of qualification, expertise, resources and independence of the Auditors;
  - b. whether the auditor has met the agreed audit plan;
  - c. reasons for any changes, including changes in perceived audit risks and the work undertaken by the Auditors to address those risks;
  - d. assessment of the report from the external auditor on their own internal quality procedures from the engagement quality control reviewer and consideration of the audit firm's annual transparency report;
  - e. the robustness and perceptiveness of the Auditors in their handling of the key accounting and audit judgements identified, in responding to questions from the Committee, and in their commentary, where appropriate, on the systems of internal control.
- k) ensuring that the Auditors are not conflicted by any work carried out for the Executive Manager and that any potential conflict has been satisfactorily resolved;
  - l) seek to ensure rotation of the engagement quality control reviewer after seven years;
  - m) ensure rotation of the audit engagement partner after five years with the flexibility of an additional two years if it is considered necessary to maintain audit quality and the extension is disclosed to the board;
  - n) ensure rotation of other key audit partners after seven years;
  - o) develop, implement and oversee the Company's policy on the supply of non-audit services (including those services which are expressly prohibited) by the external auditor, taking into account relevant guidance and legal requirements and report to the Board, identifying any matters in respect of which it considers that action or improvement is required;
  - p) consider and if appropriate approve all non-audit work to be carried out by the Auditors and, where non-audit services are provided, ensure that the relevant disclosures are made in the Annual Report regarding auditor objectivity, independence and the fees paid for non-audit work;
  - q) oversee the management and calculation of the 70% fee cap for permitted non-audit services<sup>1</sup>;
  - r) consider whether the risk of the withdrawal of the Auditor from the market need be included in risk evaluation and planning;
  - s) if the Auditors were to resign, investigate the issues giving rise to such resignation and consider whether any action is required;
  - t) initiate the audit tender process and oversee the selection process, where it recommends considering the selection of possible new appointees as Auditors and

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<sup>1</sup> Requirement for accounting periods from 1 July 2016

ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;

- u) ensure that the external audit contract is put out to a competitive tender at least every ten years, and, when relevant to comply with the Competition & Markets Authority's Audit Order, if there has been no tender after five years of an audit term, explain the reasons for the absence of tender in the relevant section of the Annual Report;
- v) rotate the external auditor after 20 years, provided a public tender is carried out after 10 years.

Approved by the Board on 22 September 2016