

**ABERDEEN EMERGING MARKETS INVESTMENT COMPANY LIMITED**  
**(the “Company”)**

**AUDIT COMMITTEE (the “Committee”)**

**Terms of Reference**

(adopted 3 October 2019)

There shall be established a Committee of the Board, duly constituted in accordance with Article 35.7 of the Company’s Articles of Association, to be known as the Audit Committee.

**Membership**

The Audit Committee shall consist of at least two members. All members of the Committee shall be independent non-executive Directors at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the investment company sector. The Chairman of the Board shall not be a member of the Committee.

A quorum shall be two members of the Committee. 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.

The Chairman of the Committee shall be appointed by the Board. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

The Company Secretary shall act as Secretary to the Committee.

A representative of the external auditors and representatives of the Investment Manager, the Secretary, the UK Administration Agent and any Director who is not a member of the Committee shall be invited to attend meetings as appropriate.

**Authority**

The Committee is authorised to seek any information it requires from any Directors or employee of the Investment Manager, Secretary and UK Administration Agent and all such Directors and employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

**Frequency of Meetings**

The Committee shall meet at least twice a year at appropriate times in the Company’s reporting and auditing cycle and otherwise as requested. The external auditors or the Investment Manager may request a meeting if they consider it necessary.

The Chairman of the Committee may, and the Secretary on the requisition of any member of the Committee shall, convene a meeting of the Committee at any time.

The Secretary shall ensure that adequate notice of meetings together with an agenda of items to be discussed is given to each member of the Committee. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.

### **Minutes**

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute then accordingly.

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

### **Main role and responsibilities of the Committee**

#### **A. Internal Controls and Accounts**

The Committee shall:

- (i) review the company's internal financial controls and review the Company's internal control and risk management systems;
- (ii) keep under review the effectiveness of the financial reporting process;
- (iii) reasonably satisfy itself that such systems meet relevant legal and regulatory requirements and initiate further investigations as it sees fit as to the effectiveness of the systems of control;
- (iv) review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
- (v) 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 will be explained in the relevant section of the annual report;
- (vi) monitor the integrity of the financial statements of the Company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;
- (vii) review the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
- (viii) review the methods used to account for significant or unusual transactions where different approaches are possible;
- (ix) review whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (x) review the clarity of disclosure in the Company's financial reports and the context in which statements are made;

- (xi) review all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
- (xii) receive and consider an annual report from the Investment Manager confirming that the Company's affairs have been conducted in compliance with the regulations applying to it, and in adherence to the investment policy set out in the Prospectus; and
- (xiii) provide advice to the board 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.

**B. External Audit**

The Committee shall:

- (i) make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor. If the board does not accept the audit committee's recommendation, it will include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and will set out reasons why the board has taken a different position;
- (ii) The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (iii) oversee the relationship with the external auditor including (but not limited to):
  - (a) 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;
  - (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (c) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services; and
  - (d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and that Company (other than in the ordinary course of business).
- (iv) The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- (v) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

- (vi) review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
  - (a) a discussion of any major issues which arose during the audit,
  - (b) any accounting and audit judgements, and
  - (c) levels of errors identified during the audit;
- (vii) review the effectiveness of the audit and the performance of the external auditor;
- (viii) review any representation letter(s) requested by the external auditor before they are signed by the Board; and
- (ix) develop and implement policy on the engagement of the external auditor to supply non-audit services, taking 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. Any such services will be assessed on a case-by-case basis.

**C. Reporting Responsibilities**

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and take into account any matters within its terms of reference that may be brought to its attention by the Board.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee will be responsible for preparing a separate section of the Annual Report which will describe the work of the committee in discharging its responsibilities. This report will include:

- the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed;
- an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and
- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

**D. Other Matters**

The Committee shall:

- (i) have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;

- (ii) 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;
- (iii) give due consideration to laws and regulations, the provisions of the AIC Code of Corporate Governance and the AIC's Corporate Governance Guide endorsed by the Financial Reporting Council and the requirements of the Listing Rules, Prospectus Rules and Disclosure Rules and Transparency Rules of the Financial Conduct Authority in the UK as appropriate;
- (iv) oversee any investigation of activities which are within its terms of reference;
- (vi) at least once a year, review 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; and
- (vii) review with representatives of the Investment Manager, the Secretary, the UK Administration Agent and such other persons as it sees fit any matter within its terms of reference including matters of concern to the Investment Manager's internal audit or compliance departments.