

# THE BANKERS INVESTMENT TRUST PLC

## Terms of Reference for the Audit Committee

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### 1. Constitution and Membership

- 1.1 The Committee is appointed by the Board in accordance with the Company's Articles of Association (Article 175).
- 1.2 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee. Appointments shall be for a period of up to three years which may be extended for up to two, additional three-year periods, provided members continue to be independent.
- 1.3 All members of the Committee shall be independent non-executive directors. at least one of whom shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, other directors, and representatives from the Manager and BNP Paribas Securities Services may be invited to attend all or part of any meeting as and when appropriate.
- 1.5 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.6 The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.7 Members must declare any conflicts of interest or potential conflicts of interest at the start of each meeting.

### 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 twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the external audit lead partner and key personnel employed by the Manager.

#### **5. Notice of Meetings**

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Committee Chair or any of its members, or at the request of the external audit lead partner 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, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than four 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.
- 5.3 Notices, agendas and supporting papers will be sent in electronic form where the recipient has agreed to receive documents in such a way.

#### **6. Minutes of Meetings**

- 6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless, exceptionally, it would be inappropriate to do so in the opinion of the Committee Chair.
- 6.3 The draft minutes will be included in the next set of Board papers for the Board's information.

#### **7. Engagement with shareholders**

The Committee Chair should attend the Annual General Meeting ("AGM") to answer any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

#### **8. Duties**

- 8.1 To fulfil the duty under section 172 of the Companies Act 2006, each individual Director must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its Shareholders as a whole and in doing so, have regard to a number of broader matters including:
  - (a) the likely consequences of any decision in the long-term;
  - (b) the need to foster the Company's business relationships with suppliers, customers and others;
  - (c) the impact of the Company's operations on the community and the environment;
  - (d) the desirability of the Company maintaining a reputation for high standards of business conduct; and

## Terms of Reference - Audit Committee (continued)

(e) the need to act fairly between members of the Company.

8.1.1 Committee members should have regard to these matters when considering the business of the Committee.

8.1.2 The Committee should have oversight of the Company as a whole and, unless required by regulation, carry out the duties below for the Company, as appropriate.

### 8.2 Financial Reporting

8.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any formal announcements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

8.2.2 The Committee shall review the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half year reports and related formal statements and challenge where necessary:

- The application of significant accounting policies and any changes to them both on a year-on-year basis and across the Company;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Company has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
- The clarity and completeness of disclosures in the Company's financial statements and the context in which statements are made;
- All material information presented with the financial statements, including the Strategic Report and the corporate governance statements relating to the audit and risk management;
- The inclusion of details of any significant issues which the Committee considered in relation to the financial statements and how these were addressed;
- The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook. This includes the Company's Remuneration Policy and Remuneration Report which will be subject to a binding shareholder vote; and
- 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.

### 8.3 Narrative Reporting

As requested by the Board, the Committee shall review the content of the Annual Report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the Annual Report on these matters that is required under the Code.

### 8.4 Internal Controls and Risk Management Systems

The Committee shall:

- keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, including the Company's Risk Register (to include principal and emerging risks) and investment limits and restrictions;
- review and approve the statements to be included in the Annual Report concerning internal controls risk management, including the assessment of principal risks and emerging risks, and the viability statement;
- monitor and review the remit and effectiveness of the Manager's Internal Audit and Business Risk functions in the context of its overall risk management system; and
- meet representatives of the Manager's Business Risk and Internal Audit, on a regular basis, with or without the fund manager being present, to discuss their remit and any issues arising.

### 8.5 Compliance and Fraud

The Committee shall:

- review the Manager's and third-party contractors' procedures for detecting fraud;
- review the Company's anti-bribery policy;
- monitor and review the Manager's processes, assurance, reporting protocols, systems and controls for the prevention of bribery and receiving reports on non-compliance, including all matters in relation to the UK Bribery Act 2010, the Criminal Finances Act 2017 and the Modern Slavery Act 2015;
- monitor and review the confirmations from the Company's third-party suppliers of their adherence to the UK Bribery Act 2010, the Criminal Finances Act 2017 and the Modern Slavery Act 2015;
- as relevant to the Company review regular reports from the Manager's Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls;
- as relevant to the Company review regular reports from the Manager's Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function; and
- review the business continuity plans, as they affect the Company's operations in place at the Manager.

## 8.6 Internal Audit

The Committee shall:

- review reports relevant to the Company from the Manager's Head of Internal Audit;
- review the actions taken by the Manager to implement the recommendations of Internal Audit and to support the effective working of the Internal Audit function; and
- consider whether any independent review of processes is appropriate.

## 8.7 External Audit

The Committee shall:

- 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;
- develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- oversee the relationship with the external auditor. In this context the Committee shall:
  - approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- satisfy 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 auditor's independence and objectivity;
- agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy if it becomes relevant;
- monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;

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- monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- seek to ensure coordination of the external audit with the activities of the Manager's internal audit function if it becomes relevant;
- evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
  - threats to the independence and objectivity of the external auditor and any safeguards in place;
  - the nature of the non-audit services;
  - whether the external audit firm is the most suitable supplier of the non-audit service;
  - the fees for the non-audit services, both individually and in aggregate, relative to the audit fee;
  - the criteria governing compensation.
- meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - a discussion of any major issues which arose during the audit;
  - the auditor's explanation of how the risks to audit quality were addressed;
  - key accounting and audit judgements;
  - the auditor's view of their interactions with the Manager;

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- levels of errors identified during the audit.

- review any representation letter(s) requested by the external auditor before it is (they are) signed;
- review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

### **9. Reporting Responsibilities**

9.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities including the contents of its discussion, recommendations and actions and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- the significant issues that it considered in relation to the financial statements and how these were addressed;
- its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
- 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, and adequate time should be available for Board discussion when necessary.

9.3 The Committee shall compile a report on its activities to be included in the Company's Annual Report. The report should describe the work of the Committee, including:

- 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; and
- having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.

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 considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the Annual Report but could provide cross-references to that information.

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- 9.5 The Company must include in the Annual Report a statement of compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tenders Processes and Audit Committee Responsibilities) Order 2014.

### **10. Other Matters**

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the corporate secretariat for advice and 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 at the Company's expense;
- 10.3 give due consideration to all relevant laws and regulations, the provisions of the AIC Corporate Governance Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 10.4 if required, be responsible for the oversight of coordination of the Manager's internal audit function and the Company's external auditor;
- 10.5 oversee any investigation of activities which are within its terms of reference;
- 10.6 ensure that a periodic evaluation of the Committee's performance is carried out;
- 10.7 keep tax matters under consideration; and
- 10.8 at least annually, review its own 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 information it requires from employees of the Manager or BNP Paribas Securities Services, as appropriate in order to perform its duties;
- 11.2 to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes necessary to do so; and
- 11.3 have the right to publish in the Company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the Annual Report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.