

**Aberdeen New Thai Investment Trust PLC**  
**Audit and Management Engagement Committee**

**Terms of Reference**

**Approved by the Directors and Adopted on 16 April 2019**

**1. Membership**

1.1 Members of the Audit and Management Engagement Committee ("the Committee") shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee. The Committee shall be made up of at least 2 members.

1.2 The membership of the Committee shall comprise the independent non-executive Directors of the Company, at least one of whom shall have recent and relevant financial experience ideally with a professional accountancy qualification from one of the professional accountancy bodies. The Committee as a whole shall have competence relevant to the investment trust sector.

The Chairman of the Board can be a member of, but not chair, the Committee, provided he or she was considered independent on appointment\*.

1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as employees of the Manager, may be invited to attend all or part of any meeting as and when appropriate.

1.4 The external auditor will be invited to attend meetings of the Committee on a regular basis.

1.5 The Board shall appoint the Chairman of the Committee who shall be an independent non-executive Director. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

1.6 The Committee shall review annually its own effectiveness.

**2. Secretary**

2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.

**3. Quorum**

3.1 The quorum necessary for the transaction of business shall be 2 members preferably one of whom should have recent and relevant financial experience. 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.

**5. Notice of meetings**

5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the external auditor 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 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, once agreed, to all members of the Board, unless a conflict of interest exists.

## **7. Annual General Meeting**

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 Company.

### *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 reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to the matters communicated to the Committee by the external auditor.

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 assumption of the going concern basis of accounting, including identifying any material uncertainties relevant to the Company's ability to continue to adopt this basis over a period of at least twelve months from the date of approval of the financial statements;

8.1.2.5 the clarity of disclosure in the Company's financial reports and the context in which statements are made.

8.1.2.6 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).

8.1.3 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 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 position, performance, business model and strategy.

### *8.3 Internal financial controls, internal controls and risk management systems*

The Committee shall

8.3.1 monitor the Company's risk management and internal controls systems, comprising;

8.3.1.1 a robust assessment of the principal risks facing the Company, including those which would threaten its business model, future performance, solvency and liquidity; and

8.3.1.2 an assessment, taking into account the Company's current position and principal risks identified in 8.3.1.1, of how the Directors have assessed the prospects and longer term viability of the Company, over what period they have done so and why they consider that period to be appropriate. The Directors should state whether they have 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 their assessment, drawing attention to any qualifications or assumptions as necessary.

8.3.2 review and approve the statements to be included in the annual report concerning internal controls and risk management, including a description of how the principal risks identified in 8.3.1.1 are managed or mitigated, and an explanation of the assessment set out in 8.3.1.2.

8.3.3 advise the Board on the Company's overall risk appetite;

8.3.4 oversee and advise the Board on the current risk exposures of the Company and future risk strategy

8.3.5 in relation to risk assessment:

8.3.5.1 maintain a robust assessment of the risks facing the Company, evidenced by a risk control self-assessment and risk heat-map

8.3.5.2 keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;

8.3.5.3 review regularly and approve the parameters used in these measures and the methodology adopted; and

8.3.5.4 set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

8.3.6 review the Company's capability to identify and manage new risk types; and

8.3.7 review reports on any material breaches of risk limits and the adequacy of proposed action.

### *8.4 Compliance, Whistleblowing and fraud*

The Committee shall

8.4.1 review the arrangements in place for the Manager's employees 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 Manager's procedures for detecting fraud.

8.4.3 review the Manager's systems and controls for the prevention of bribery, further to the requirements of The Bribery Act 2010, and receive reports on non-compliance.

8.4.4 review regular reports from the Manager's compliance function and keep under review the adequacy and effectiveness of the Manager's compliance function.

### *8.5 Internal audit*

The Committee shall

8.5.1 monitor and review the effectiveness of the Manager's internal audit function in the context of the Company's overall risk management system.

8.5.2 consider and approve the remit of the Manager's internal audit function and be satisfied it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also be satisfied the function has adequate standing within the Manager's organisation and is free from restrictions.

8.5.3 review and assess the Manager's annual internal audit plan where relevant to the Company.

8.5.4 review biannual reports on the Company from the Manager's internal audit function.

8.5.5 review and monitor the Manager's responsiveness to the findings and recommendations of the internal audit function.

8.5.6 meet, separately, a senior member of the Manager's internal audit department at least once a year to discuss their remit and any issues arising from the internal audits carried out. In addition, the senior member of the Manager's internal audit function shall be given the right of direct access to the Chairman of the Board and Chairman of the Committee; and

8.5.7 consider annually the need for the Company to have its own internal audit function.

### *8.6 External Audit*

The Committee shall

8.6.1 consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for a new external auditor and if an external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required

8.6.2 at least once every ten years put the audit services contract out to tender and/or change the external auditor in accordance with relevant regulations, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.

8.6.3 oversee the relationship with the external auditor including (but not limited to)

8.6.3.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted

8.6.3.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit

8.6.3.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services

8.6.3.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business)

8.6.3.5 based on disclosures by the external auditor in the audit planning report for the annual audit, monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements

8.6.3.6 consider annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include the FRC's annual audit quality inspection report with regard to the external auditor; and

8.6.3.7 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

8.6.4 communicate regularly with the external auditor, including once before the audit (Chairman) and once after the audit at the reporting stage (Committee). The Committee shall meet the external auditor at least once a year, without the Manager being present, to discuss their remit and any issues arising from the audit

8.6.5 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team

8.6.6 review the external auditor's audit highlights report and their findings and recommendations. This shall include but not be limited to, the following

8.6.6.1 a discussion of any major issues which arose during the audit.

8.6.6.2 any accounting and audit judgements.

8.6.6.3 levels of errors identified during the audit.

8.6.6.4 review the Manager's response to recommendations by the external auditor

The Committee shall also

8.6.7 review any representation letter(s) requested by the external auditor before it (they) are signed by the Board.

8.6.8 review the external auditor's management letter and their findings and recommendations.

8.6.9 set and apply a policy on the supply of non-audit services by the external auditor, which are not prohibited by law, including assessing:

8.6.9.1 threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the external auditor's independence and objectivity;

8.6.9.2 the nature of the non-audit services;

8.6.9.3 whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service; and

8.6.9.4 the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee, including special terms and conditions (for example, contingent fee arrangements).

8.6.9.5 that the provision by the external auditor of any non-audit services is restricted to matters which are both preapproved and routine in nature .

## **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 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 paragraph 8.1.1) and how these were addressed;

9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.6.3.6) and its recommendation on the appointment or reappointment of the 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 report. The report should include –

- 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 external audit partner, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
- 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;
- and all other information requirements set out in the Code.

9.4 In compiling the reports referred to in paragraphs 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 in relation to each half-yearly and annual report and whether the Company is viable in relation to each annual report. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

## **10. Engagement of Manager**

The Committee shall

10.1 monitor and evaluate the Manager's investment performance and, if necessary, provide appropriate guidance

10.2 consider the merit of obtaining, on a regular basis, an independent appraisal of the manager's services

10.3 review, in relation to the Manager, the level and method of remuneration, the basis of any performance fee and the notice period. The Board shall give due weight to the competitive position of the Company against the peer group; and

10.4 put in place procedures by which the Board reviews not less than annually the continued retention of the Manager's services and the terms of that engagement and consider the rationale for this decision as it is disclosed in the annual director's report

10.5 consider whether the annual fee should be based on gross assets, net assets or market capitalisation.

## **11. Other matters**

The Committee shall

11.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required

11.2 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

11.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as appropriate

11.4 oversee any investigation of activities which are within its terms of reference

11.5 work and liaise with all Board Committees

11.6 arrange for periodic reviews of its own performance, 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

## **12. Authority**

The Committee is authorised

12.1 to seek any information it requires from the Manager order to perform its duties

12.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference

12.3 to call any representative of the Manager to be questioned at a meeting of the Committee as and when required

12.4 to 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.

\* UK Corporate Governance Code provision C.3.1 stipulates that in smaller companies (defined as those below the FTSE 350 throughout the year immediately prior to the reporting year) the Chairman of the Company may be a member of, but not chair, the Committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as Chairman of the Board of the Company.

Accordingly, the Directors have agreed that, given the Board's size and common membership of Directors between the Board and Audit Committee, the Chairman of the Company may remain a member of the Audit Committee.

Last reviewed on **16 April 2019** (updated for the April 2016 FRC 'Guidance on Audit Committees', July 2018 FRC 'UK Corporate Governance Code' (the 'Code') and September 2014 FRC 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting').