

**TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE (THE "COMMITTEE")  
OF THE BOARD OF DIRECTORS (THE "BOARD")  
OF ABERDEEN NEW DAWN INVESTMENT TRUST PLC (THE "COMPANY")**

**1. Membership**

- 1.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination Committee in consultation with the chairman of the Audit and Risk Committee.
- 1.2 All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience ideally with a professional 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 shall not be a member of the Committee.
- 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 and necessary.
- 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 Committee chairman who shall be an independent non-executive director. 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.

**2. Secretary**

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**

The quorum necessary for the transaction of business shall be two members preferably at least one of these members should have the relevant 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**

The Committee shall meet at least two 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 five 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 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 other members of the Board unless it would be inappropriate to do so.

## **7. Annual General Meeting**

The Committee chairman should attend the annual general meeting to answer shareholder questions on the Committee's activities.

## **8. Duties**

The Committee should carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

### **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, 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 matters communicated to it by the auditor.
- 8.1.2 In particular, 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 clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
  - 8.1.2.5 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 and performance, business model and strategy.

### **8.3 Internal Controls and Risk Management Systems**

The Committee shall

- 8.3.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems
- 8.3.2 review and approve the statements to be included in the annual report concerning internal controls and risk management; and
- 8.3.3 review the operations and effectiveness of the administrators (BNP), custodians, registrar, savings plan administrators and other sub contractors providing services to the Company.

### **8.4 Compliance, Whistleblowing, Fraud & AML**

The Committee shall

- 8.4.1 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
- 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 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; and
- 8.4.5 review reports from the MLRO and the adequacy of AML systems of control

### **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 (noting that the Manager's group internal audit function is responsible for providing an independent assessment and assurance of its control environment including its risk control framework, and bases this on an independent audit plan which cyclically covers the entire group)
- 8.5.2 consider and approve the remit of the Manager's internal audit function and ensure 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 ensure the function has adequate standing within the Manager's organisation and is free from any constraints or restrictions placed on it by management or those charged with corporate governance
- 8.5.3 review and assess the Manager's annual internal audit plan
- 8.5.4 review reports addressed to the Committee from the Manager's internal audit function,
- 8.5.5 review and monitor the Manager's responsiveness to the findings and recommendations of their internal auditor

- 8.5.6 meet a representative from the Manager's internal audit team at least once a year to discuss their remit and any issues arising from the internal audits carried out.
- 8.5.7 review reports addressed to the Committee from the Manager's compliance function (noting that the Manager's group compliance department is responsible for monitoring its regulatory environment including compliance with regulations both in relation to its dual regulators, the FCA and PRA and the home regulator in those markets where the Manager operates a regulated entity).
- 8.5.6 consider annually whether there is a 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, 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. 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
- 8.6.2 oversee the relationship with the external auditor including (but not limited to)
  - 8.6.2.1 recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted
  - 8.6.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
  - 8.6.2.3 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
  - 8.6.2.4 considering the length of tenure and performance of the auditor and making recommendations to the Board as to whether a tender should be conducted
  - 8.6.2.5 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) which could adversely affect the auditor's independence and objectivity
  - 8.6.2.6 agreeing with the Board a policy on the employment by the Manager of former employees of the Company's auditor, then monitoring the implementation of this policy
  - 8.6.2.7 monitoring the external 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

- 8.6.2.8 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements, which shall include a report from the external auditor on their own internal quality procedures
  - 8.6.2.9 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
  - 8.6.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit
  - 8.6.4 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
  - 8.6.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following
    - 8.6.5.1 a discussion of any major issues which arose during the audit
    - 8.6.5.2 any accounting and audit judgements
    - 8.6.5.3 levels of errors identified during the audit
    - 8.6.5.4 the effectiveness of the audit process
- The Committee shall also
- 8.6.6 review any representation letter(s) requested by the external auditor before they are signed by the Board
  - 8.6.7 review the representation letter from the Manager and the Manager's response to the auditor's findings and recommendations
  - 8.6.8 develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required.

## **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 formally 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, having regard to matters communicated to it by the auditor;
- 9.1.2 an explanation of how the Committee has assessed the effectiveness of the external audit process (required under paragraph 8.6.2.8) and the approach taken to the appointment or reappointment of the 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; 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 produce a report on its activities to be included in the Company's annual report. The report should include:
    - 9.3.1 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;
    - 9.3.2 an explanation of how the Committee has addressed the independence and 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;
    - 9.3.3 if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded;
    - 9.3.4 where there is no internal audit function, the report should include an explanation for the absence, how internal assurance is achieved, and how this affects the work of the external auditor; and
    - 9.3.5 in the case of the Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment).
  - 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. 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. Other Matters

The Committee shall

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for 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
- 10.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate
- 10.4 oversee any investigation of activities which are within its terms of reference

- 10.5 work and liaise as necessary with all Board Committees; and
- 10.5 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.

## **11. Authority**

The Committee is authorised

- 11.1 to seek any information it requires from any employee of the Manager 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 it necessary to do so
- 11.3 to call any employee of the Manager to be questioned at a meeting of the Committee as and when required; and
- 11.4 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.

Last reviewed 10 June 2020.