

The Edinburgh Investment Trust plc ('the Company')

TERMS OF REFERENCE OF THE AUDIT COMMITTEE
('THE COMMITTEE')

1. Objective

- 1.1 The Committee shall support the Board in fulfilling its oversight responsibilities. It shall review and challenge, where necessary, the financial reporting process, the system of internal control and management of risks to the Company, the external audit processes, the Company's process for monitoring compliance with laws and regulations and its own terms of reference and whether there is a need for an internal audit. To perform his or her role effectively, each Committee member shall obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business, operations and risks.

2. Authority

- 2.1 The Committee should be provided with sufficient resources to undertake its duties. The Board authorises the Committee, within the scope of its responsibilities to seek any information it requires from any of the Company's service providers.
- 2.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference, up to a level of £10,000 on any subject or issue without Board approval.
- 2.3 The Committee may invite such other persons to attend its meetings, as it deems necessary.
- 2.4 The Committee shall, 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.

3. Organisation

Membership

- 3.1 The Committee members shall comprise all non-executive Directors, of which at least one shall have recent and relevant financial experience. At least one member must have competence in accounting or auditing, or both and the Committee as a whole should have competence relevant to the sector in which the Company operates. So long as members continue to be independent, the Committee shall not have a policy of tenure. Each member should bring an independent mind-set to the role and be capable of making a valuable contribution to the Committee.
- 3.2 The Board will appoint the Chair of the Committee. The Chair of the Board may be a member of the Committee but not its chair, provided he/she was independent upon appointment. In the absence of the Committee Chair and/or an appointed deputy, the remaining members shall elect one of themselves to Chair the meeting.
- 3.3 A quorum for any meeting of the Committee will 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.
- 3.4 The Company Secretary or their nominee shall act as the Secretary of the Committee.
- 3.5 Members shall 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.
- 3.6 The Committee should have access to the services of the Company Secretary on all Committee matters including:
- a) assisting the Chair in planning the Committee's work;
 - b) drawing up Committee meeting agendas;

- c) maintenance of minutes;
- d) drafting of material about its activities for the annual financial report;
- e) collection and distribution of information; and
- f) necessary practical support.

Administration of Meetings

- 3.7 Representatives of the external auditor, administrator, the Manager or Company Secretary will be invited to make presentations to the Committee as appropriate.
- 3.8 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 3.9 Meetings of the Committee shall be summoned by the Company Secretary of the Company at the request of any of its members or at the request of the external auditors if they consider it necessary. 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 and any other person required to attend, no later than five working days before the meeting.
- 3.10 The Company Secretary shall ascertain the existence of any conflicts of interest and minute them accordingly.
- 3.11 The Manager and Company Secretary shall ensure that the Committee is kept properly informed and should take the initiative in supplying information in a timely manner to enable full and proper consideration to be given to the issues.
- 3.12 The Company Secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all Directors within ten working days.
- 3.13 The Chair of the Committee should attend the Annual General Meeting (in their absence at least one other member of the Committee should attend) and be prepared to respond to shareholder questions on the Committee's activities.
- 3.14 Outside of the formal meeting programme, the Committee Chair shall maintain a dialogue with key individuals involved with the Company's governance.

4. Roles and Responsibilities

Financial Reporting

The Committee shall:

- 4.1 Review and challenge, where necessary, the actions and judgements of the Manager and Company Secretary, in relation to the Company's financial statements, including its annual and half-yearly reports, results announcements and any other formal announcement relating to its financial performance in order to ensure the integrity of the above are monitored.
- 4.2 In carrying out 4.1 above, particular attention shall be paid to:
 - a) critical accounting policies and practices and any changes in them;
 - b) decisions requiring a significant element of judgement;
 - c) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - d) the clarity of disclosures;
 - e) the going concern assumption and viability statement*;
 - f) compliance with accounting standards;
 - g) compliance with the Listing Rules and other legal requirements including The AIC Code of Corporate Governance; and
 - h) the section 172 Companies Act 2006 statement*
*applicable to annual reports only.

- 4.3 Meet with the Manager, Company Secretary and the external auditor to review the financial statements and the results of the audit.
- 4.4 Review the Annual Financial Report and advise the Board, where requested, on whether, taken as a whole, it is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

Internal Controls and Risk Management Systems

The Committee shall:

- 4.5 Review and challenge, where necessary, the effectiveness of the Manager, administrator and Company Secretary's internal controls and risk management systems and those of other service providers through review of their audited service organisation control reports where available, including in relation to detecting and preventing fraud and bribery.
- 4.6 Review the Company's Bribery Act Policy and register, and anti-tax evasion measures on an annual basis.
- 4.7 Monitor and review the policies, processes and reporting measures for all matters in relation to the adherence of the Company's service providers, including the Manager, to the Bribery Act 2010, Criminal Finances Act 2017 and the Modern Slavery Act 2015.
- 4.8 Review the appropriate statements to be included in the annual financial report concerning internal controls and risk management.
- 4.9 Consider how the Manager and Company Secretary ensure the security of computer systems and applications, and maintain contingency plans for processing financial information in the event of a systems breakdown.
- 4.10 Where requested by the Board, ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten the Company's business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks.
- 4.11 Regularly review the Company's Risk Control Summary and related Risk Control Matrix and, in light of this, also review the principal risks and uncertainties and long-term viability statement included in the annual financial report.
- 4.12 Review the Company's key service providers' arrangements, and the Manager's arrangements, for their employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

Internal Audit

The Committee shall:

- 4.13 Review the internal controls reports of the Company's service providers so far as it relates directly or indirectly to the Company, its operations or its support.
- 4.14 Gain an understanding of whether internal control recommendations made by the Company's service providers and the external auditor have been received and discussed on a timely basis and then implemented by the Company's service providers, where appropriate.
- 4.15 Make recommendations annually to the Board on whether an internal audit function is needed and, if appropriate, to explain the reasons for the absence of such a function in the Annual Report.

External Audit

The Committee shall:

- 4.16 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.

- 4.17 Assess the appropriateness of putting the audit out to tender, taking into account relevant UK law, regulation, professional requirements and market practice, and conduct the tender process.
- 4.18 Approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided.
- 4.19 Assess the qualification, expertise and resources, effectiveness and independence of the external auditor annually.
- 4.20 Review the nature and scope of the audit before the audit commences.
- 4.21 Review and approve the Directors' letter of representation.
- 4.22 Review the findings of the audit with the external auditor, including:
 - a) any major issues that arose during the audit;
 - b) key accounting and audit judgements; and
 - c) levels of errors identified during the audit.
- 4.23 Assess, at the end of the audit cycle, the effectiveness of the external audit process by:
 - a) reviewing whether the external auditor has met the agreed audit plan;
 - b) considering the robustness and perceptiveness of the external auditors in their handling of key accounting and audit judgements identified; and
 - c) obtaining feedback about the conduct of the audit from key people involved.
- 4.24 Develop and recommend to the Board the Company's policy on non-audit services and ensure the provision of non-audit services does not impair the external auditor's independence or objectivity.
- 4.25 Consider the risk of the withdrawal of the Company's external auditor from the market in risk evaluation and planning.
- 4.26 Meet the external auditor, without management, to discuss matters relating to the Committee's remit and any issues arising from the audit.
- 4.27 If the external auditor resigns, investigate the issues giving rise to such resignation and consider whether any action is required.

Reporting Responsibilities

- 4.28 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall:

- 4.29 Make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed.
- 4.30 Compile a report to shareholders on its activities to be included in the annual financial report which describes the work of the Committee including:
 - a. the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed;
 - b. an explanation of how it has assessed the independence and 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, when a tender was last conducted and advance notice of any retendering plans;
 - c. 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);

- d. if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded; and
- e. if an audit tender is proposed, details of the audit tender process.

Other Responsibilities

The Committee shall:

- 4.31 Give due consideration to laws and regulations, the provisions of The AIC Code of Corporate Governance and the requirements of the FCA's Prospectus Regulation Rules and Disclosure, Guidance and Transparency Rules as appropriate.
- 4.32 Perform other oversight functions as requested by the Board (e.g. consider the way in which the management fee has been calculated and charged).

Approved by the Committee on 7 February 2023