

## ABERDEEN STANDARD ASIA FOCUS PLC

(formerly ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC)

### AUDIT COMMITTEE TERMS OF REFERENCE (revised January 2019)

<b>CONSTITUTION</b>	<p>The Board has established a Committee of the Board to be known as the Audit Committee ("the Committee").</p>
<b>MEMBERSHIP</b>	<p>The Committee shall be appointed by the Board. All members of the Committee shall be independent non-executive Directors of the Company at least one of whom shall have recent and relevant financial experience. The Committee shall consist of not less than two members. A quorum shall be two members. For the avoidance of doubt, the Chairman of the Company is not a member of the Audit Committee.</p> <p>The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive Directors. Members of the Committee shall be nominated by the Nomination Committee in consultation with the Chairman of the audit Committee. Mr Chris Maude is the Chairman of the Audit Committee up to his retirement on 31 March 2019. From that date Mr Yea will be the Chairman of the Audit Committee. The Committee as a whole shall have competence relevant to the investment trust sector</p>
<b>ATTENDANCE AT MEETINGS</b>	<p>The head of the Investment Manager's internal audit department, (and if necessary, the Investment Manager's compliance officer) and a representative of the external auditors shall attend meetings, at the invitation of the Committee. Only members of the committee have the right to attend Committee meetings. However, other individuals such as the chairman of the board may be invited to attend all or part of any meeting as and when appropriate and necessary</p> <p>There should be at least one meeting per year, or part thereof, where the external auditors attend without management present.</p> <p>The Company Secretary shall be the Secretary of the Committee.</p>
<b>FREQUENCY OF MEETINGS</b>	<p>Meetings shall be held not less than twice a year, and where appropriate should coincide with key dates in the Company's financial reporting cycle.</p> <p>External auditors or internal auditors of the Investment Manager may request a meeting if they consider that one is necessary.</p>
<b>AUTHORITY</b>	<p>The Committee is authorised by the Board to:</p> <ul style="list-style-type: none"><li>• investigate any activity within its terms of reference;</li><li>• seek any information that it requires from any employee of the Investment Manager, all employees of the Investment Manager having been directed to co-operate with any request made by the Committee;</li></ul>

- 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
- obtain outside legal or independent professional advice and such advisors may attend meetings as necessary

## DUTIES

The Committee shall:

### Financial Reporting

- monitor the integrity of the financial statements of the company including its annual and half yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
- 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.
- The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should include:
  - (1) 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;
  - (2) an explanation of how the Committee has addressed 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;
- review and challenge where necessary:
  - the consistency of, and any changes to, accounting policies;
  - the methods used to account for significant or unusual transactions where different approaches are possible
  - whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the view of the external auditor; and
  - the clarity of disclosure in the Company's financial reports and the context in which statements are made, and
  - all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

### Internal Controls and Risk Management Systems

- to consider annually whether there is a need for the Company to have its own internal audit function;

- receive and consider the reports of the risk management functions of the manager;
- keep under review the adequacy and effectiveness of the Investment Manager's controls and risk management systems and undertake, at least annually, a robust assessment of the risks facing the Company
- ensure that the Investment Manager has controls in place to cover the financial services regulatory requirements relevant to the Company and the regulatory requirements pertaining to investment trusts;
- approve the relevant statements to be included in the Annual Report;
- review the controls over the operations and effectiveness of the administrators, custodians, registrar and other sub-contractors providing services to the Company
- review the adequacy and security of the Manager's arrangements for its employees and contractors 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
- review the company's procedures for detecting fraud
- review the company's systems and controls for the prevention of bribery and receive reports on non-compliance

#### **Internal Audit**

- monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system
- review reports addressed to the committee from the Manager's internal auditor
- review and monitor management's responsiveness to the findings and recommendations of the internal auditor
- meet the Manager's head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the board and to the committee

#### **External Audit**

- consider and make recommendations to the Board, on the appointment and re-appointment of the Company's external auditors;
- The committee shall oversee the selection process for a new auditor and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required
- approve the level of remuneration for the auditors and the terms of their engagement, and develop and confirm whether fees for audit or non-audit services and the level of fees is appropriate to enable an adequate audit to be conducted;
- approval of the auditors' terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
- review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

- meet regularly with the auditors, including once at the planning stage before the audit and once after the audit at the reporting stage with at least one meeting being held annually without management present in order to discuss their remit and any issues arising from the audit;
- review any representation letters requested by the auditors before they are signed by management
- review the management letter and management's subsequent response; and
- assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business)
- 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
- 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

### **Other Matters**

The Committee shall:

- 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
- 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